

Section D – Non-Labor

Annual Operating Budget

Non-Labor

Fuel

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
Coal	\$ 36,776,307	\$ 35,376,457	\$ 48,503,709	\$ 49,172,625
Natural Gas - Electric Generation	12,519,566	18,429,566	8,207,631	8,163,044
Natural Gas - End Use Customer LDC Sales	10,381,627	11,468,427	11,324,698	10,745,099
Fuel Oil	-	95,023	-	-
Nuclear Fuel	112,554	90,133	-	-
Purchased Power	101,514,703	89,925,758	101,596,064	107,612,199
Landfill Gas	2,428,184	2,149,677	2,017,808	2,074,094
Total	\$ 163,732,941	\$ 157,535,041	\$ 171,649,910	\$ 177,767,061

Description

It is estimated that coal generation will satisfy approximately 54 percent of the total system load during FY15 compared to 40 percent projected for FY14. The increased coal generation is due to the lower projected cost in FY15. In May 2009, GRU installed Air Quality Control System (AQCS) equipment consisting of a dry scrubber to control sulfur dioxide and a selective catalytic reactor (SCR) to control nitrous oxide (NOx). The dry scrubber provides fuel supply flexibility, allowing Deerhaven Unit 2 to consume medium to higher sulfur coals while still reducing emissions dramatically. The increased fuel flexibility allows GRU to purchase a much wider range of coals from other regions and also provides the potential for reductions in coal expense. Toward this effort, in September 2012, GRU tested lower priced, higher sulfur coal from the Illinois Basin region as an option for blending and will do so again in FY15.

Natural gas generation is estimated to satisfy another 7 percent of total system load during FY15. Natural gas is also supplied directly to customers to operate appliances within their homes and businesses. Natural gas is purchased through The Energy Authority (TEA) and transported via Florida Gas Transmission (FGT) interstate pipeline.

GRU would normally pay for nuclear fuel from Duke (formerly Progress) Energy's Crystal River 3 (CR3) nuclear power plant proportionate to the ownership share. However, in September 2009, when CR3 was shut down for maintenance and refueling, an inspection of the unit revealed cracking and delamination in the reactor containment structure. In February 2013, Duke announced its intention to retire CR3 prior to the license expiration in 2016 due to failed repairs. The replacement energy for the first quarter of FY14 was 16,569 MWh.

Power is purchased off the electric grid when there is a financial benefit to customers or if doing so will help maintain system reliability. GRU also secures short-term and long-term purchased power deals as a hedge to meet native load. The long-term 30-year purchased power contract is with Gainesville Renewable Energy Center (GREC) for a 102.5 MW block of power. GREC became commercial on December 16, 2013 and is expected to provide 31 percent of total system load for FY15. Firm power from GREC in FY15 is estimated at \$57.83 million for fixed charges, \$23.91 million for variable charges and \$7.65 million for annual property tax assessment.

GRU has secured a 4-year power sales agreement with the City of Winter Park to begin January 1, 2015 for 10MW. GRU was able to provide a solution for Winter Park's power needs while bringing additional revenue to help keep down costs for our customers.

Budget Highlights

- The FY14 “as burned” cost of coal is projected to average \$3.73/MMBtu. The budgeted FY15 “as burned” cost of coal is \$3.63/MMBtu.
- FY15 “as burned” coal price includes \$2,953,452 for pebble lime and \$709,055 for urea required for operation of the dry scrubber and SCR.
- Fly ash sales are projected to generate revenues of \$210,260. This is an offset to coal expenses for the fiscal year.
- GRU is currently securing coal supply on short-term coal contracts.
- Inclusive of hedging, baseload deal(s), capacity charges, and excess capacity expenses, natural gas prices for FY14 are projected to average \$4.65/MMBtu. Prices for FY15 are budgeted to average \$6.05/MMBtu.
- Natural gas costs for customer sales (local distribution company or LDC) are higher on a cost-per-MMBtu basis from original projections for FY14. Projected costs (inclusive of hedging, baseload deal(s), capacity charges, and excess capacity expenses) for FY14 and FY15 are \$5.68/MMBtu delivered.

