



City of Gainesville
CITY COMMISSION SPECIAL MEETING
AGENDA

Wednesday, February 28, 2024, 1:00 p.m.

City Hall Auditorium
200 East University Avenue
Gainesville, FL 32601

Commission Members

Mayor Harvey L. Ward, Jr.
Mayor Pro Tempore Cynthia Moore Chestnut (At Large, Seat B)
Desmon Duncan-Walker (District 1)
Reina Saco (At Large, Seat A)
Ed Book (District 2)
Casey Willits (District 3)
Bryan Eastman (District 4)

The City Commission makes policy and conducts City business in an open forum. For information on how to attend the meeting and submit public comment, visit the City [Agendas & Meetings website](#).

Neighbors are welcome to attend meetings in person. Seating capacity may be limited. Fill out a comment card and give it to the meeting clerk to request to speak. Speakers will be called to share their comments in the order of sign-up.

The City Hall Auditorium and Roberta Lisle Kline Conference Room are equipped with hearing loop assistive listening systems. When using your own hearing aid, you must switch your device to Telecoil or "T" mode. If your hearing aid does not have a Telecoil mode, broadcast staff can provide a headset.

If you have a disability and need accommodation in order to participate in this meeting, please contact the Office of Equity and Inclusion at (352) 334-5051 at least two business days in advance. TTY (Text Telephone Telecommunication Device) users please call 711 (Florida Relay Service). For Speech to Speech (STS) relay, please call 1-877-955-5334. For STS Spanish relay, please call 1-877-955-8773. For STS French Creole relay, please call 1-877-955-8707.

A. CALL TO ORDER

Agenda Statement: The City of Gainesville encourages civil public speech. The Gainesville City Commission expects each person entering this chamber to treat others with respect and courtesy. Speakers are expected to focus on agenda items under discussion and avoid personal attacks or offensive comments. Threatening language is not allowed. Anyone who repeatedly disrupts the proceedings will be asked to leave. Signs, props, posters, food and drink should be left outside the auditorium.

B. ADOPTION OF THE AGENDA

C. BUSINESS DISCUSSION ITEMS

1. 2024-184 Discussion Item – Power District (B)

Department: Office of the City Commission

Fiscal Note: No fiscal impact at this time.

2. 2024-182 Discussion Item - Government Services Contribution (B)

Department: Office of the City Commission

Fiscal Note: No fiscal impact at this time.

D. ADJOURNMENT



City of Gainesville Agenda Item Report

File Number: 2024-184

Agenda Date: February 28, 2024

Department: Office of the City Commission

Title: 2024-184 Discussion Item – Power District (B)

Department: Office of the City Commission

Fiscal Note: No fiscal impact at this time.

Strategic Connection:

- ☐ Goal 1: Equitable Community
- ☐ Goal 2: More Sustainable Community
- ☐ Goal 3: A Great Place to Live and Experience
- ☐ Goal 4: Resilient Local Economy
- ☒ Goal 5: “Best in Class” Neighbor Services

Power District

Feb. 28, 2024



- History
- Property Overview
 - Total Acreage
 - Conditions
 - Value
- Disposition Options
- Recommendation






History

- 2011 GRU Operations relocated to the EOC
- Vacated approximately 17 acres downtown (south and east of the GRU Administration Building)
- At that time, at the direction of the City Commission, CRA (now Gainesville Community Reinvestment Area) led the effort to liquidate the property, emphasizing redevelopment.

Power District Boundary

 Power District expanded boundary (~24 acres)





Property Overview

- Approximately 24 Acres
- Minimal environmental concerns and restrictions
 - (creek, transmission line, and existing utilities set backs; power plant disclosures, monitoring wells, etc.)
- 2023 Appraised Value approx. \$22 million



Disposition Options

- **Sell “As-Is”**
 - Power District Boundary
 - RFP process to select real estate brokerage firm
 - Market available parcels according to appraisal suggestion for highest & best use
- **Plat & Sell Individual Lots**
 - Follow Power District plat concept
 - RFP process to select real estate brokerage firm
 - Complete re-plat process & market new lots



Current Status

Issued a Request for Proposal (RFP) for a real estate brokerage firm to:

- Provide guidance for identifying the most advantageous method of liquidating the property;
- Upon approval of methodology, provide services necessary to market and sell the property;
- Determine if space-needs assessment is needed for operations currently housed in the Administration Building

