

Gainesville Regional Utilities

July 2024



Agenda

- Strategic Focus
- 2024 Financials and Financial Update
- 2025 Budget, Financial Forecast and Activities
- Summary



Strategic Focus

Strategic Focus

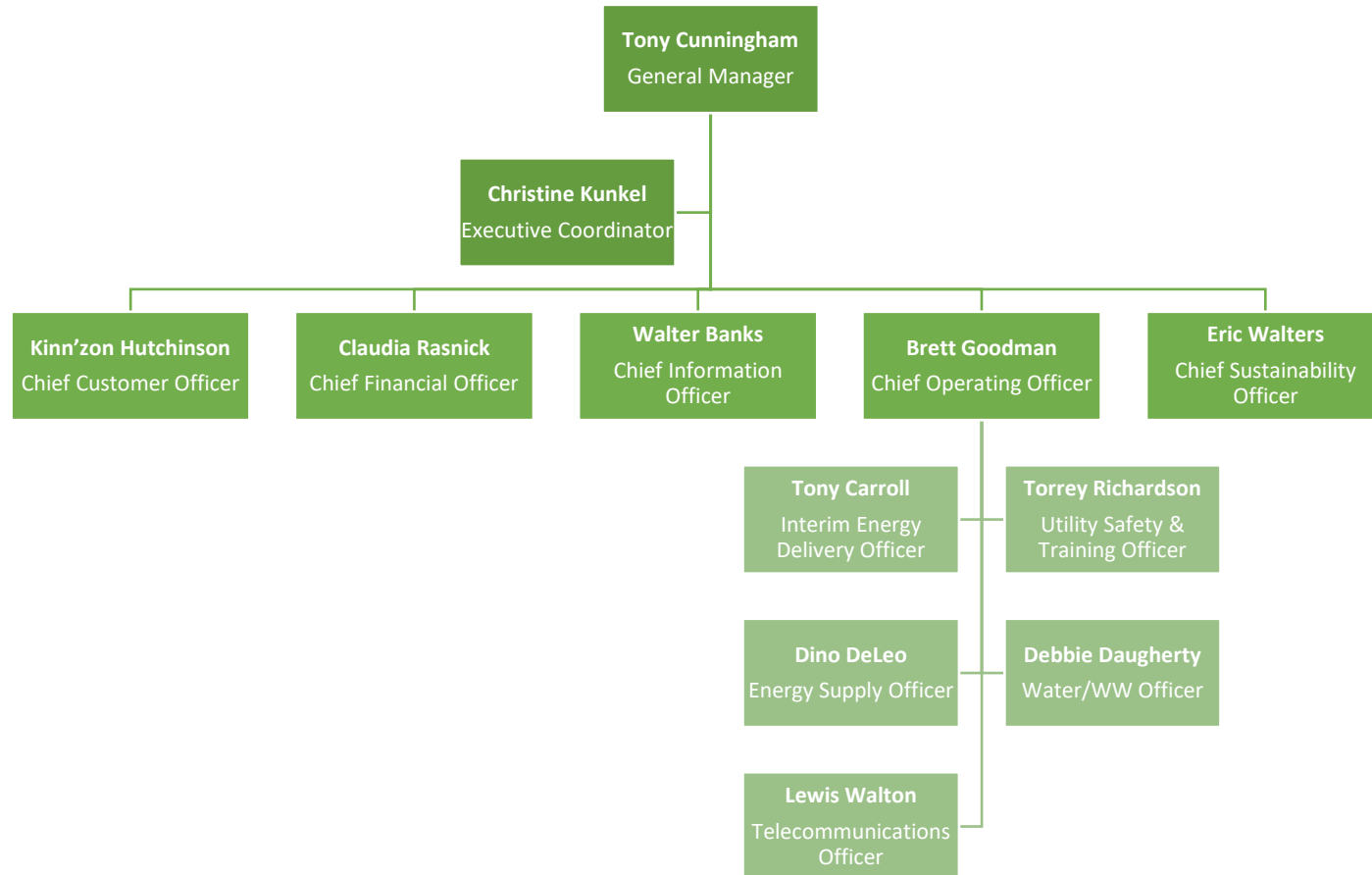
- Transition- The June 26th board meeting marked the emergence of the GRUA as the force it was intended to be – zero utility base rate increases funded by recouping \$68M of excess GFT and selected cuts to the CAPEX and O&M budget
- Approach to rates – Striving to become the utility the community can afford
- Debt reduction - \$395M in net debt reduction is the minimum over the next ten years
- GSC – Has moved from its peak of \$38M to \$8.5M over the next ten years which will serve as a driver for further rate relief, debt reduction and/or capital investment.
- Zero carbon by 2045 – Solar and battery technology will be acquired from outside GRU's territory building on FPL, FMPA, and Duke's investments. Opportunistic and economic investment versus strict adherence to the 2045 goal.

