

# Gainesville Regional Utilities

## *Proposed GREC Buyout Financing ("GREC Transaction")*

August 2017



# Participants

## Gainesville Regional Utilities

- Ed Bielarski, General Manager
- Justin Locke, Chief Financial Officer
- Thomas Brown, Chief Operating Officer

## Financial Advisor: Public Financial Management, Inc.

- Chris Lover, Managing Director

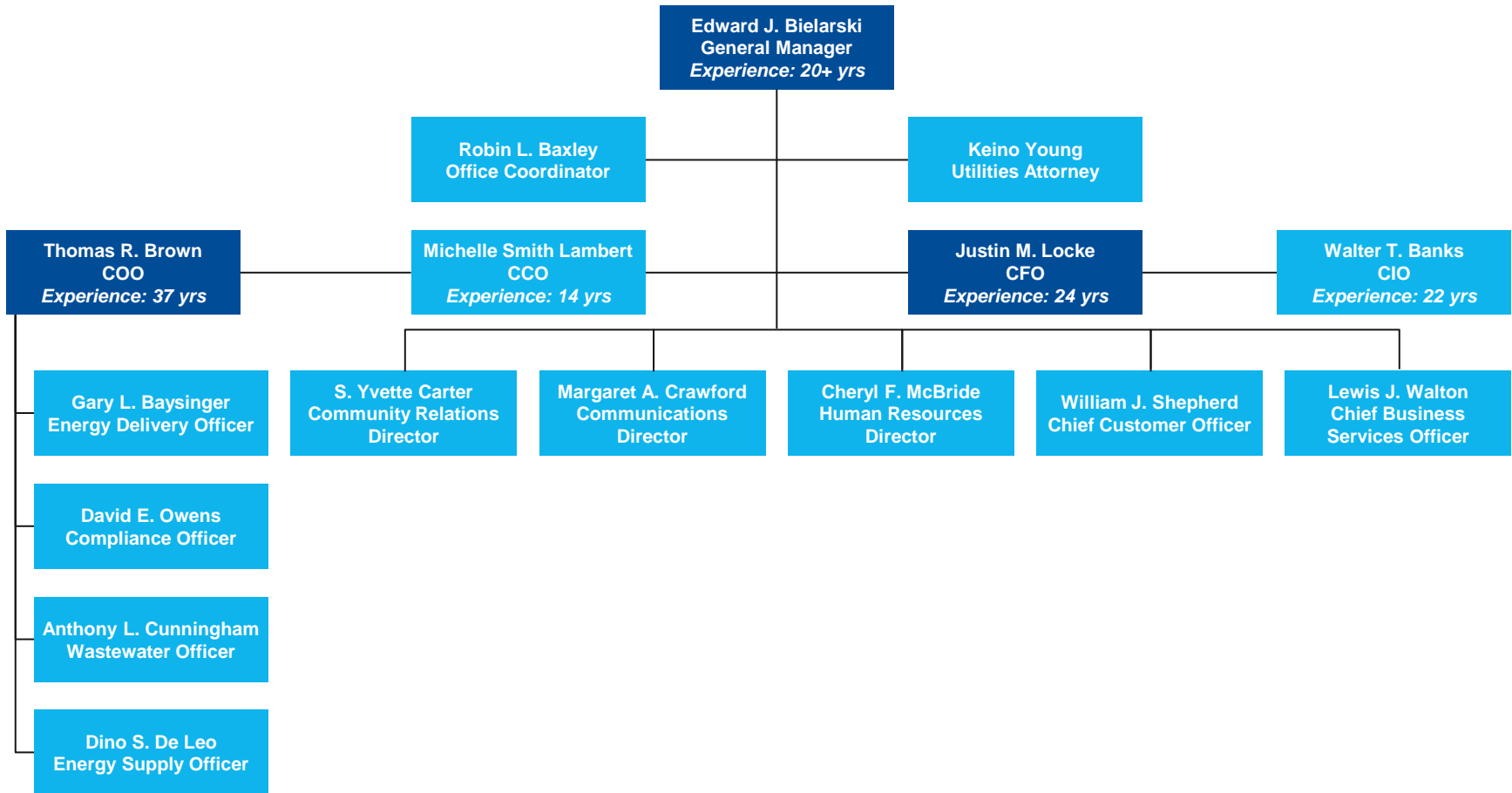
## Senior Manager: Goldman Sachs & Co LLC

- Jill Toporek, Managing Director
- Stacy Lingamfelter, Vice President

## Senior Manager: Bank of America Merrill Lynch

- Chris Fink, Managing Director

# GRU's Management Team has Extensive GRU and Utility Experience



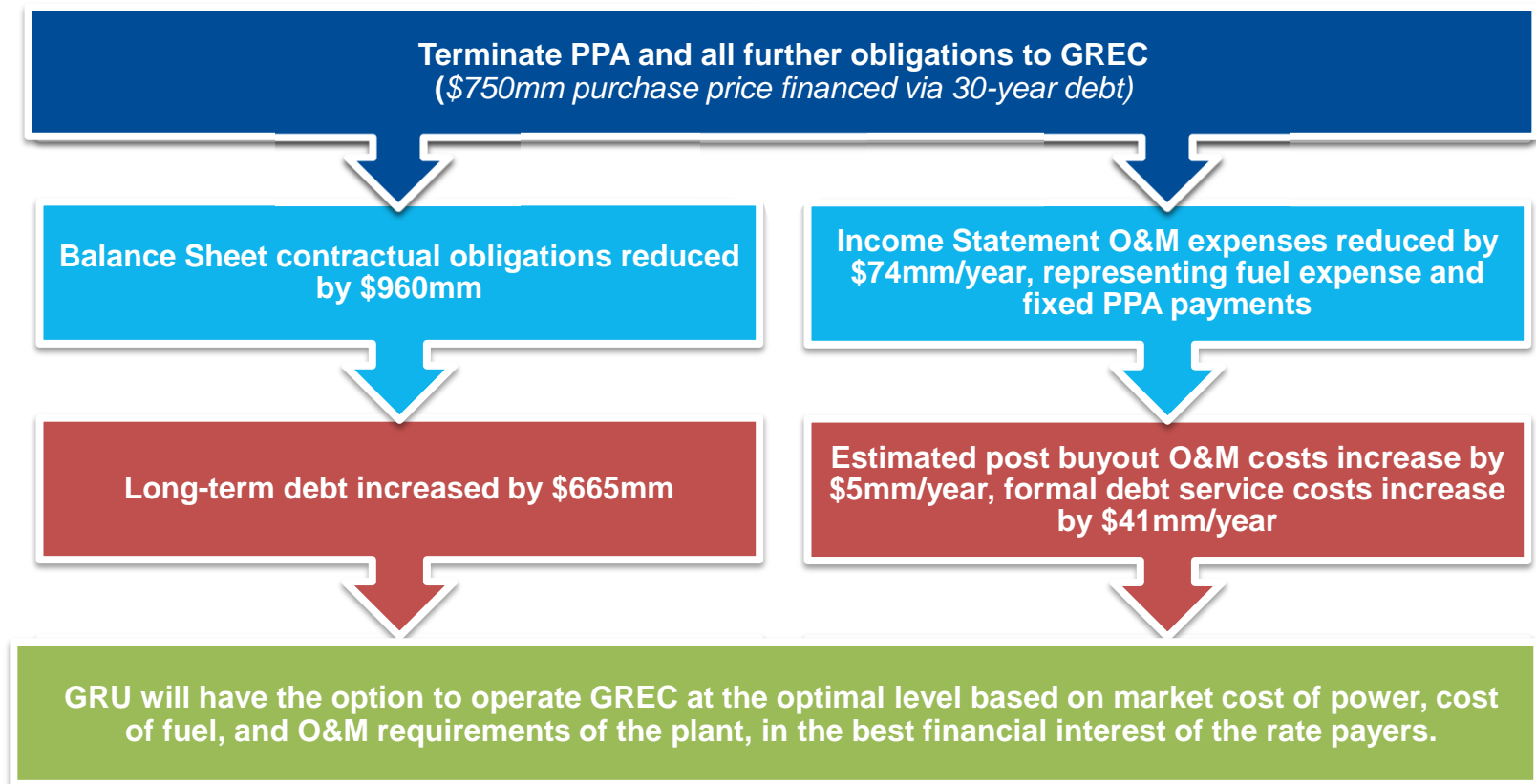
# GREC Transaction Meets Strategic Objectives & Provides Clear, Quantifiable Benefits