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Energy Supply

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
Administration	\$ 397,000	\$ 397,000	\$ 401,448	\$ 404,337
Energy Supply Training	136,650	138,678	136,150	140,235
Fuels Management	10,750	4,530	10,750	11,075
Product Assurance Support	38,200	38,757	38,200	39,346
Maintenace of Plant - Kelly Plant	1,030,676	840,053	980,676	1,010,102
Maintenace of Plant - Deerhaven	4,448,930	4,461,301	4,111,607	4,373,933
Maintenace of Plant - Plant Outage	4,244,750	4,433,179	3,839,750	3,954,946
Crystal River 3	1,731,700	108,177	-	-
Control Area Services	127,800	121,929	81,300	83,739
Total Expenditures	\$ 12,166,456	\$ 10,543,603	\$ 9,599,881	\$ 10,017,713

Description

Energy Supply operates and maintains GRU's electric generating and Combined Heating and Power (CHP) assets. Other areas of responsibility under Energy Supply are Production Assurance Support, Power Systems Operation, Transmission Switching, Generation Planning and Fuels Management, which include procurement, transportation and risk management for both the electric generating and gas distribution systems.

Budget Highlights

- Energy Supply proposes a \$2,566,575 decrease in non-labor expense from the FY14 budget.
- The largest reduction in the non-labor O&M budget can be attributed to the retirement of Crystal River 3.
- A FY15 savings will result from the deferral of the Deerhaven Combustion Turbine 1 planned outage.
- A FY15 savings will result from deferring the life cycle maintenance of equipment, including: DH1 boiler feed water pump overhaul, DH1 condensate pump overhaul, reduced scope of repairs to DH2 LP sump pumps and DH1 and DH2 4160V motor inspection/repairs. In addition, emergent work found during unit outages will be addressed on a "minimum must do" rather than "low life cycle cost" basis. The items that have been deferred or reduced in scope were selectively chosen to have minimal risk to unit reliability.
- Reductions in materials and supplies, notably lab supplies, chemicals, rental equipment and an overall reduction in general M&S inventory, generate a savings in FY15.
- Other FY15 savings are anticipated to come from in-house performance of work that was formerly done by contractors.

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District Energy

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
New Business Services	\$ 76,100	\$ 35,171	\$ 43,500	\$ 43,500
South Energy Center	2,415,469	2,306,969	2,205,137	2,749,703
Innovation Energy Center	219,688	219,458	157,721	201,815
Total Expenditures	\$ 2,711,257	\$ 2,561,598	\$ 2,406,358	\$ 2,995,018

Description

District Energy develops, operates, and maintains GRU's special-purpose energy and thermal plants at the South Energy Center and the Innovation Energy Center. District Energy also evaluates and implements new energy and thermal business ventures.

Budget Highlights

- Expenses related to the South Energy Center (SEC) are in accordance with the contractual terms of the agreement between GRU and UF Health.
- Increases in expenses at the SEC in FY16 reflect the expansion of the SEC to serve the new UF Health Cardiovascular and Neurosurgery tower on the UF Health south campus.
- Innovation Energy Center expenses reflect chilled water and backup power production sales as the Gainesville Innovation District develops.

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Energy Delivery

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
Energy Delivery Administration	\$ 21,786	\$ 18,800	\$ 25,069	\$ 25,570
Work & Resource Management	131,901	147,436	211,140	222,007
Electric Transmission & Distribution	2,441,879	2,352,664	2,378,146	2,428,491
Energy Delivery Engineering	237,798	238,605	197,591	200,945
Substation & Relay Operations	440,321	426,070	416,274	424,597
Gas & Electric Measurement	230,251	192,082	215,416	223,066
Systems Control	762,517	883,815	939,355	1,082,384
Gas Transmission & Distribution	171,153	135,194	180,065	183,666
Field Services	566,048	485,752	529,389	542,236
Total Expenditures	\$ 5,003,654	\$ 4,880,418	\$ 5,092,445	\$ 5,332,962