- Evaluate results of RFP
- Bring recommendation to Authority



City of Gainesville Agenda Item Report

File Number: 2024-182

Agenda Date: February 28, 2024

Department: Office of the City Commission

Title: 2024-182 Discussion Item - Government Services Contribution (B)

Department: Office of the City Commission

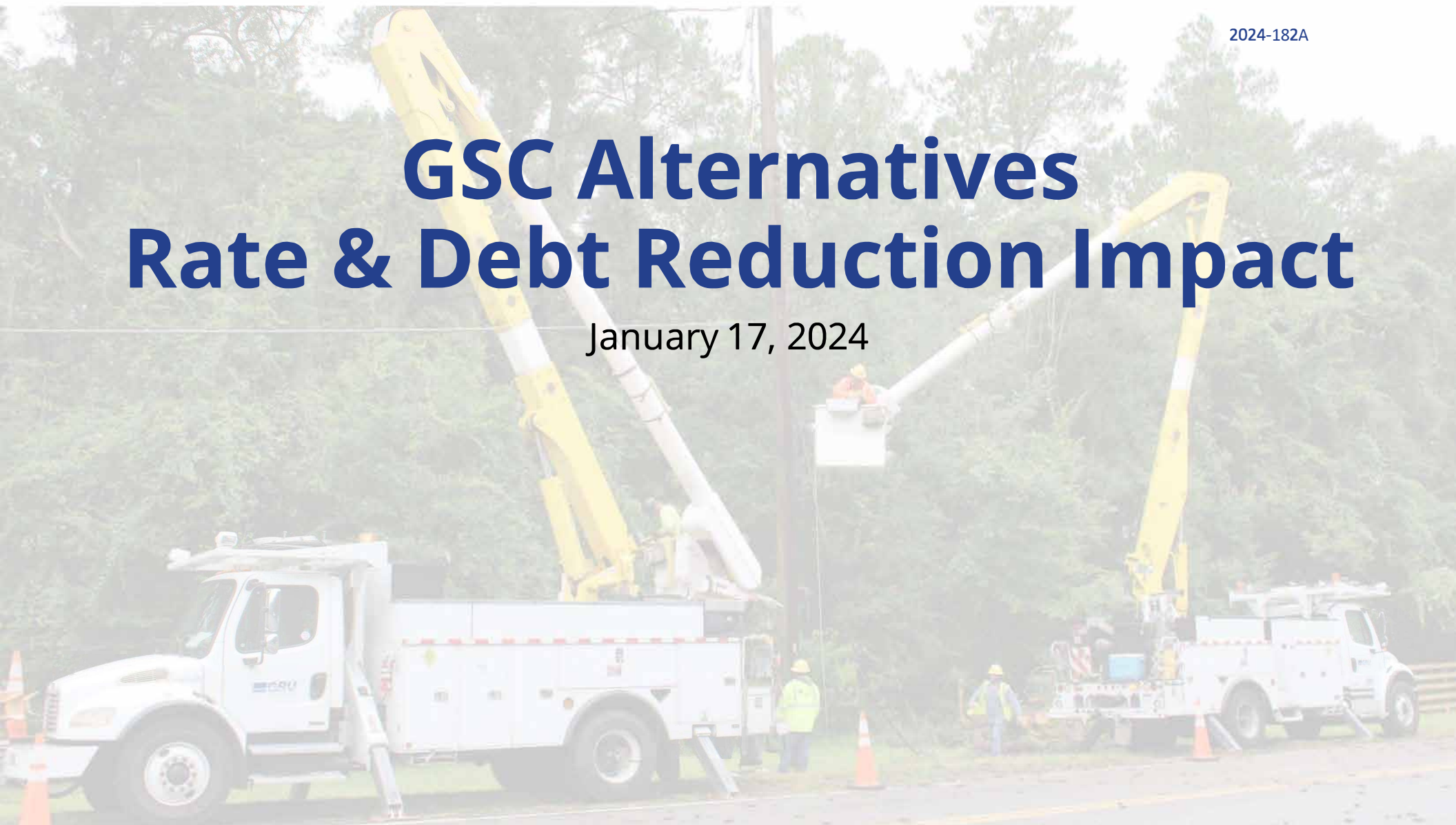
Fiscal Note: No fiscal impact at this time.