Strategic Objectives	Post Buyout Goals	Meet Objectives
<p>Costs to Operate GREC In-House</p>	<p>Annual operating costs of \$5mm with efficiencies given existing staff experience and economies of scale and scope.</p>	<input checked="" type="checkbox"/>
<p>Realization of Total Cost Savings</p>	<p>Annual PPA payments reduced from ~\$74mm/year to debt service of \$41mm/year, O&amp;M of \$5mm/year.</p>	<input checked="" type="checkbox"/>
<p>Future Dispatch Profile</p>	<p>GRU maintains flexibility with the option to run the plant based on system needs and economic impact.</p>	<input checked="" type="checkbox"/>
<p>Impact to Electricity Rates</p>	<p>Immediate reduction of electric customer's rates of ~8%, addressing City Commission's mandate for rate competitiveness.</p>	<input checked="" type="checkbox"/>

*GRU will operate GREC on “strategic” standby - as a hedge for market movements and reliability purposes, providing significant flexibility and the ability to make operating decisions in the best economic interest of rate payers.*

# GREC Transaction Results in Clear Financial Statement Improvements

Elimination of Obligations under PPA Results in Balance Sheet Reduction of \$210mm



# GRU's Credit Metrics Improve as a Result of GREC Transaction

	2016 Status Quo	2016 Post-Buyout
Annual Contract Payments	\$74mm	N/A
Buyout Debt Service	N/A	\$41mm
Total Leverage <sup>1</sup>	\$1,908mm	\$1,614mm
Fixed Charge Coverage	1.4x	1.6x <sup>2</sup>
Debt Coverage	2.3x	1.9x <sup>2</sup>
Days Liquidity	245 Days	291 Days

1. Includes long-term debt, commercial paper, and capital lease obligations.  
 Note: Pro-forma assumptions subject to change pending finalization of terms  
 2. Calculation assumes \$27mm returned to customers in rate savings.  
 Assuming no savings are returned to customers, FCC would be 1.9x and DSC would be 2.1x post-buyout.

# Pro-forma Balance Sheet & Income Statement

	FY2016	Pro-Forma FY2016 (Post-Buyout)
<b>Changes to Balance Sheet</b>		
<b>Assets:</b>		
Net costs recoverable in future years - regulatory asset	\$46,423,923	–
Utility plant in service	1,866,654,212	\$2,616,654,212
Capital lease	1,006,808,754	–
Less: accumulated depreciation and amortization	(838,225,820)	(744,671,995)
<b>Liabilities:</b>		
Long-term debt:		
Utilities system revenue bonds	781,540,000	1,446,540,000
Capital lease	959,678,852	–
Unamortized bond premium/discount	17,990,208	102,990,208
<b>Changes to Income Statement</b>		
<b>Operating Revenue:</b>		
Amounts to be recovered from future revenue	\$33,560,292	–
<b>Operating Expenses:</b>		
Operation and maintenance	230,128,599	\$151,540,326
Depreciation and amortization	99,343,149	65,782,857

- Reflected in the above are the components of the capital lease balances in the audited financial statements and the components if the purchase had been transacted as of 9/30/2016
- Once the purchase occurs depreciation on the plant will be spread over 30 years

# Assumptions in Calculating Net Savings

## Plant Model Assumptions

Capacity (MW)	102.5
Availability Factor	95%
PPA Fixed Capacity (\$/MWh)	\$23.00
PPA Non-Fuel Energy Charge (\$/MWh)	\$56.15
2016 Property Tax	\$6,655,000 (1.00% annual decrease)
PPA End Date	12/31/2043

## GREC Buyout Financing Assumptions

Purchase Price	\$750mm
Cost of Issuance	1%
Final Maturity	2047
Debt Issuance (Base Case: Scenario 1)	
Fixed Rate	85%
Variable Rate	15%
Fixed Interest Rate	All-in TIC: 3.67%
Variable Interest Rate	2.75%
<b>Weighted Avg. All-In TIC</b>	<b>3.48%</b>
Amortization <sup>3</sup>	Uniform to assumed PPA pmts (Adjusted FY18 – 20)

## Post Buyout O&M Assumptions<sup>1</sup>

Labor	\$3,000,000
Fixed O&M	\$550,000
Variable O&M	–
Capital Improvement	\$550,000
Outage Costs	\$900,000
Growth	2%

1. Approximate estimates assuming plant is kept on strategic standby.



# Net Savings Post-buyout are Targeted at ~\$27mm

	2018	2019	2020	2021	2022
<b>Current Payments Under GREC PPA</b>					
Capacity (MW)	102.5	102.5	102.5	102.5	102.5
Availability (%)	95.0%	95.0%	95.0%	95.0%	95.0%
Plant Availability (MWh)	853,005	853,005	855,342	853,005	853,005
Non-Fuel Charge (\$56.15/MWh)	\$47,896	\$47,896	\$48,027	\$47,896	\$47,896
Fixed Capacity (\$23.00/MWh)	\$19,619	\$19,619	\$19,673	\$19,619	\$19,619
Property Taxes	\$6,523	\$6,457	\$6,393	\$6,329	\$6,266
<b>Total Payments</b>	<b>\$74,038</b>	<b>\$73,973</b>	<b>\$74,093</b>	<b>\$73,844</b>	<b>\$73,781</b>
<b>Post Buyout Costs</b>					
Scenario 1 <sup>1</sup> : Buyout DS	\$39,725	\$40,162	\$40,780	\$41,033	\$40,972
<i>Estimated Post-Buyout Costs</i>	<i>\$5,000</i>	<i>\$5,000</i>	<i>\$5,000</i>	<i>\$5,000</i>	<i>\$5,000</i>
<b>Scenario 1: Net Savings</b>	<b>\$29,313</b>	<b>\$28,810</b>	<b>\$28,313</b>	<b>\$27,811</b>	<b>\$27,809</b>
Scenario 2 <sup>2</sup> : Buyout DS	\$37,540	\$37,972	\$38,590	\$38,842	\$38,782
<i>Estimated Post-Buyout Costs</i>	<i>\$5,000</i>	<i>\$5,000</i>	<i>\$5,000</i>	<i>\$5,000</i>	<i>\$5,000</i>
<b>Scenario 2: Net Savings</b>	<b>\$31,498</b>	<b>\$31,001</b>	<b>\$30,503</b>	<b>\$30,003</b>	<b>\$29,999</b>

1. Scenario 1 represents expected outcome / base case for GREC financing.  
 2. Assumes 65% fixed, 20% synthetic fixed, 15% variable.

# GREC Transaction Improves GRU's Flexibility while also Providing Annual Cost Savings

## Current GREC PPA

- In place until 2043
- Terms under PPA
  - Allows GREC to be dispatched or remain in cold standby
  - GRU pays \$79.15/MWh in fixed payments annually whether GREC is dispatched or not
- In 2016, GREC was dispatched very little and GRU paid ~\$75mm
- Net present value of future payments is \$1.2bn

## Post-Buyout

- Terminate all further obligations to GREC
  - GRU retains the option and may choose to operate GREC at the level that makes sense based on demand, market cost of power, cost of fuel, and O&M requirements of the plant
  - Currently, management estimates up to 8% capacity for the next several years.
  - Management will have the ability to make decisions, sometimes with limited lead time, in the best financial & service-oriented interest of GRU
- GRU calculates savings based on leaving the plant on strategic standby, requiring ~\$5mm in annual costs to maintain optionality
- Negotiated \$750mm purchase price to be financed via 30-year bond offering (within useful life of asset)
  - Balance Sheet contractual obligations reduced by ~\$1bn, long-term debt increased by \$665mm
  - New debt service costs ~\$41mm/year