Description

The Energy Delivery (ED) Department is responsible for the design, construction, operation and maintenance of over 120 miles of electric transmission, 1,414 miles of electric distribution lines, 755 miles of gas distribution mains, 13 electric substations, and six natural gas gate stations. The department's other responsibilities include electric and gas metering; electric and gas system engineering; electric and gas system protection; power quality assurance; electric and gas system monitoring and control (SCADA); water, electric and gas service initiation and termination; all underground facility locates; and all meter reading. The department is also responsible for compliance with federal, state and local regulations related to safety, gas operator qualification, gas pipeline integrity, electric system reliability and operation, construction standards, and associated reporting requirements.

Budget Highlights

In response to continued soft economic conditions and depressed utility revenues, the Energy Delivery Electric System will essentially hold its operating and maintenance expenses flat in FY15 as compared with the FY14 budget, with minimal projected impact to the quality and reliability of the services delivered to our customers.

- In FY14, select subject matter experts and ED Administration staff were brought together to form the Energy Delivery "Work and Resource Management" workgroup. The purpose of this initiative is to: a) provide consistent, reproducible financial accountability and control; b) perform work product quality assurance and quality control functions; and c) develop/publish ED performance metrics. This work is well under way and will serve as the foundation for the development of an integrated, high-level work plan for all department resources (labor, equipment and budgeted funds).
- Vehicle fuel and maintenance expenses have been reduced again in FY15 to lower vehicle operating costs (fuel) and include more effective maintenance practices. The procurement of compressed natural gas fueled vehicles in FY15 will help drive down the department's fuel costs further.
- ED is adopting predictive and condition-based maintenance programs for all its operating equipment as opposed to time-based criteria. This evolution in practice is a strategy to become more efficient and effective in the performance of all maintenance activities.

- Federally mandated regulatory requirements, such as the NERC Reliability Standards, accelerate an upward pressure on O&M expenses, particularly within the Systems Control and Substation & Relay work groups.

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Water

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
Administration	\$ 14,891	\$ 14,272	\$ 11,050	\$ 11,050
Safety Training	14,825	14,276	14,402	14,689
Planning	152,261	149,630	150,940	151,190
Engineering	84,450	87,174	74,300	85,575
Murphree Plant				
Electric Expense	2,485,418	2,419,309	2,559,981	2,559,981
Chemicals	1,618,007	1,535,456	1,615,000	1,663,700
Security Guard Service	123,500	123,461	124,000	124,000
Sludge Disposal Fees	255,000	311,364	275,000	283,250
Other	653,030	738,661	589,100	594,200
Total	5,134,955	5,128,251	5,163,081	5,225,131
Water Distribution:				
Maintenance of Water System	285,659	282,884	274,412	273,892
Maintenance of Fleet	334,908	332,674	317,407	322,000
Other	49,240	49,070	46,531	46,381
Total	669,806	664,629	638,350	642,273
Total Expenditures	\$ 6,071,189	\$ 6,058,232	\$ 6,052,123	\$ 6,129,908

Description

The Water System is responsible for operating and maintaining the Murphree Water Treatment Plant, which has a treatment capacity of 54 million gallons of water per day (MGD). These responsibilities include providing safe, reliable, high-quality drinking water to 69,000 customers serving 189,000 people in the Gainesville urban area at acceptable pressures and volumes. The Water System is also responsible for construction, operation and maintenance of over 1,104 miles of water transmission and distribution lines, as well as the installation and maintenance of water meters, fire hydrants and backflow prevention devices.

Budget Highlights

Most of the O&M expenses in the Water System are not discretionary. For example, in order to meet federal and state safe drinking water standards, certain energy usage, chemicals, processes, and certified operational personnel for water treatment, and transmission and distribution are required.