Strategic Connection:

- ☐ Goal 1: Equitable Community
- ☐ Goal 2: More Sustainable Community
- ☐ Goal 3: A Great Place to Live and Experience
- ☐ Goal 4: Resilient Local Economy
- ☒ Goal 5: "Best in Class" Neighbor Services

GSC Alternatives Rate & Debt Reduction Impact

January 17, 2024



Impact on Base Rates and Debt Reduction

- The Authority requested an analysis as to how savings from potential reductions to the Government Services Contribution might impact GRU's base rate structure
- Currently the following base rate increases are incorporated in GRU financial forecasts

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	3.00%	3.00%	3.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Water	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Wastewater	5.00%	5.00%	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Impact on Base Rates and Debt Reduction

- Under the current rate structure, projected reserves compared to target reserve levels at FYE 34 are as follows:

	Projected Reserves	Target Reserves	Difference
Electric	123,084,229	84,251,248	38,832,981
Water	(61,442,639)	7,260,431	(68,703,070)
Wastewater	(13,031,057)	8,924,279	(21,955,336)
Gas	24,168,920	6,655,395	17,513,525
GRUCom	441,017	2,873,920	(2,432,903)
Totals	73,220,470	109,965,273	(36,744,803)

- An update of the Cash Balance Policy is in progress. This update will likely result in increased reserve targets.

GSC Alternatives

Impact on Base Rates and Debt Reduction

- Staff examined several alternative structures – eliminating the GSC completely and reducing the GSC by \$7.8 million per year, and using:
 - Half of the savings to reduce debt and half to reduce rates and
 - All of the savings to reduce rates
- The following assumptions were utilized in the analysis:
 - Rate structures had to produce projected reserves equal to targets by system as of FYE34
 - Rate changes were applied uniformly among classes – residential, non-residential etc.
 - Actual rate changes implemented by class will be impacted by the results of the external cost of service study due to be completed in February 2024

GSC Alternatives

Combined Bill Impact: Eliminate GSC Half of the Savings to Rates and Half to Debt Reduction

ELIMINATE GSC

	Combined Standard Residential Bill									
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Current										
Electric	148.90	152.17	155.53	155.53	155.53	155.53	155.53	155.53	155.53	155.53
Water	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94
Wastewater	65.05	68.30	71.71	71.71	71.71	71.71	71.71	71.71	71.71	71.71
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	283.13	289.65	296.42	296.42	296.42	296.42	296.42	296.42	296.42	296.42
Eliminate GSC										
Electric	145.73	145.73	146.74	148.87	151.01	151.1	152.14	152.14	152.14	152.14
Water	31.57	32.20	32.83	33.48	34.12	35.14	36.17	37.28	38.40	39.53
Wastewater	61.95	63.81	65.74	67.68	69.03	71.13	73.24	75.43	77.7	80.05
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	277.49	279.98	283.55	288.27	292.40	295.61	299.79	303.09	306.48	309.96
Difference										
Electric	(3.17)	(6.44)	(8.79)	(6.66)	(4.52)	(4.43)	(3.39)	(3.39)	(3.39)	(3.39)
Water	0.63	1.26	1.89	2.54	3.18	4.20	5.23	6.34	7.46	8.59
Wastewater	(3.10)	(4.49)	(5.97)	(4.03)	(2.68)	(0.58)	1.53	3.72	5.99	8.34
Gas	-	-	-	-	-	-	-	-	-	-
Bill (reduction) increase	(5.64)	(9.67)	(12.87)	(8.15)	(4.02)	(0.81)	3.37	6.67	10.06	13.54

GSC Alternatives

Combined Bill Impact: \$7.8M GSC Reduction/Year Half of the Savings to Rates and Half to Debt Reduction

REDUCE GSC BY 7.8M/YR

Combined Standard Residential Bill

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Current										
Electric	148.90	152.17	155.53	155.53	155.53	155.53	155.53	155.53	155.53	155.53
Water	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94
Wastewater	65.05	68.30	71.71	71.71	71.71	71.71	71.71	71.71	71.71	71.71
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	283.13	289.65	296.42	296.42	296.42	296.42	296.42	296.42	296.42	296.42
Reduce GSC by 7.8M/yr										
Electric	145.73	147.84	148.94	150.07	152.29	153.42	153.42	153.42	154.54	154.54
Water	31.57	32.20	33.17	34.15	35.52	36.60	37.72	38.85	40.02	41.24
Wastewater	61.95	63.81	65.74	68.36	71.06	73.92	76.87	79.15	81.51	83.95
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	277.49	282.09	286.09	290.82	297.11	302.18	306.25	309.66	314.31	317.97
Difference										
Electric	(3.17)	(4.33)	(6.59)	(5.46)	(3.24)	(2.11)	(2.11)	(2.11)	(0.99)	(0.99)
Water	0.63	1.26	2.23	3.21	4.58	5.66	6.78	7.91	9.08	10.30
Wastewater	(3.10)	(4.49)	(5.97)	(3.35)	(0.65)	2.21	5.16	7.44	9.80	12.24
Gas	-	-	-	-	-	-	-	-	-	-
Bill (reduction) increase	(5.64)	(7.56)	(10.33)	(5.60)	0.69	5.76	9.83	13.24	17.89	21.55