# Integration of GREC Facility into GRU's Generation Fleet

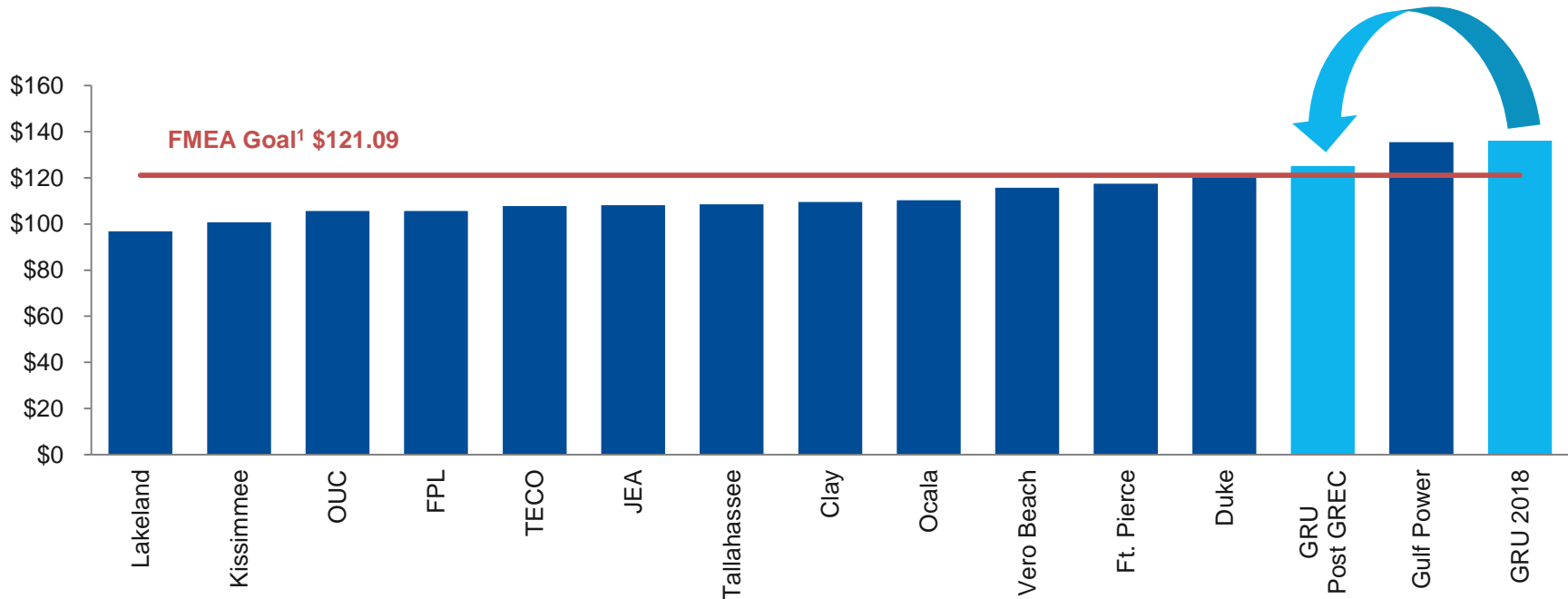
- Timeline anticipates GRU will take ownership in November
  - GRU will retain NAES for transitional period
- Once staff is trained & operations fully in-house, management will have real time data to scale GREC up or down according to demand & financial / operational considerations
  - Full power supply plan to be based on:
    - Nameplate capacity & optimal heat rate
    - Contract negotiations for wood fuel
    - Natural gas prices & conditions at other GRU plants
      - GREC provides GRU flexibility and provides a hedge against gas prices (i.e. if gas prices rise above \$4, GREC becomes economic to dispatch)

**Estimated O&M Costs Associated w/ Options Analyzed By to GRU**

	Option 1: Standby	Option 1: Standby
Labor	\$3,000,000	\$70,000
Fixed O&M	\$550,000	\$50,000
Variable O&M	—	
Capital Improvement	\$550,000	
Outage Costs	\$900,000	\$0 - \$500,000

# As a Result of Buyout, GRU will Make Important Gains in Lowering the Rates it Charges its Customers

Florida Residential Electric Rate Comparison (Electric Only)  
Per 1,000 KWh (June 2017)



- After no increase in 2017, GRU will raise rates by 2% in 2018 to meet general operating needs
- However, as a result of purchase, GRU **then** plans to return ~\$27 million annually to rate payers
- The long term goal (½ of one standard deviation of Florida mean per FMEA) remains the same

1. FEMA goal value from April 2017 FMEA Report.

# Florida Utility Rate Comparison

## Total Monthly Cost of Electric, Gas, Water, and Wastewater Services for Residential Customers in Selected Florida Locales<sup>1</sup> (January 2017)

	Based upon Actual Average Annual Usage by Residential Customers of the System <sup>2</sup>	Based Upon Standard Industry Usage Benchmarks <sup>3</sup>
Lakeland	\$172.01	\$211.74
Orlando	\$174.84	\$216.33
Tampa	\$169.78	\$219.55
Ocala	\$182.18	\$220.06
Jacksonville	\$182.47	\$224.45
Tallahassee	\$178.05	\$224.43
Clay County	\$184.25	\$222.83
Vero Beach	\$186.72	\$230.66
<b>Gainesville Regional Utilities</b>	<b>\$189.54</b>	<b>\$246.74</b>
Kissimmee	\$170.86	\$210.17
Ft. Pierce	\$200.37	\$255.63
Pensacola	\$216.52	\$280.82

1. Based upon rates in effect for April 2017 by the actual providers of the specified services in the indicated locales, applied to the noted billing units. Excludes public utility taxes, sales taxes, surcharges, and franchise fees.

2. Monthly costs of service have been calculated based upon actual average annual usage by residential customers of the System during the fiscal year ended September 30, 2016, as follows: for electric service: 812 kWh; for natural gas service: 18 therms; for water service: 5,000 gallons of metered water; and for wastewater service: 4,000 gallons of wastewater treated.

3. Monthly costs of service have been calculated based upon standard industry benchmarks for average annual usage by residential customers, as follows: for electric service: 1,000 kWh; for natural gas service: 25 therms; for water service: 7,000 gallons of metered water; and for wastewater service: 7,000 gallons of wastewater treated.

# Transaction Reduces or Eliminates Litigation/Arbitration Risk

- On March 10, 2016, GREC filed a demand for arbitration with the American Arbitration Association (“AAA”) against the City, d/b/a GRU alleging that GREC did not have to perform annual planned maintenance outage (“PMO”)
- In April, GRU withheld \$4.1 million in Available Energy invoice payments related to the agreed upon PMO
- On June 7, 2016, GREC filed an Amended Demand, including additional claims related to GRU’s interpretation of PPA terms including the application of Shutdown Charges and Available Energy payments during Facility ramp up periods
- Also, GREC alleged that GRU interfered with GREC’s business relationships with its lenders
- On July 15, 2016, GRU filed an amended arbitration claim for such time periods when GREC failed to meet the definition of Available Energy pursuant to the PPA
- To date, GRU has withheld approximately \$8.2 million for various commercial disputes related to the PPA
- Litigation and negotiations additionally created a drain on staff time and attention

***All litigation and arbitration will cease with the successful completion of the transaction.***

# Long-term Strategic Operational Plans for GREC

- Post-buyout, the GREC facility will be a fully available plant in GRU's generation fleet
  
- Management will maintain option to operate when it is in GRU's economic and strategic interest to do so
  - Will dispatch GREC based on economic & reliability basis
  
  - Plant will be operated as “strategic” hedge and for reliability purposes
  
- Ability to operate GREC below current contract minimum load allows it to better fit into GRU's dispatch profile
  - GREC can be operated at 55MW load
  
  - May be able to go as low as 25MW, allowing even greater range of options

# Financing



# Base Case Financing Calls for \$756.7mm

Sources			
	Fixed Rate Debt	Variable Rate Debt	Total
<b>Bond Proceeds:</b>			
Par Amount	\$ 551,535,000.00	\$ 113,640,000.00	\$ 665,175,000.00
Premium	95,481,505.50		91,481,505.50
	<b>\$ 643,016,505.50</b>	<b>\$ 113,640,000.00</b>	<b>\$ 756,656,505.50</b>

Uses			
	Fixed Rate Debt	Variable Rate Debt	Total
<b>Project Fund Deposits:</b>			
GREC Purchase Price	\$ 637,500,000.00	\$ 112,500,000.00	\$ 750,000,000.00
<b>Delivery Date Expenses:</b>			
Cost of Issuance	5,515,350.00	1,136,400.00	6,651,750.00
<b>Other Uses of Funds:</b>			
Contingency	1,155.50	3,600.00	4,755.50
	<b>\$ 643,016,505.50</b>	<b>\$ 113,640,000.00</b>	<b>\$ 756,656,505.50</b>

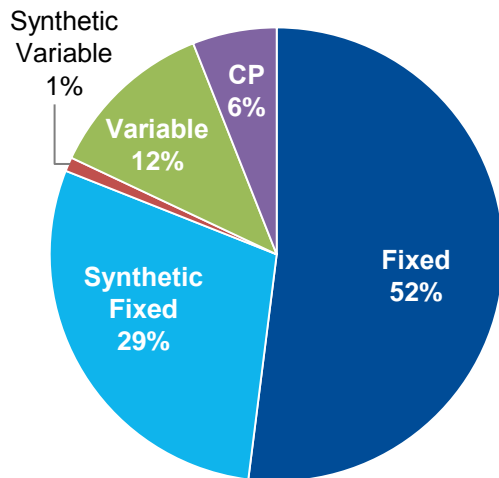
## Scenario 2 Financing Calls for \$756.9mm