- Overall, the Water System proposes a \$19,066 decrease from the FY15 budget, as compared with the FY14 budget. FY15 savings were achieved through reductions in operational expenses related to the deferment of system and fleet maintenance. Reductions were also made in administrative expenses such as training, travel, office equipment, safety supplies and memberships.

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Wastewater

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
Administration	\$ 14,891	\$ 14,272	\$ 11,050	\$ 11,050
Safety Training	14,775	14,226	14,352	14,638
Planning	11,066	10,095	9,700	9,950
Engineering	86,255	87,173	74,300	85,575
Water Reclamation Facilities				
Electric Service	3,053,100	2,947,936	3,144,600	3,239,100
Water Service	21,400	19,612	21,200	23,200
Chemicals	645,400	760,865	586,900	777,100
Maintenance - Plant & Fleet	1,224,900	1,247,799	1,119,000	1,802,260
Other	397,960	366,158	414,600	420,500
Total	5,342,760	5,342,371	5,286,300	6,262,160
Wastewater Collection				
Maintenance of Fleet	478,500	478,500	411,200	440,000
Radio & Communication Service	21,572	21,572	19,500	20,475
Other	140,997	140,418	125,966	125,300
Total	641,069	640,490	556,666	585,775
Total Expenditures	\$ 6,110,817	\$ 6,108,628	\$ 5,952,368	\$ 6,969,148

Description

The Wastewater System operates and maintains the 14.9 million-gallons-of-water-per-day (MGD) Kanapaha Water Reclamation Facility, the 7.5 MGD Main Street Water Reclamation Facility, 170 lift stations, 642 miles of gravity main and 136 miles of associated force main, providing service to 63,000 customers in the Gainesville urban area. Responsibilities include pumping, treating and discharging high-quality treated effluent that meets federal and state drinking water standards, and providing high-quality reclaimed water to residential and business customers, primarily for irrigation. The Wastewater System also administers the utility's industrial pretreatment (IPT), biosolids disposal; fats, oils and greases (FOG); and reclaimed water programs.

Budget Highlights

Most of the O&M expenses in the Wastewater System are not discretionary. For example, in order to meet federal and state collection, treatment, effluent and disposal standards, certain chemicals, processes and certified operational personnel are required.

- Wastewater proposes an overall \$158,449 decrease in its FY15 budget, as compared with the FY14 budget. The proposed reductions are for expenses related to collection system and lift station odor control, deferment of plant maintenance, deferment of fleet repairs, and administrative expenses such as training, travel and professional services.

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GRUCom

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
Operations	\$ 1,273,447	\$ 1,136,612	\$ 1,183,849	\$ 1,202,891
Public Safety Radio	696,717	605,280	612,500	629,980
Professional Services	180,401	189,401	115,000	111,800
Circuits	1,276,462	1,276,462	1,327,378	1,359,462
Total Expenditures	\$ 3,427,027	\$ 3,207,755	\$ 3,238,727	\$ 3,304,133

Description

GRUCom's four basic product lines include Telecommunications (data transport and carrier services), Public Safety Radio, Tower and Co-location Leasing, and Internet Access. GRUCom is divided into several operating units, including Administration, Engineering, Construction, Electronics, Network Operations, Tower Leasing and Public Safety Radio System.

Budget Highlights

- GRUCom Expenditures reflect the ongoing costs to operate and maintain the fiber optic network and equipment used for transport and Internet access services.
- Operations costs are associated with network expansion for new growth (revenue) and operations in support of existing services.
- Public Safety Radio costs are related to the operations of the County-wide Public Safety Trunked Radio System.
- Professional Services expenditures reflect costs associated with utilizing external sources to assist with ongoing service development with the cellular, long distance transport and other telecommunication organizations that provide Internet services and peering relationships.
- Expenditures for Circuits are associated with backbone Internet access and transport connectivity purchased by GRUCom from other service providers. These services allow GRUCom to resell Internet access and to reach customers that are not in close proximity to GRUCom's fiber network.