GSC Alternatives

Bill Impact: Eliminate GSC – All Savings Towards Rates

ELIMINATE GSC - ALL SAVINGS TOWARD RATES

	Combined Standard Residential Bill									
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Current										
Electric	148.90	152.17	155.53	155.53	155.53	155.53	155.53	155.53	155.53	155.53
Water	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94
Wastewater	65.05	68.30	71.71	71.71	71.71	71.71	71.71	71.71	71.71	71.71
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	283.13	289.65	296.42	296.42	296.42	296.42	296.42	296.42	296.42	296.42
Eliminate GSC										
Electric	145.73	145.73	145.73	145.73	145.73	145.73	145.73	145.73	145.73	145.73
Water	30.94	30.94	31.57	32.20	32.84	33.82	34.84	35.87	36.60	36.98
Wastewater	61.95	63.81	65.74	67.08	68.43	69.78	71.21	71.89	72.64	74.08
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	276.86	278.72	281.28	283.25	285.24	287.57	290.02	291.73	293.21	295.03
Difference										
Electric	(3.18)	(6.44)	(9.81)	(9.81)	(9.81)	(9.81)	(9.81)	(9.81)	(9.81)	(9.81)
Water	-	-	0.63	1.26	1.90	2.88	3.90	4.93	5.66	6.04
Wastewater	(3.10)	(4.49)	(5.97)	(4.63)	(3.28)	(1.93)	(0.50)	0.18	0.93	2.37
Gas	-	-	-	-	-	-	-	-	-	-
Bill (reduction) increase	(6.28)	(10.94)	(15.15)	(13.18)	(11.19)	(8.86)	(6.41)	(4.69)	(3.22)	(1.40)

GSC Alternatives

Bill Impact: \$7.8M Reduction in GSC – All Savings Towards Rates

REDUCE GSC BY 7.8M/YR - ALL TOWARDS RATES

	Combined Standard Residential Bill									
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Current										
Electric	148.90	152.17	155.53	155.53	155.53	155.53	155.53	155.53	155.53	155.53
Water	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94
Wastewater	65.05	68.30	71.71	71.71	71.71	71.71	71.71	71.71	71.71	71.71
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	283.13	289.65	296.42	296.42	296.42	296.42	296.42	296.42	296.42	296.42
Reduce GSC by 7.8M/yr										
Electric	145.73	147.84	148.94	150.07	150.07	151.19	152.32	152.32	153.44	154.57
Water	30.94	31.86	32.83	33.81	34.83	35.86	36.94	37.68	38.81	39.98
Wastewater	65.07	68.35	71.8	71.8	71.8	71.8	71.8	71.8	71.8	71.8
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	279.98	286.29	291.81	293.92	294.94	297.09	299.30	300.04	302.29	304.59
Difference										
Electric	(3.18)	(4.33)	(6.59)	(5.46)	(5.46)	(4.34)	(3.21)	(3.21)	(2.09)	(0.96)
Water	-	0.92	1.89	2.87	3.89	4.92	6.00	6.74	7.87	9.04
Wastewater	0.02	0.05	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Gas	-	-	-	-	-	-	-	-	-	-
Bill (reduction) increase	(3.16)	(3.36)	(4.61)	(2.50)	(1.48)	0.67	2.88	3.62	5.87	8.17

GSC Alternatives

Impact on Base Rates and Debt Reduction Debt to Capitalization Impact

	Debt to Capitalization Ratio @ FYE33	Projected Net Debt Reduction FYE22 - FYE33
Current	71.03%	387,760,000
Eliminate GSC	66.73%	461,854,619
Reduce GSC by \$7.8M/yr	68.99%	422,860,260