Sources				
	Fixed Rate Debt	Synthetic Fixed Variable Rate	Variable Rate Debt	Total
<b>Bond Proceeds:</b>				
Par Amount	\$ 419,630,000.00	\$ 151,520,000.00	\$ 113,640,000.00	\$ 684,790,000.00
Premium	72,070,704.70			72,070,704.70
	<b>\$ 491,700,704.70</b>	<b>\$ 151,520,000.00</b>	<b>\$ 113,640,000.00</b>	<b>\$ 756,860,704.70</b>

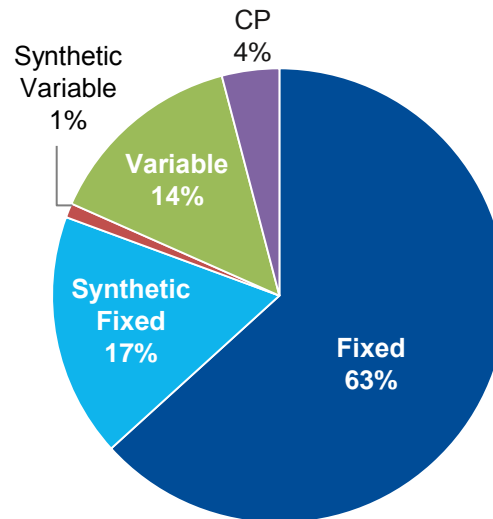
Uses				
	Fixed Rate Debt	Synthetic Fixed Variable Rate	Variable Rate Debt	Total
<b>Project Fund Deposits:</b>				
GREC Purchase Price	\$ 487,500,000.00	\$ 150,000,000.00	\$ 112,500,000.00	\$ 750,000,000.00
<b>Delivery Date Expenses:</b>				
Cost of Issuance	4,196,300.00	1,515,200.00	1,136,400.00	6,847,900.00
<b>Other Uses of Funds:</b>				
Contingency	4,404.70	4,800.00	3,600.00	12,804.70
	<b>\$ 491,700,704.70</b>	<b>\$ 151,520,000.00</b>	<b>\$ 113,640,000.00</b>	<b>\$ 756,860,704.70</b>

# GRU's Resulting Debt Mix Remains Manageable

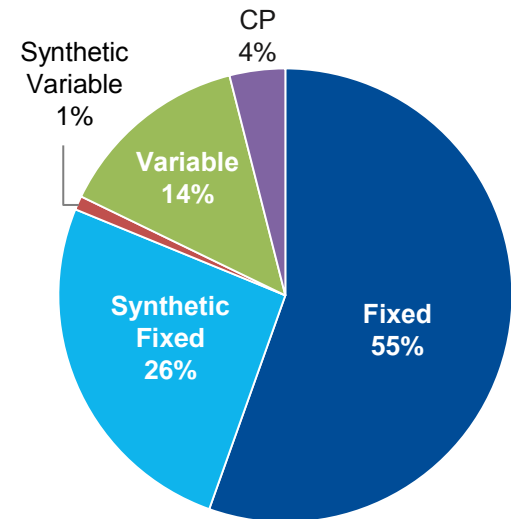
Existing Debt Composition



Post-Buyout (Base Case)



Post Buyout (Scenario 2)

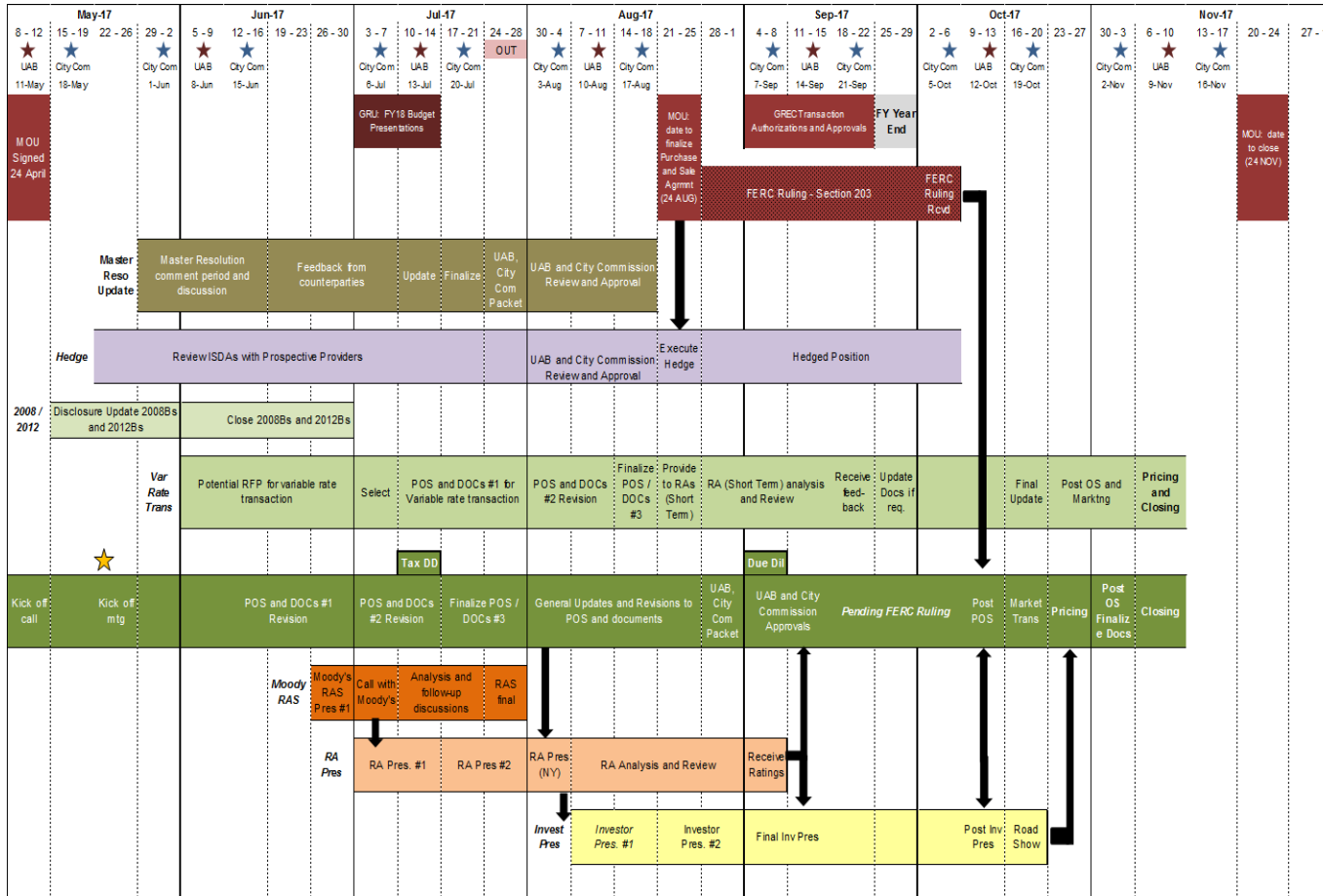


# Selected Indenture Changes

(Full List in Appendix)

Proposed Amendment	Benefits of Amendment
<b>Addition of a Definition of Connection Fees</b>	Define connection fees imposed to compensate the City for the cost of required System expansions (i.e., “impact fees”) and restrict, to the extent imposed, the use thereof to the pay debt service on “expansion bonds” as required under Florida law. See Section 504
<b>Debt Service Reserve Requirement</b>	City may establish separate reserve requirements for individual series of Bonds, including a zero reserve fund.
<b>Qualified Hedging Contracts</b>	Clarify a Qualified Hedging Contract including interest rate hedges and the priority of termination payments and other non-scheduled hedging costs. Non-Qualified Hedging Contracts, such as fuel hedges, are payable as an O&M.
<b>Operating and Maintenance Expenses</b>	Clarify what should be included as an O&M expense, relying on the appropriate treatment under GAAP.
<b>Additional Bonds Tests (202)</b>	Combining the historical and prospective tests to include a single test based on historical adjusted net revenues.
<b>Surety Reserve Products (508)</b>	Modify rules for using surety policies in lieu of a cash funded Debt Service Reserve Account, and provide further details and requirements with respect to such policies.

