

Charter Review Commission Unrestricted Funds





Unrestricted Funds

- What are unrestricted funds? Unrestricted funds are equity in pooled cash and investments that can be used for any utility purpose. They are essentially liquid cash.
- How does FPUA utilize unrestricted cash? FPUA uses unrestricted cash as day to day operating funds and other purposes as needed. For example, Hurricane IRMA restoration costs (\$1.4M) came out of unrestricted funds. PCA/PGA comes out of unrestricted funds
- How much does FPUA have in unrestricted funds? Latest audited figure is ~\$25M



FPUA Responsibilities

- By Charter FPUA “shall have all the powers and duties possessed by the city to construct, acquire, expand and operate utility systemsto operate maintain, enlarge, extend, preserve, and promote an orderly, economic and businesslike administration of utility systems.”
- FPUA is responsible “for the development, production, purchase and distribution of all electricity, gas, water, sanitary sewer collection and disposal....
- No other specific responsibilities are identified.



Uses of Unrestricted Funds

- Can unrestricted funds be used for non-utility purposes? According to our Bond attorney, the answer is NO.
- “Pursuant to section 3.03(b)(11) of the resolution, all such excess and accumulated revenue (unrestricted cash).....shall be used for any lawful system purpose”.
- Use of unrestricted funds for non-utility purposes would result in bond default



Working Capital Requirements

- From the GFOA Best Practice “Working Capital Targets for Enterprise Funds” the baseline recommendation is 90 days of working capital
- 90 days of operating expenses is (@\$203K/day) = \$18.6M
- Best Practice recommends making adjustments based on factors such as:
 - Support from general government
 - Cash cycles
 - Control over rates and revenues
 - Debt position
 - Transfers out
 - Customer concentration
 - Asset age
 - Control over expenses

Adjustments to Working Cash

- Support from general government +
- Transfers out +
- Cash cycles +
- Customer concentration neutral
- Control over rates and revenues +
- Asset age +
- Debt position -
- Control over expenses +

+ adds days to working capital

- Subtracts days from working capital

Neutral, no effect on working capital

Adjustments to Working Capital (Cont'd)

- Evaluating potential adjustments:
 - City Distribution (non-operating expense) \$5.8M
 - PCA/PGA over-recovery ~\$3.5M

Just these two items would add \$9.3M to working capital requirements

Total working capital = \$18.6M + \$9.3M = ~\$28M

From a sound fiscal standpoint FPUA's working capital should be at least to the \$28M level

Our current level of unrestricted funds (unaudited) is ~\$ 26.7M (9/30/17)