Impact on Debt Service from Rating Upgrade

- Before enacting a ratings upgrade, rating agencies will need to observe from GRU:
 - Continuous, recurring improvement in financial metrics
 - Demonstrated stability in governance structure
- The impact on GRU's debt service cost as estimated by our financial advisor PFM LLC
 - On variable rate debt, 10 basis points or ~\$590,000 per year in savings
 - On fixed rate debt, for every \$100M in new money ~ \$150,000 in annual savings

GSC Alternatives

- The new law states that the Authority and CEO/GM, in making all policy and operational decisions over the affairs of the utility system, must follow pecuniary factors and utility best practices which solely further the fiscal and financial benefit of the utility system and customers.
- Financial benefits to the utility focus on debt defeasance and long-term certainty
- Customer benefits focus on stabilizing rates
- Policy direction from Board
 - Level of GSC
 - Cost savings dedicated to debt defeasance
 - Cost savings dedicated to rate relief

GFT Payments Last 5 Years	
FY19	38,285,000
FY20	38,285,000
FY21	38,285,000
FY22	36,283,000
FY23	34,283,000
FY24	15,305,225

GSC Alternatives

- Alternative 1: Reduce the GSC by \$7.8 million per year, and use half the resulting savings to reduce debt and half to reduce rates
 - Provides additional cost savings to be dedicated to rate relief and debt reduction
 - Financial benefit to utility and customers
 - Impacts and unintended consequences from City Commission actions uncertain

GSC Alternatives

- Alternative 2: To maximize the financial benefit to GRU, reduce the GSC to zero, and use half of the resulting savings to reduce debt and half to reduce rates
 - Maximizes cost savings and benefits GRU by providing additional cost savings to be dedicated to rate relief and debt reduction
 - Financial benefit to utility and customers
 - Impacts and unintended consequences from City Commission actions uncertain

GSC Alternatives

- Multiple Alternatives:
 - Various reductions of the GSC, and use half of the resulting savings to reduce debt and half to reduce rates
 - Various reductions of the GSC, and greater focus on debt reduction or greater focus on rate relief
- CEO/GM focus:
 - Debt relief for long-term stability and benefit to customer
 - Stabilizing electric rates

APPENDIX



GSC Alternatives

Impact on Base Rates and Debt Reduction: Eliminate GSC Completely

- Under these constraints, eliminating the GSC completely resulted in the following base rate structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	0.00%	0.00%	1.00%	2.00%	2.00%	0.00%	1.00%	0.00%	0.00%	0.00%
Water	2.00%	2.00%	2.00%	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Wastewater	0.00%	3.00%	3.00%	3.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

- Below is the difference in rates by year and by system compared to the current structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	-3.00%	-3.00%	-2.00%	2.00%	2.00%	0.00%	1.00%	0.00%	0.00%	0.00%
Water	2.00%	2.00%	2.00%	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Wastewater	-5.00%	-2.00%	-2.00%	3.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

NOTE: (1) Under the current rate structure, the Water and Wastewater Systems are forecast to have negative reserve balances at FYE34 and (2) Reserve and rate projections include allocation of projected GRUCom losses

GSC Alternatives

Impact on Base Rates and Debt Reduction: \$7.8 Million Reduction /Year in GSC

- Reducing the GSC by \$7.8 million per year resulted in the following base rate structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	0.00%	2.00%	1.00%	1.00%	2.00%	1.00%	0.00%	0.00%	1.00%	0.00%
Water	2.00%	2.00%	3.00%	3.00%	4.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Wastewater	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	4.00%	4.00%	3.00%	3.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

- Below is the difference in rates by year and by system compared to the current structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	-3.00%	-1.00%	-2.00%	1.00%	2.00%	1.00%	0.00%	0.00%	1.00%	0.00%
Water	2.00%	2.00%	3.00%	3.00%	4.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Wastewater	-5.00%	-2.00%	-2.00%	3.00%	3.00%	3.00%	4.00%	4.00%	3.00%	3.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

GSC Alternatives

Impact on Base Rates and Debt Reduction Eliminate GSC Completely – All Savings to Rates

- Under these constraints, eliminating the GSC completely resulted in the following base rate structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Water	0.00%	0.00%	2.00%	2.00%	2.00%	3.00%	3.00%	3.00%	2.00%	1.00%
Wastewater	0.00%	3.00%	3.00%	2.00%	2.00%	2.00%	2.00%	1.00%	1.00%	2.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