# GREC Transaction: Timeline and Road Ahead

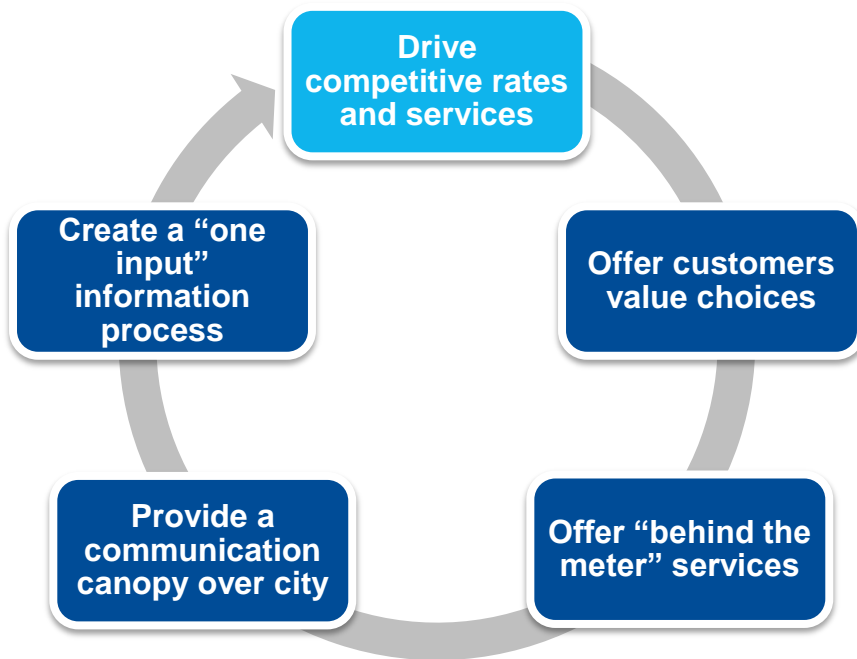


- **July**
  - GRU's FY18 budget approved by City Commission
  - RAS completed by July 24, providing input to the structure of the transaction
- **August**
  - Ratings meeting in NY for 2017 transaction. Ratings due by end of month.
  - City Commission approves Asset Purchase Agreement
  - FERC begins, sign-off may require 4-8 weeks
- **September**
  - City Commission approval of 2017 transaction
- **October**
  - Pricing and Closing of transaction
- **November/December**
  - Amended budget to City Commission for approval with rate reductions

# Conclusion

# Summary

**Mission: Evolving to a 21<sup>st</sup> Century Utility**  
*GREC Buyout Fits into Strategic Vision for GRU*



- GRU will continue to maintain its historical credit strengths
- Continual support of the City Commission
- Strong debt service coverage and days cash
- Resourcing a significant portion of capital needs internally
- Continuing to exceed established liquidity targets
- Prudent mix of fixed and variable rate debt

# **November Presentation Update**

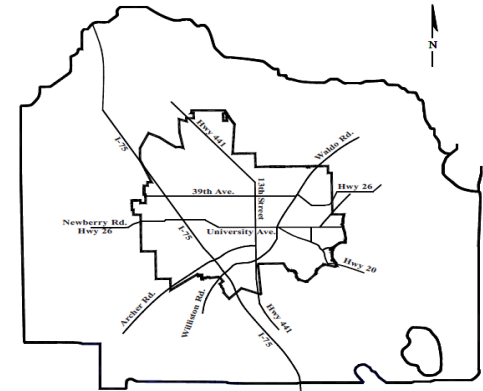


# System Highlights

## Electric System

- The electric facilities of the System currently service approximately 124.5 square miles of the County, and approximately 77% of the population of the County, including the entire City (except of the University of Florida campus)
- Owner of various generation, transmission, and distribution facilities
- Of the 94,795 customers in the fiscal year ending September 30, 2016, 10,726 commercial and industrial customers provided approximately 56% of revenues
- FY16 Fuel mix: Natural Gas (54.53%), Coal (20.66%), Landfill Gas (1.19%), Solar (1.14%), Biomass (0.86%), Oil (0.01%)
- Fuel and power risk management via The Energy Authority
- Stable customer base
- Generation Portfolio includes significant renewable energy

## Service Area



## Water System

- 1,118 miles of water transmission and distribution throughout the Gainesville urban area which equates to approximately 75% of the County's population
- Water treatment plant (1976 COD) with capacity of 54 million gallons per day ("Mgd")

## Wastewater System

- 634 miles of gravity sewer collection system, 168 pump stations with 141 miles of associated force main
- 2 major wastewater treatment plants (1977 and 1930 COD) totaling 22.4 Mgd annual average daily flow capacity

## Natural Gas System

- Acquired from the Gainesville Gas Company in 1990 to provide gas distribution throughout the City
- Underground gas distribution and service lines, six points of delivery or interconnections with Florida Gas Transmission Company, and metering and measuring equipment

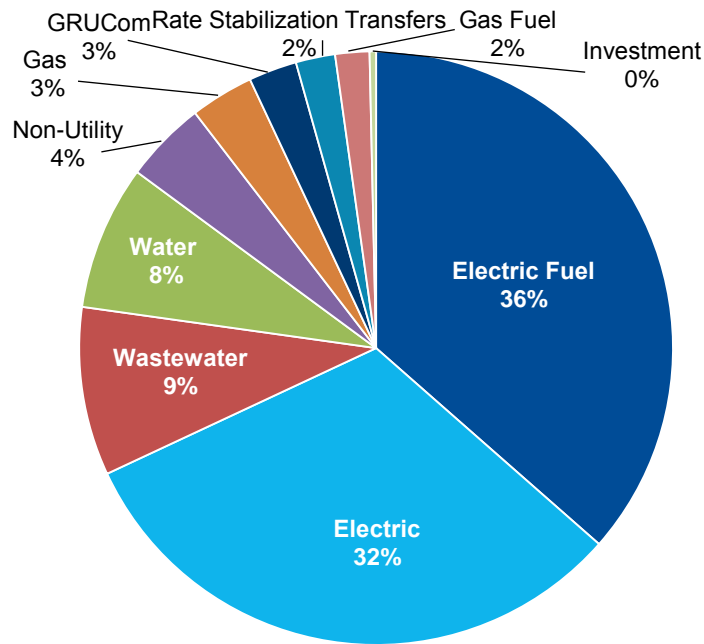
# A Highly Rated Diverse System with Stable Customer Base

Customer Category	FY 2016 Number of Customers	FY2016 Sales Revenues (\$000)	Percent of Total Revenue
Total Electric	94,795	276,623	72.8%
Natural Gas	34,496	20,293	5.3%
Water	71,546	33,049	8.7%
Wastewater	64,781	38,181	10.1%
GRUCom	6,742	11,684	3.1%
<b>Total</b>	<b>272,360</b>	<b>379,830</b>	<b>100.0%</b>

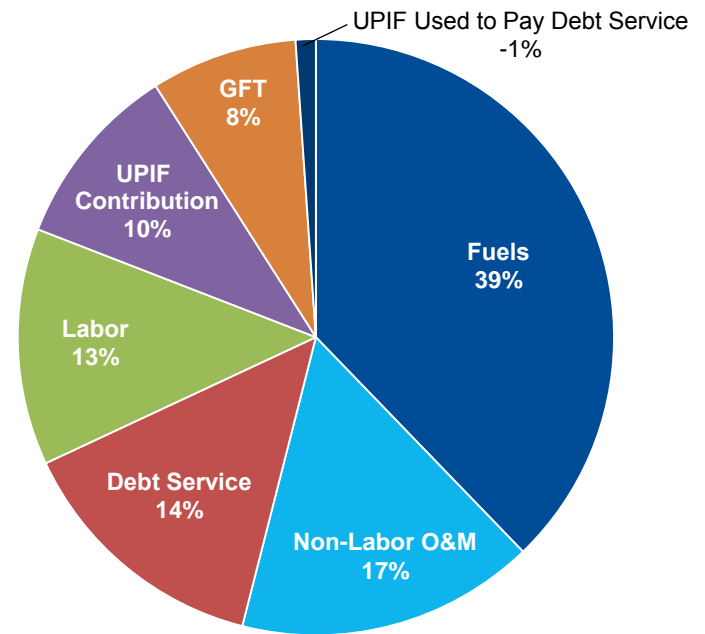
# FY2018 Budgeted Revenue and Expense Classification

Dollars in Thousands

## Revenues



## Expenses



# Gainesville Economy Continues to Grow Driving Improved Income and Ongoing Demand for Power

## ■ I-75 Adjacent and West Gainesville Development

## ■ Butler Plaza and Town Center Redevelopment

- The total project is a multi-year, multi-million dollar investment in retail, office, and hotel development that will bring 3,500 permanent jobs to the community and at least 1,500 construction and support jobs, plus an expanded tax base