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Administration

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
General Manager	\$ 517,421	\$ 463,587	\$ 481,955	\$ 384,755
Utilities - Legal Services	10,372	11,186	25,185	25,491
Community Relations	100,432	125,588	104,766	109,379
Compliance	45,750	36,829	130,500	131,000
Total Expenditures	\$ 673,975	\$ 637,190	\$ 742,406	\$ 650,626

Description

The General Manager oversees the operations of the combined utility systems – electric, gas, water, wastewater and telecommunications – and is responsible for the annual budget, policy recommendation and the implementation of policy adopted by the City Commission.

Utilities - Legal Services is part of the City Attorney's Office and provides daily legal counsel for the combined utility systems, including assistance with contract negotiation and representation of the utility systems before the courts and administrative bodies.

Community and Government Relations develops, implements, manages and evaluates more than 13 community outreach programs for the combined utility systems, and is responsible for advocating for GRU's legislative and regulatory interests.

Compliance is responsible for the management of the Electric System's environmental compliance, as well as compliance with North American Electric Reliability Corporation (NERC) regulatory programs. This requires monitoring regulatory and external affairs, as well as wholesale and other contracts, and assuring that electric operations conform to environmental permitting and NERC standards for voltage, frequency, stability and reliability under authority delegated by the Federal Energy Regulatory Commission.

Budget Highlights

- Administration areas have decreased their FY14 projections as compared with the FY14 original budget. Expenses related to travel, training, community investment, professional services and contract services have been reduced for a total decrease of \$36,785.

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Customer Support Services

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
Customer Operations Administration	\$ 721,338	\$ 712,893	\$ 713,954	\$ 724,342
Energy & Business Services	696,889	687,390	587,004	558,440
Marketing & Communications	590,894	589,797	588,250	606,497
Facilities & Administrative Services	3,011,523	2,998,458	2,914,037	3,001,459
Total Expenditures	\$ 5,020,643	\$ 4,988,537	\$ 4,803,246	\$ 4,890,738

Description

Customer Support Services includes the customer call center, lobby and drive-thru payment processing, billing and collections, conservation, new services, promotion of utility services, and customer and employee communications. It also includes administrative functions such as utilities purchasing and stores, mail services, land rights and real estate, facilities maintenance, and security.

Budget Highlights

- Customer Support Services proposes a \$217,397 decrease to its FY15 budget, as compared with the FY14 budget. Strategies put in place to reduce the O&M budget for FY15 include scaling back on contract services, renegotiating contracts to maximize cost effectiveness, and delaying some normal maintenance expenses until FY16.

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Information Technology

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
Administration	\$ 44,760	\$ 44,761	\$ 47,942	\$ 40,569
Infrastructure Services	2,190,673	2,217,561	1,892,376	2,125,376
Application Development	169,810	169,809	158,935	197,935
Business Operations Support Services	1,213,658	1,213,656	1,143,875	1,261,147
Total Expenditures	\$ 3,618,901	\$ 3,645,787	\$ 3,243,128	\$ 3,625,027

Description

Information Technology (IT) maintains the network, phone, server, storage, and data center infrastructure and provides IT and communication services for the combined utilities and General Government (GG). IT supports 2,100 users and approximately 2,500 desktop and laptop computers used by employees at over 30 locations. In addition, IT supports mission critical systems such as the SAP financial management and customer care systems, the Advantage HR payroll and financial system, multiple websites, and the Revenue Collector system.

Budget Highlights

Major expenditures in the Information Technology budget are related to maintaining the mission critical systems, implementing infrastructure and software upgrades and network security improvements.

- IT has decreased its overall FY15 budget by \$375,773, as compared with the FY14 budget. The savings were achieved through reductions and a multi-year prepayment. Reductions were made in training and education, outside services and the consolidation of disparate technologies. The multi-year prepayment of application maintenance and support fees provides a discount in FY15 but results in an increase to FY16 when fees are due.