- Below is the difference in rates by year and by system compared to the current structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	-3.00%	-3.00%	-3.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Water	0.00%	0.00%	2.00%	2.00%	2.00%	3.00%	3.00%	3.00%	2.00%	1.00%
Wastewater	-5.00%	-2.00%	-2.00%	2.00%	2.00%	2.00%	2.00%	1.00%	1.00%	2.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

NOTE: (1) Under the current rate structure, the Water and Wastewater Systems are forecast to have negative reserve balances at FYE34 and (2) Reserve and rate projections include allocation of projected GRUCom losses

GSC Alternatives

Impact on Base Rates and Debt Reduction \$7.8 Million Reduction /Year in GSC – All Savings to Rates

- Reducing the GSC by \$7.8 million per year resulted in the following base rate structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	0.00%	2.00%	1.00%	1.00%	0.00%	1.00%	1.00%	0.00%	1.00%	1.00%
Water	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.00%	3.00%	3.00%
Wastewater	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

- Below is the difference in rates by year and by system compared to the current structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	-3.00%	-1.00%	-2.00%	1.00%	0.00%	1.00%	1.00%	0.00%	1.00%	1.00%
Water	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.00%	3.00%	3.00%
Wastewater	-5.00%	-2.00%	-2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



Thank you



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General Policy Committee

Debt Reduction, Targeted Capitalization Rates, and Proposed Government Services Contribution (GSC) Formula

APRIL 13, 2023



Debt Reduction, Target Capitalization Rates, and Proposed Government Services Contribution (GSC) Formula

METRIC	TYPE OF METRIC	TARGET	FORMULA	ANALYSIS
Days Cash on Hand	Liquidity	250 days	(Available Cash/Net Operating Expenses) X 365 Available cash = unrestricted cash + cash equivalents + investments unencumbered by legal or policy restrictions. Net operating expenses = O & M expenses - depreciation and non-cash items.	Measures the number of days GRU can pay daily operation & maintenance costs from available cash before running out of funds.
Days Liquidity	Liquidity	300 days	(Available Cash + Liquidity/Net Operating Expenses) X 365 Liquidity is defined as available cash + available lines of credit + authorized but unissued commercial paper lines.	Measures the number of days GRU can pay daily operation & maintenance costs before exhausting its liquidity.
Debt Service Coverage	Coverage	1.7 X debt service	Net Revenues/Debt Service Net revenues = operating revenues - operating expenses + interest income. Debt service = annual debt service expense.	Measures GRU's available cash flow to pay current debt obligations. It assesses financial security and ability to meet legal debt obligations.
Coverage of Fixed Obligations	Coverage	1.3 X fixed obligations	Adjusted Funds Available for Debt Service/Annual Debt Service Funds Available for Debt Service (FADS) = operating income + depreciation expense + transfers to RSF + Build America Bonds federal payments + interest income. Adjusted FADS = FADS - GFT + Adjustments for purchased power	Measures GRU's available cash flow to pay fixed obligations, including "debt-like" obligations such as purchased power agreements. It assesses GRU's financial security and ability to meet debt and other long-term contractual obligations.
Debt to Capitalization	Capital Structure	70%	Total Debt/Capitalization Total debt = amount of principal outstanding at the end of the measurement period. Capitalization = total debt + net position.	One measure of system leverage at a point in time, that accounts for the historical financial of the firm over time (profits)
Leverage	Capital Structure	8 X debt service	Net Adjusted Debt/Adjusted Funds Available for Debt Service Net adjusted debt = outstanding principal + unamortized bond premium + pension liability + purchased power adjustment - available cash (operating fund, rate stabilization fund, UPIF, and debt service fund cash & investments). Adjusted FADS for leverage = to adjusted FADS for coverage of full obligations + pension expense.	An additional measure of system leverage. It gauges outstanding debt principal compared to the cash flow available to service that debt.
Capex vs Depreciation	Operations and Maintenance	1 X depreciation expense	Annual Capital Spending/Annual Depreciation Expense Annual capital spending = capital expense at the end of the measurement period. Annual depreciation expense = depreciation expense for the measurement period	Measures whether capital investments are keeping pace with the aging of GRU's infrastructure.
Accumulated vs Annual Depreciation	Operations and Maintenance	15 years	Accumulated Depreciation/Annual Depreciation Expense Accumulated depreciation expense = inception to date depreciation expense.	Measures whether capital investments are keeping pace with the aging of GRU's infrastructure.
Book Value vs Annual Depreciation	Operations and Maintenance	15 years	Net Property, Plant and Equipment/Annual Depreciation Expense Net property, plant and equipment = total capital assets - accumulated depreciation Annual depreciation expense = depreciation expense for the measurement period	Measures whether capital investments are keeping pace with the aging of GRU's infrastructure.