## ■ Tangential Development and Annexation




- Several additional hotel, retail and other lifestyle developments adjacent to Butler Plaza and Town Center redevelopment. Several prospective annexations west of I-75

## ■ Celebration Point

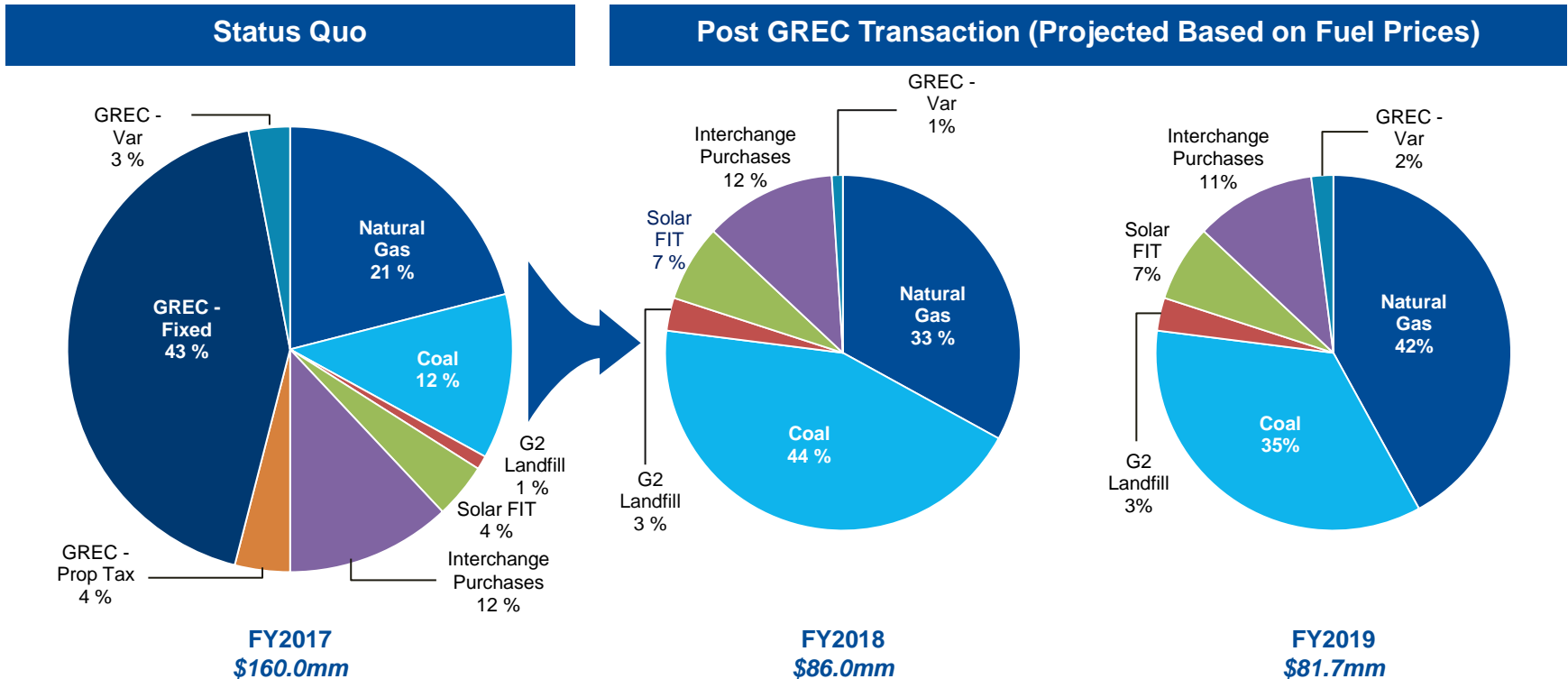
- Shopping center, anchor store (Bass Pro) already open
- West side of town, completion anticipated over next two years

## ■ Shands Hospital Expansion

# Electric System Generating Facilities

		Unit No.	Primary Fuel	Alternative Fuel	Net Summer Capability (MW)
Owned Generation	<b>J.R. Kelley Station</b>				
		Steam Unit 8	Waste Heat	-	36.0
		Combustion Turbine 4	Natural Gas	Distillate Fuel Oil	72.0
	<b>Deerhaven Generating Station</b>				
		Steam Unit 2	Bituminous Coal	-	228.0
		Steam Unit 1	Natural Gas	Residual Fuel Oil	75.0
Combustion Turbine 3		Natural Gas	Distillate Fuel Oil	71.0	
Combustion Turbine 2		Natural Gas	Distillate Fuel Oil	17.5	
Combustion Turbine 1		Natural Gas	Distillate Fuel Oil	17.5	
<b>South Energy Center</b>					
	SEC-1	Natural Gas	-	3.5	
				<b>Owned Total</b>	<b>520.5</b>
PPA	<b>Gainesville Renewable Energy Center</b>				
		GREC	Biomass	-	102.5
				Total Dispatchable	623.0
	Base Landfill	Landfill Gas		3.0	
				<b>Grand Total</b>	<b>626.0</b>

# Projected Fuel Mix Optimized for Future Energy Costs



- Buyout removes fixed capacity payments (due under current PPA) post-2017, and results in a fuel mix that reflects real cost of fuel
- GREC will remain a potential hedge for GRU depending on a range of factors, including natural gas fuel costs and potential future carbon legislation

# Generation Update: Deerhaven II Coal Plant Repairs

- Plant was put back into service on May 6, 2017
- Circulating Dry Scrubber (CDS) repairs/improvements
  - Equipment Improvements
    - Water lance valves
    - Additional view ports
    - Enlarged man-way ease of access
  - Vessel Improvements
    - Structural Integrity (installed stiffener package)
    - Corrosion Prevention (installed Hastelloy C-276 liner)
- Estimated Investment Costs
  - Demolition \$1,550,000
  - Construction \$4,500,000
  - Insurance claim has been filed and is pending
  - Potential for third party liability under review

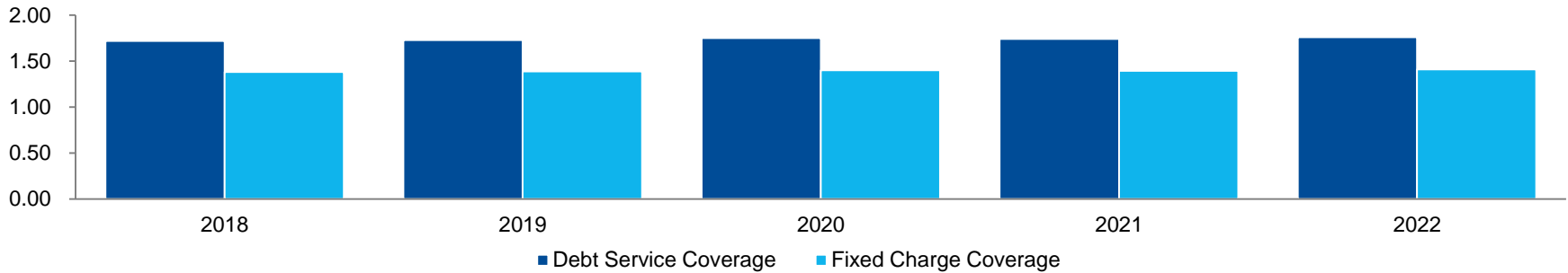
# GRU's Net Income has Remained Consistent & Reliable

	2013	2014	2015	2016
<b>Operating Revenue</b>				
Sales and Service Charges	\$325,906	\$368,656	\$378,901	\$379,831
Transfers to Rate Stabilization	5,367	(8,868)	(7,704)	(2,363)
Amounts to be Recovered from Future Revenues	0	26,433	33,560	33,560
Other Operating Revenues	17,504	19,673	21,183	22,790
Total Operating Revenue	\$348,777	\$405,894	\$425,940	\$433,818
<b>Operating Expenses</b>				
Operation and Maintenance	\$168,406	\$213,305	\$227,535	\$230,129
Administrative and General	46,060	42,492	43,448	50,506
Depreciation and Amortization	59,135	84,449	95,454	99,343
Total Operating Expenses	\$273,601	\$340,246	\$366,437	\$379,978
<b>Operating Income</b>	<b>\$75,176</b>	<b>\$65,648</b>	<b>\$59,503</b>	<b>\$53,840</b>
<i>Less: Non-Operating Expense</i>	\$33,396	\$31,540	\$24,570	\$18,451
<b>Net Income</b>	<b>\$41,780</b>	<b>\$34,108</b>	<b>\$34,934</b>	<b>\$35,389</b>