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Finance

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
Finance	\$ 8,750	\$ 13,271	\$ 7,475	\$ 8,925
Rates, Forecasting & Business Analytics	28,650	26,630	24,750	24,250
Financial Analysis & Budget	38,955	38,907	38,955	40,121
Accounting	15,579	19,173	16,996	16,996
Accounts Payable	7,075	8,558	6,975	6,975
Total Expenditures	\$ 99,009	\$ 106,539	\$ 95,151	\$ 97,267

Description

Finance is responsible for preparation and administration of the utility budget; cash and debt management; administration, monitoring and control of investments; accounting for the combined utility systems; and rates, forecasting, benchmarking and business process documentation.

Budget Highlights

- The Finance Department proposes decreases in FY15 to expenditures such as training, travel and office supplies. The overall \$3,858 decrease is an effort to produce budget savings while effectively managing current operations.

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Human Resources

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
Travel & Training	\$ 42,500	\$ 43,244	\$ 38,000	\$ 38,000
Professional Services	13,905	14,992	12,405	55,905
Other	12,941	12,995	4,959	4,959
Total Expenditures	\$ 69,346	\$ 71,231	\$ 55,364	\$ 98,864

Description

The Human Resources (HR) Department provides human resources support to all levels of GRU and General Government leadership. HR's operational goals are to foster and measure a culture that promotes alignment with the organization's mission and values, with an emphasis on productivity and customer service; to recruit, retain and motivate a diverse and highly-skilled workforce; to maintain effective employee and labor relations; to provide comprehensive learning solutions that meet the current and future needs of the organization; to maintain an appropriate and competitive compensation and classification system; and to coordinate and enhance organization-wide communications on issues that impact employees and their jobs in support of organizational goals and objectives.

Budget Highlights

- Human Resources proposes a \$13,982 decrease in the FY15 budget, as compared with the FY14 budget. Expenses in training and professional services have been reduced to provide cost savings while maintaining current service levels.

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General System Expenditures

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
Insurance	\$ 3,945,158	\$ 4,048,773	\$ 3,795,410	\$ 3,950,564
Joint Services Allocation	2,047,640	2,087,428	2,020,877	2,121,921
Risk Management Fees	1,800,000	1,800,000	1,782,309	1,831,194
Professional/Contractual Services	360,000	297,365	460,000	370,800
Bank/Fiscal Agent Fees	2,078,962	2,079,074	2,161,336	2,226,176
Regulatory Fees/Permits	137,093	137,093	137,093	141,206
Fleet Maintenance Capitalization	(500,000)	(1,444,288)	(995,000)	(995,000)
System Expenditures Capitalized	(3,750,000)	(3,750,000)	(3,750,000)	(3,750,000)
Pension and OPEB Bonds	3,915,076	3,915,076	1,752,889	1,890,459
Recoveries	(2,503,640)	(2,507,417)	(2,649,636)	(2,748,753)
Other	667,565	724,986	1,312,725	1,094,389
Total	\$ 8,197,855	\$ 7,388,090	\$ 6,028,003	\$ 6,132,957

Description

General System Expenditures are of common benefit to all Systems, such as financial audit fees, regulatory fees, fringe costs, insurance and payments to General Government for joint services rendered.

Budget Highlights

- The OPEB Bonds will be final paid in FY14, leaving only the Pension Obligation Bonds remaining. This caused a significant reduction for FY15 budget for this item. Pension costs are allocated out of System Expenditures to departments as fringe benefits.
- Insurance premiums and payments for property and liability risks as well as Worker's Compensation insurance are projected to be above budget in FY14 due to an increase in General Liability claims for the year. Due to industry pressures, an increase in rates is forecast in FY15 to offset investment losses and claims in the Florida insurance market. Risk Management fees are contingent on the number and amount of claims that may be settled during a given year.
- Joint Services Allocation represents GRU's contribution to services such as City Commission, City Auditor, Equal Opportunity Office, and other services that are provided by General Government. This amount increases by 3% each year, per agreement with General Government.
- Professional/Contractual Services includes \$100,000 for a tax application and bill review for FY15.
- The capitalization of fringe benefits, fleet costs, and other related system expenditures is dependent upon the ratio of capital projects to O&M projects that occurred during the year. As these allocations are dependent upon actual capital activity within a fiscal year, the allocable balances in these accounts will fluctuate based on the timing and nature of capital efforts.
- Examples of "Other" expenditures include record retention/storage, corporate dues and memberships, and audit and legal services. Driving the increase for FY15 is a planned external investigative review in the amount of \$250,000. Both FY15 and FY16 have increased labor related costs due primarily to an increase in employer pension costs of \$360,000 and \$367,000 respectively.