- City Commission approved 70% as the target Debt to Capitalization Rate as part of the October 2022 amendments to the GRU Debt Management Policy
- The 70% target was acknowledged as a stretch goal for the utility as the current capitalization rate is ~ 87%



Debt Reduction, Target Capitalization Rates, and Proposed GSC Formula

CURRENT CAPITALIZATION RATE @ FYE22	PROJECTED CAPITALIZATION RATE 2033: STATUS QUO	TARGET CAPITALIZATION RATE
86.99%	82.10%	70.00%

- Currently projected net debt reduction to reach 82.1% target capitalization through 2033 is \$91 million (requires scheduled base rate increases and current GSC reductions)
- Additional net debt reduction required to reach 70% target capitalization rate is \$224 million
- Total net debt reduction required to meet 70% (current plus additional) is \$315 million
- Additional annual resources required to be applied to debt reduction to reach target capitalization rate \$22.4 million

Target reduction
date 2033

Current Net Debt FYE22	\$ 1.612 B	Capitalization Rate 86.99%
Projected Net Debt Target to hit 70% Capitalization Rate	\$ 1.297 B	
Reduction in Net Debt Required to hit Target	\$ 315 M	
Current Projected Principal Paydown through 2033	\$ 91 M	82.10%
Additional Paydown Required to Reach Target	\$ 224 M	70.00%



Debt Reduction, Target Capitalization Rates, and Proposed GSC Formula

- Auditor General's Finding #2
 - The City had not established a reasonable and consistent methodology for determining the amount of the annual transfer from GRU to the City's General Fund considering GRU's long-term ability to pay.



Debt Reduction, Target Capitalization Rates, and Proposed GSC Formula

- Auditor General's Report – Finding #2
 - Cited the Current Transfer was not based on a formula
 - Transfer has been more than the Utility earned
- Principals in Development of the Formulaic Approach to the Contribution
 - The Formula should be able to be reduced to writing
 - The Contribution should be representative of a specific revenue stream
 - The Contribution should have a limit with a relationship to net “income”
 - The components of the formula should be both repeatable and identifiable
 - The Contribution should be a plannable component of the each entities budget processes
 - The Contribution should include a component identifying allowed uses for net income above the Contribution
 - The Contribution should be sustainable



Debt Reduction, Target Capitalization Rates, and Proposed GSC Formula

- Formula Methodology Intended to Represent Property Tax plus Franchise Fee Contribution
 - Property Tax Calculation Component
 - Formula will use the Total Insured Values included in the most recent Property Insurance Policy (FY 23 in the initial) discounted to 70% of Total Insured Values
 - Franchise Fee Component
 - Electric System Revenues Less Fuel and RSF Transfers – Uses a 5% Franchise Fee
 - Use Audited Results – 2022 for the initial calculation
 - Provides for Specific Uses for “Profits”
 - Used for acceleration of the debt/capitalization plan
 - Provide additional equity for future capital projects
 - Consistent with debt defeasance policy



Debt Reduction, Target Capitalization Rates, and Proposed GSC Formula

Government Services Contribution Recommendation
<i>Calculated Using Total Insured Values and Gross Franchise Fee</i>
Proxy for Property Tax
+ Electric Franchise Fee
Government Services Contribution

Proxy for Property Tax
FY23 Total Insured Values Discount at 70%
Total Insured Values of GRU
x Replacement value mark down to assessed values (70%)
x Property Tax Millage Rate (5.5)
Proxy for Property Tax
Proxy for Franchise Fee
FY22 Electric System Revenues, net of RSF transfers and fuel
FY22 Electric System Revenues
x Franchise Fee (Common Range 3% - 7%)
Electric Franchise Fee



Debt Reduction, Target Capitalization Rates, and Proposed GSC Formula

- Formula was jointly developed by City and GRU Staff
- Produces a significant reduction in the payment (over 50%)
- Formula will allow both entities ability to incorporate results into the budget planning process
- Formula will provide certainty for each entity



Debt Reduction, Target Capitalization Rates, and Proposed GSC Formula

- Scenario: Ten Year Option

- Option Includes 70% Capitalization Ratio by 2033/ Annual Funds Needed \$22.4 million
- Total \$224 million and Assumes Level Debt Service (does not push principal to the end of the amortization period which saves on overall interest costs)
- Scheduled base rate increases are required for the 10 year time frame to be achievable