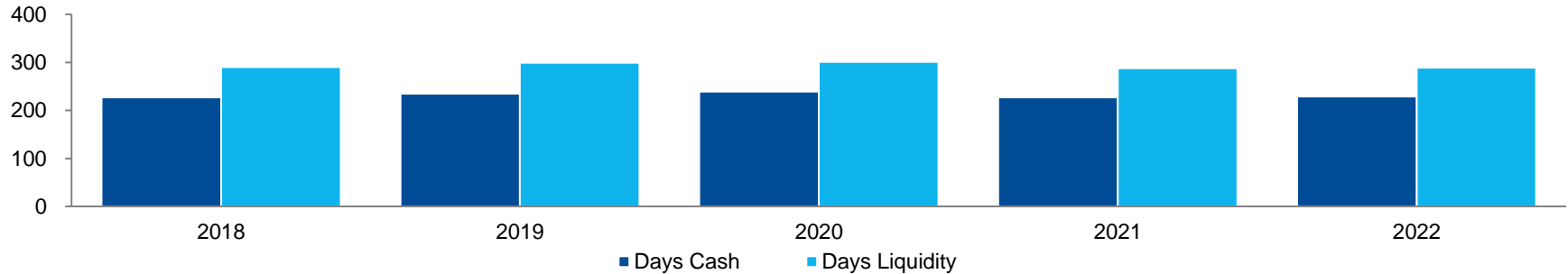


# Coverage and Liquidity Metrics Remain Stable

## Pro-Forma Fixed Charge & Debt Service Coverage



## Pro-Forma Liquidity Metrics



*GRU is committed to maintaining solid financial results*

# Strong Liquidity Position Exceeds Cash Liquidity Targets

	2018	2019	2020	2021	2022
<b>Liquidity Targets:</b>	<b>\$61,721,696</b>	<b>\$62,861,136</b>	<b>\$64,053,679</b>	<b>\$65,863,464</b>	<b>\$67,271,957</b>
Operating Cash <sup>1</sup>	8,413,557	8,413,557	8,413,557	8,413,557	8,413,557
Rate Stabilization	62,346,835	57,688,602	57,103,291	56,655,493	57,566,522
UPIF for Reserves <sup>2</sup>	23,381,159	25,439,366	29,289,961	24,284,692	28,155,560
<b>Total Reserves</b>	<b>\$94,141,551</b>	<b>\$91,541,525</b>	<b>\$94,806,809</b>	<b>\$89,353,742</b>	<b>\$94,135,639</b>
TECP/TCP Lines <sup>3</sup>	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000
<b>Total Liquidity &amp; Lines</b>	<b>\$134,141,551</b>	<b>\$131,541,525</b>	<b>\$134,806,809</b>	<b>\$129,353,742</b>	<b>\$134,135,639</b>
<b>Over/(Under) Relative to Target</b>	<b>\$72,419,855</b>	<b>\$68,680,389</b>	<b>\$70,753,130</b>	<b>\$63,490,278</b>	<b>\$66,863,682</b>

1. 60 days operating cash – not previously included as source of liquidity
2. Consists of total UPIF balances less UPIF funds restricted for debt service and construction
3. GRU will add additional capacity in calendar year 2018

# Utilities Plant Improvement Fund

	Budget	Forecast				
	2017	2018	2019	2020	2021	2022
UPIF (Unrestricted & Undesignated)	\$ 30,261,000	\$ 23,381,000	\$ 25,439,000	\$ 29,290,000	\$ 24,285,000	\$ 28,156,000
UPIF set aside for construction (Designated)	65,750,000	48,000,000	40,000,000	39,000,000	48,250,000	41,000,000
UPIF designated for transfer to DS account	5,000,000	0	0	0	0	0
<b>Total UPIF</b>	<b>\$ 101,011,000</b>	<b>\$ 71,381,000</b>	<b>\$ 65,439,000</b>	<b>\$ 68,290,000</b>	<b>\$ 72,535,000</b>	<b>\$ 69,156,000</b>

## Description of Line Items

- **UPIF (Unrestricted & Undesignated):** Monies Available for any purpose without budgetary review
- **UPIF set aside for construction (Designated):** Monies designated by the City Commission for construction, but may be used for O&M or debt service as needed
- **UPIF designated for transfer to DS account:** Monies designated to be transferred to Debt Service Fund for Restrictions appropriate to that fund
- **Total UPIF:** The City Commission may determine all monies in UPIF should be applied to O&M if necessary

## Definition of UPIF

**Section 101. Utilities Plant Improvement Fund.** 1. Amounts deposited in the Utilities Plant Improvement Fund shall be applied to (i) payments into the Debt Service Account or into any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund; (ii) payments for the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System and emergency repairs thereto; (iii) payments into the Subordinated Indebtedness Fund; (iv) purchasing or redeeming Bonds and/or Subordinated Indebtedness; provided, however, that in the case of the purchase of Bonds and/or Subordinated Indebtedness, the Bonds and/or Subordinated Indebtedness shall be purchased at a price not to exceed the principal amount and Redemption Price which would be applicable if the Bonds and/or Subordinated Indebtedness were redeemed at the time of the intended purchase or as soon thereafter as such Bonds and/or Subordinated Indebtedness shall be subject to redemption; or (iv) otherwise to provide for the payment of the Bonds and/or Subordinated Indebtedness. *If at any time amounts on deposit in the Utilities Plant Improvement Fund are determined by the City to be in excess of the requirements thereof, and other moneys are not available for the payment of Operation and Maintenance Expenses, then such excess may be used for the payment of Operation and Maintenance Expenses.1*

# Capital Plan Primarily Funded Through Equity

Summary of Capital Improvement Program – Sources and Uses						
	2018	2019	2020	2021	2022	Total
Cash Balance, Start of FY	\$10,926,297	\$8,646,297	\$4,366,297	\$7,086,297	\$5,056,297	
<b>Source of Funds:</b>						
Bond Financing	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	175,000,000
Revenues	48,000,000	40,000,000	39,000,000	48,250,000	41,000,000	216,250,000
<b>Total Sources</b>	<b>\$83,000,000</b>	<b>\$75,000,000</b>	<b>\$74,000,000</b>	<b>\$83,250,000</b>	<b>\$76,000,000</b>	<b>\$391,250,000</b>
<b>Use of Funds:</b>						
<b>Construction Projects:</b>						
Electric	38,130,659	34,737,301	40,048,690	45,865,614	28,099,444	186,881,708
Gas	2,894,197	3,047,744	2,391,201	3,265,564	4,487,230	16,085,936
Water	17,202,827	14,186,778	7,314,502	13,118,558	13,322,228	65,144,893
Wastewater	22,729,529	25,522,602	20,221,416	21,393,571	25,314,714	115,181,832
GRUCom	4,042,788	1,505,575	1,024,191	1,356,693	1,776,384	9,705,631
<b>Total Construction</b>	<b>\$85,000,000</b>	<b>\$79,000,000</b>	<b>\$71,000,000</b>	<b>\$85,000,000</b>	<b>\$73,000,000</b>	<b>\$393,000,000</b>
Issuance Costs	280,000	280,000	280,000	280,000	280,000	1,400,000
<b>Total Uses</b>	<b>\$85,280,000</b>	<b>\$79,280,000</b>	<b>\$71,280,000</b>	<b>\$85,280,000</b>	<b>\$73,280,000</b>	<b>\$394,400,000</b>
Cash Balance End of FY	\$8,646,297	\$4,366,297	\$7,086,297	\$5,056,297	\$7,776,297	

# GRU has Strong Counterparties and Favorable Bank Lines

## Swap Agreement

Series	Through	GRU Pays		GRU Receives		Counterparty
2005 Series B	10/1/2021	Floating	SIFMA	Fixed	77.14% of 1 Mo Libor	Goldman
2005 Series C	10/1/2026	Fixed	3.20%	Floating	60.36% of 10Y LIBOR	JP Morgan
2006 Series A	10/1/2026	Fixed	3.22%	Floating	68% of 10Y LIBOR less 0.365%	Goldman
2007 Series A	10/1/2036	Fixed	3.94%	Floating	SIFMA	Goldman
2008 Series B	10/1/2038	Fixed	4.23%	Floating	SIFMA	JP Morgan
<b>2008 Tax-Exempt CP (Hedged)</b>	<b>10/1/2017</b>	<b>Fixed</b>	<b>4.10%</b>	<b>Floating</b>	<b>SIFMA</b>	<b>Bank of America</b>