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Debt Service Expenditures

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
Senior Lien Debt Service Payment	\$ 70,067,777	\$ 54,712,791	\$ 56,209,726	\$ 55,941,802
Subordinated Debt Service Payment	1,170,000	6,033,454	6,141,933	6,133,026
Total before BABs and UPIF	\$ 71,237,777	\$ 60,746,245	\$ 62,351,659	\$ 62,074,828
BABs Subsidy	\$ (5,766,087)	\$ (5,264,602)	\$ (5,264,602)	\$ (5,764,517)
UPIF	\$ (9,100,000)	\$ (9,100,000)	\$ (1,350,000)	\$ (250,000)
Effective Debt Service	\$ 56,371,690	\$ 46,381,643	\$ 55,737,057	\$ 56,060,311

Description

The Senior Lien Debt Service and Subordinated Debt Service Funds were established by the Amended and Restated Utilities System Revenue Bond Resolution. The amounts deposited into these funds must be used to pay outstanding senior lien or subordinated debt. The Bond Resolution requires that monthly deposits be made to the Senior Lien Debt Service and Subordinated Debt Service Funds after 1) operating and maintenance expenses and 2) required Rate Stabilization Fund transfers are paid. These monies are restricted from other uses and are held in a separate bank account by the Utility's trustee.

The BABs Subsidy is shown in the "Other Revenue" line in the Flow of Funds, causing the Debt Service in the Flow of Funds to reflect a different value than the "Effective Debt Service" shown above.

Budget Highlights

- GRU continues to realize reduced interest expense on the 2009 Series B Bonds and the 2010 Series B Bonds as a result of issuing these series utilizing the Build America Bonds program created under the American Recovery and Reinvestment Act of 2009. This program provides a federal subsidy for a portion of the interest cost of the 2009 Series B Bonds and the 2010 Series B Bonds. Additionally, GRU's Variable Rate Debt continues to achieve historically low rates due to GRU's excellent credit rating and the current low-interest rate economic environment.
- The FY15 budget reflects the use of \$1.35 million of Utility Plant Improvement Fund (UPIF) monies to pay a portion of the debt service. This utilization decreases to \$250,000 in the FY16 budget.

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Utility Plant Improvement Fund

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
Electric Revenue Contribution	\$ 24,784,980	\$ 24,784,980	\$ 23,705,509	\$ 26,455,140
Water Revenue Contribution	6,435,338	6,435,338	7,356,894	7,636,198
Wastewater Revenue Contribution	8,033,310	8,033,310	8,934,097	9,826,581
Gas Revenue Contribution	2,793,153	2,793,153	3,399,862	3,134,397
GRUCom Revenue Contribution	833,913	833,913	209,039	21,419
Total Expenditures	\$ 42,880,694	\$ 42,880,694	\$ 43,605,401	\$ 47,073,735

Description

The Utility Plant Improvement Fund (UPIF) was established by the Amended and Restated Utilities System Revenue Bond Resolution. The amounts deposited into this fund can be used to pay for construction costs or for debt service on outstanding debt. This fund represents the equity that is set aside for future construction projects. If at any time other monies are not available for the payment of O&M expenses, then UPIF may be used for O&M expenses.