	\$15.3M GFT
Funds for debt 2024	16,783,000
Funds for debt 2025	14,783,000
Funds for debt 2026	12,783,000
Funds for debt 2027	10,783,000
Funds for debt 2028	10,783,000
Funds for debt 2029	10,783,000
Funds for debt 2030	10,783,000
Funds for debt 2031	10,783,000
Funds for debt 2032	10,783,000
Funds for debt 2033	10,783,000
	119,830,000
COMPONENTS OF RESOURCES AVAILABLE TO REDUCE DEBT:	
Total available from GSC reductions	119,830,000
Excess reserves from GRU modest base rate increases	76,000,000
GRU expense reductions	28,170,000
= Additional funds applied to debt reduction	224,000,000
Organic debt reduction through 2033	91,000,000
Debt reduction required to achieve 70% target capitalization rate	315,000,000



Debt Reduction, Target Capitalization Rates, and Proposed GSC Formula

- Significant assumptions:
 - GRU borrowings over the next ten years will conform to capital budgets submitted as part of the FY24 budget
 - Future capital improvement plans will be funded on a 50% debt/ 50% equity basis
 - There are no Integrated Resource Plan related costs in the projected borrowings
 - There are no plant decommissioning costs included in the projected borrowings
 - Adjustments to GRUCom structure will need to be incorporated into the other systems
 - Base rates continue as approved by ordinance



Debt Reduction, Target Capitalization Rates, and Proposed GSC Formula

- General Manager and City Manager recommend formula methodology supporting \$15.3M Government Services Contribution in fiscal year 2024. Years 2025 through 2033 also follow the approved methodology.
- Combined with proposed expense reductions and excess reserves from currently approved base rate increases will result in a reduction of GRU's capitalization rate to the target of 70% in ten years, provided all other projections and assumptions remain.



Recommendation

The General Policy Committee approve:

- 1) the recommended GSC formula methodology and
- 2) a ten year period to reach the 70% target capitalization rate.



ALTERNATE GFT CALCULATION OPTION

FY22 Combined System Net Capital Assets	1,854,172,294	1,854,172,294	1,400,241,385	Total Insured Values
Divided by 1,000	1,000	1,000	1,000	
Result	1,854,172	1,854,172	980,169	TIV @70%/1000
Times 5.5 mills	5.5	5.5	5.5	
Proxy for property tax paid by GRU	10,197,948	10,197,948	5,390,929	
FY22 Electric System Revenues, net of RSF transfers and fuel	220,317,660	220,317,660	220,317,660	
Times 6%	0.06	0.05	0.05	
Electric Franchise Fee	13,219,060	11,015,883	9,914,295	Using 90% of Electric Revenues
Alternate GFT formula	23,417,007	21,213,831	15,305,224	

FY 2023 Total Insured Values	1,400,241,385	
Divided by 1,000	1,000	
Result	1,260,217	TIV @ 90% - Reflects Utility Asset Value inside City
Times 5.5 mills	5.5	
Proxy for property tax paid by GRU	6,931,195	
FY22 Electric System Revenues, net of RSF transfers and fuel	220,317,660	This excludes all other system revenues
Times 6%	0.06	This was originally @ 6% modified to 5% to hit debt needs
Electric Franchise Fee	11,897,154	
Alternate GFT formula	18,828,348	

Law GSC Calculation Max		
Gross Revenue	\$	460,445,982
Less: Fuel Revenue	\$	107,202,801
Net Revenue	\$	353,243,181
Flow of Funds		
Less: Debt Service Expense	\$	102,918,848
Less: Operations and Management Expense	\$	157,324,197
Less: UPIF Contribution	\$	46,125,618
Less: Any SLA's (those not covered in O&M)	\$	-
Less: Any Bond Covenant Items	\$	-
	\$	306,368,663
Amount available for GSC	\$	46,874,518
Amount calculated for GSC in formula from new law	\$	15,305,225
Difference	\$	31,569,293

Ordinance GSC Calculation Max		
Net Revenue	\$	195,918,984
Less: Transfers to/from Rate Stabilization		
Less: Debt Service Expenses	\$	102,918,848
Less: UPIF Contribution	\$	46,125,618
	\$	149,044,466
Amount available for GSC	\$	46,874,518
Amount calculated for GSC in formula from new resolution	\$	15,305,225
Difference	\$	31,569,293