## Liquidity Facilities

Series	Series Type	Facility	Term Date	Fee	Remarketing Agent	Par (000) O/S	Comments
2005 B	Taxable		Swapped to VR (SIFMA)			17,670	No liquidity required
2005 C	Daily VRDO	Helaba	11/24/2020	29.0 bps	JPMorgan	26,885	SBPA
2006 A	Daily VRDO	Helaba	11/24/2020	29.0 bps	Goldman	18,410	SBPA
2007 A	Weekly VRDO	State Street	3/1/2018	39.0 bps	JPMorgan	136,900	SBPA
2008 B	Weekly VRDO	Barclays	6/29/2020	29.0 bps	Goldman	90,000	SBPA
2008 CP (Tax-Exempt - Hedged)	Tax-Exempt CP	BofA	11/30/2018	40.0 bps	Goldman	5,900	LOC
2008 CP (Tax-Exempt - Unhedged)	Tax-Exempt CP	BofA	11/30/2018	40.0 bps	Goldman	45,000	LOC
2012 B*	Weekly VRDO	Citibank	6/29/2020	33.0 bps	JPMorgan	100,470	SBPA
<b>Taxable Commercial Paper</b>	<b>Taxable CP</b>	<b>State Street</b>	<b>8/28/2017</b>	<b>33.0 bps</b>	<b>Goldman</b>	<b>8,000</b>	<b>LOC</b>

## Liquidity Provider Credit Ratings

Counterparty	Short Term (Moody's/ S&P/Fitch)	Long Term (Moody's/ S&P/Fitch)
Bank of America	P-1/A-1/F1	A1/A+/A+
Barclays	P-1/A-2/F1	A1/A-/A
Citibank, N.A.	P-1/A-1/F1+	A1/A+/A+
Helaba	P-1/A-1/F1+	Aa3/A/A+
State Street Bank & Trust	P-1/A-1+/F1+	Aa3/AA-/AA

## Substitutions

2008B - BMO to Barclays  
2012 - SMBC to Citi

# Resolution Amendments

# Resolution Amendments

Proposed Amendment	Benefits of Amendment
<b>Definitions of Debt Service, Adjusted Aggregate Debt Service and Aggregate Debt Service</b>	Clarify the treatment of swap payments and receipts and the assumptions used in connection with variable rate bonds to avoid the appearance of having to double count swap payments.
<b>Addition of a definition of Connection Fees</b>	Define connection fees imposed to compensate the City for the cost of required System expansions (i.e., “impact fees”) and restrict, to the extent imposed, the use thereof to the pay debt service on “expansion bonds” as required under Florida law. See Section 504
<b>Define “Subsidy Bonds” and clarify how payments made by the federal government with the respect thereto are treated. (See 504 and 505)</b>	The amendment will provide for increased debt service coverage.

# Resolution Amendments

Proposed Amendment	Benefits of Amendment
<b>Debt Service Reserve Requirement</b>	Clarify that the City may, by Supplemental Resolution, establish separate reserve requirements for individual series of Bonds, including a zero reserve fund requirement where warranted in the market.
<b>Defeasance Securities</b>	Modernized the definition to provide for updated securities which can be utilized for the defeasance of Bonds.
<b>Qualified Hedging Contracts</b>	Clarify what constitutes a Qualified Hedging Contract (to include only interest rate hedges) and clarify the priority of termination payments and other non-scheduled hedging costs. Provided that non-Qualified Hedging Contracts, such as fuel hedges, are payable as an O&M.
<b>Operating and Maintenance Expenses</b>	Clarify what should be included as an O&M expense, relying on the appropriate treatment under GAAP.



# Resolution Amendments

Proposed Amendment	Benefits of Amendment
<b>Additional Bonds Tests (202)</b>	Combining the historical and prospective tests to include a single test based on historical net revenues adjusted for increased users, rate increases, acquisitions and other factors that may have occurred after the audit period and before the proposed bonds are issued, and prospective maximum annual debt service.
<b>Refunding Bonds Test (204)</b>	Provide for the issuance of Refunding Bonds that do not need to meet the additional bonds test in Section 202 if (i) there are debt services savings from the refunding in every year or (ii) if the Maximum Aggregate Debt Service on the refunding bonds is not greater than the Maximum Aggregate Debt Service on the bonds to be refunded.
<b>Indemnification (305 and 905)</b>	Limit indemnification requirements of the City.
<b>Variable Rate Hedging Obligations (209)</b>	Clarify methodology to calculate prospective payments due under Variable Rate Hedging Obligations.

# Resolution Amendments

Proposed Amendment	Benefits of Amendment
<b>Surety Reserve Products (508)</b>	Modify rules for using surety policies in lieu of a cash funded Debt Service Reserve Account, and provide further details and requirements with respect to such policies.
<b>Valuation of Funds (604)</b>	Provide that deposits in various funds and accounts held under the Resolution shall be valued at Fair Market Value (in lieu of “amortized cost”). Provide for funding the Debt Service Reserve Fund as a result of a decline in value of investments over 90 days, or as otherwise provided in a Supplemental Resolution for subaccounts.
<b>Use of Insurance Proceeds (712)</b>	Modify the rules governing the use of insurance proceeds received from the damage or destruction of all or a part of the System to include the City’s right to reconstruct the System or redeem Bonds.
<b>Annual Reporting (708, 712 and 713)</b>	Delete the City’s requirement to file annual reports with the Trustee.

# Resolution Amendments

Proposed Amendment	Benefits of Amendment
<b>Conceptual Amendments (716 and 1003)</b>	Describe in general terms amendments that would be authorized without further consent (i) if ownership of the System is reorganized into a separate form of government and (ii) to allow the City to delete from or add to the definition of “System,” (other than the electric, water and wastewater systems) various components thereof that would not adversely affect the City’s ability to meet its rate covenant.
<b>Events of Default (801)</b>	Provide clarification that payment defaults on Parity Reimbursement Obligations are subject to applicable grace periods and provide for continued cure right of City for covenant defaults so as City continues in good faith to cure.
<b>Amendments to Master Resolution (1003 and 1103)</b>	Modify the methods by which the Master Resolution can be further amended, which amendments would specifically permit (i) underwriters to consent on behalf of bondholders before marketing such bonds and (ii) consents granted by bondholders as part of their acceptance of the Bonds. Simplify the amendment process by providing consent to amendments is irrevocable and removing many of the administrative hurdles currently required.
<b>Cost Containment Bonds (1108)</b>	Authorize the City to issue Cost Containment Bonds, thereby excluding from the definition of Revenues amounts generated from assessments or “utility project charges” imposed or levied in connection therewith.

# Appendix

# GREC Transaction: Annual Debt Service by Scenario

Year	Scenario 1 DS	Scenario 2 DS
12/31/2018	\$39,724,765	\$37,539,615
12/31/2019	\$40,162,350	\$37,971,725
12/31/2020	\$40,780,100	\$38,589,850
12/31/2021	\$41,033,225	\$38,841,600
12/31/2022	\$40,971,600	\$38,781,725
12/31/2023	\$40,906,600	\$38,716,475
12/31/2024	\$41,031,975	\$38,839,600
12/31/2025	\$40,785,600	\$38,593,850
12/31/2026	\$40,720,725	\$38,532,225
12/31/2027	\$40,661,100	\$38,473,350
12/31/2028	\$40,789,975	\$38,595,600
12/31/2029	\$40,544,975	\$38,356,350
12/31/2030	\$40,483,975	\$38,298,100
12/31/2031	\$40,425,350	\$38,239,225
12/31/2032	\$40,556,975	\$38,367,600
12/31/2033	\$40,311,100	\$38,125,225
12/31/2034	\$40,255,100	\$38,069,225
12/31/2035	\$40,201,725	\$38,012,350
12/31/2036	\$40,333,475	\$38,141,975
12/31/2037	\$40,092,100	\$37,904,475
12/31/2038	\$40,039,350	\$37,846,475
12/31/2039	\$39,987,475	\$37,795,100
12/31/2040	\$40,118,475	\$37,928,100
12/31/2041	\$39,878,475	\$37,694,288
12/31/2042	\$39,828,475	\$37,639,788
12/31/2043	\$39,775,100	\$37,586,288
12/31/2044	\$39,777,975	\$37,590,731
12/31/2045	\$39,774,506	\$37,589,181
12/31/2046	\$39,779,006	\$37,585,663
12/31/2047	\$39,779,550	\$37,589,850