Budget Highlights

- Per the Bond Resolution, the utility is required to deposit into UPIF at least one-half (1/2) of the sum of Net Revenues, including interest income but excluding non-operating revenues and expenses less Senior Lien debt service. The required contribution amount of \$42.9 million projected in FY14 is based on FY13 operating results and is projected to come in very close to the budgeted value, being used at 1/12 of budget each month, to be trued up at the end of FY14. The increases in FY15 and FY16 deposits to UPIF are based on the revenue projection for those years.
- The UPIF monies represent the City's equity investment in the utility and are used to defray the costs of maintaining a capital-intensive operation. Currently UPIF is used to pay a portion of the Utility's construction expenses for all systems. The Utility is planning to contribute equity to the capital program, lowering potentially borrowed funds by \$51.1 million in FY15, and \$47 million in FY16.
- Beginning in FY14 and continuing through FY20, GRU began utilizing UPIF monies to pay a portion of the Debt Service payments. This amount is expected to total \$9.1 million in FY14, decreasing to \$1.35 million in FY15 and to \$250,000 in FY16.

Annual Operating Budget

Non-Labor

General Fund Transfer

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Expenditures:				
Electric	\$ 21,292,641	\$ 21,901,562	\$ 19,495,302	\$ 19,799,381
Water	6,414,915	6,052,476	5,699,804	5,602,213
Wastewater	7,554,428	6,808,849	7,542,181	7,473,327
Gas	2,440,003	2,553,954	2,405,138	2,442,652
GRUCom	399,438	-	-	372,988
Total	\$ 38,101,425	\$ 37,316,840	\$ 35,142,425	\$ 35,690,560

Description

The General Fund Transfer (GFT) represents transfers to the General Fund by each system. Prior to FY11, the calculation upon which the Electric System transfer was based had a three part formula (developed in 2000): a base amount developed to equal the amount the General Fund would receive if Gainesville customers were served by an Investor Owned Utility receiving dividends, franchise fees and property taxes; a growth component adjusting the base depending on the amount of kWh delivered to customers; and an incentive component representing 3 percent of the net revenues from interchange sales and sales for resale, as well as a portion of the increase in the amount of kWh delivered greater than 3 percent.

Prior to FY11, the GFT formula for Water, Wastewater, and Gas Systems (developed in 1986) included: 1) the amount of surcharges collected in the current fiscal year; and 2) 14.65 percent of the revenues for the second preceding fiscal year after deducting surcharges, fuel expenses and revenues from water sales to UF. The GRUCom transfer to the General Fund had a base that increased 3 percent per year.

On March 4, 2010, the City Commission approved a change to the GFT for fiscal years 2011 through 2014. This decision provided certainty around the transfer in these uncertain economic times, allowing for cash flow predictability for both GRU and General Government. A gain/loss sharing component was also agreed upon that compares the fixed levels to the 2000 GFT formula. If the difference between the calculated transfer per the 2000 GFT formula is no greater than \$500,000 over or under the agreed-upon level above for that particular audited year, then the transfer will remain unchanged. If the difference between the calculated amount per the 2000 GFT Formula is greater than \$500,000 over or under the agreed-upon level above for that particular audited year, then the General fund and GRU will equally share the gain or loss for amounts greater than \$500,000.

The transfer to the General Fund made in the fiscal year ended September 30, 2013 was \$36,656,458. The transfer for FY14 is projected to be \$37,316,840 after the application of the gain/loss feature of the agreement.

On April 17, 2014, the City Commission approved a new agreement that sets a fixed value for the transfer to the General Fund for fiscal years 2015-2018. The Utility and the City Commission will revisit the agreement mid-term to negotiate the values for 2019 and 2020, continuing this process in the future. The transfers are projected to be \$35.1 million in FY15 and \$35.7 million in FY16. A portion of the calculation of the value is application of the property tax revenue received by the City from GREC toward GRU's total transfer. This value may vary from projections, yielding a slight variance from the numbers stated above.

Budget Highlights

- The FY14 GFT is 9.5 percent of Total Revenues and 15.8 percent of Total Non-Fuel Revenues.