Strategic Focus

FY25 Budget Adjustments

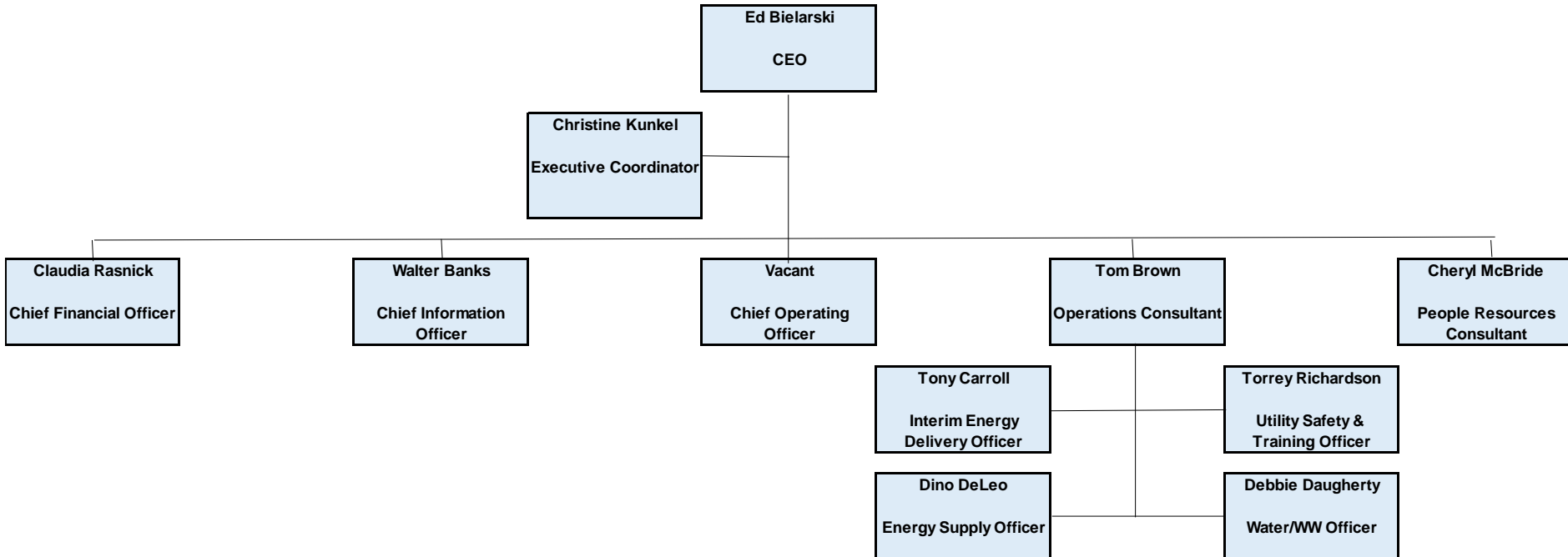
- Froze employee head count at 821 (accounting for historical vacancy rate plus additional ~27 FTE reduction) to stabilize increasing labor costs
- Recovering the \$3M lost revenue in the IT Service Level Agreement for fiscal year 2024 from General Government to cover actual costs
- Deferred \$20M in CAPEX
- Reorganized the Sustainability department, changing titling to its proper Operations Support moniker.
- Re-envisioning GRUCom as a line of business (need to reduce annual loss from \$6M to a lower number).
- Focus on improving customer service with final push on AMI analytics (internally and externally).
- Paused IRP to re-consider assumptions, affordability and economics.

Strategic Focus Prior Management Team



Strategic Focus Transition Team

The Transition Team has Extensive GRU and Utility Experience



Strategic Focus Litigation & Referendum

- Two legal challenges remaining
 - In Federal court and will be heard in Tallahassee
 - State officials and the City of Gainesville are defendants
 - Constitutional challenge alleging that the creation of the Authority violated the Plaintiff's right to vote for members of a legislative body
 - Briefs were due June 20, 2024 and it is expected that the Court should rule soon
 - In State court and will be heard in Gainesville
 - City of Gainesville, Mayor and former chair of GRUA are defendants
 - Challenges the existence/validity of the Authority
 - A hearing will be held on July 31, 2024
- Legal staff is awaiting outcome of suits before proceeding to file bond validation proceeding
- Concurrently, the City Commission added a referendum to the November ballot that would return GRU governance to the City. Outcome and future litigation remain unclear at this time.



2024 Financial Update

- As of June 30, 2024 on a Combined System basis
 - Revenues net of fuel and transfers to/from the Rate Stabilization Fund were 3.39% above budget
 - Expenses net of fuel were 2.19% below budget
- Retail electric MWH sales were 0.64% below budget
- Water System Kgal sales were 0.61% above budget
- Wastewater System Kgal billings were 1.01% above budget
- Gas System Therm sales were 1.13% above budget



2025 Budget and Financial Forecast

2025 Budget Financial Metrics

	ACTUAL		BUDGET	FORECAST				
	2022	2023	2024	2025	2026	2027	2028	2029
Total Revenue	527,346,592	468,722,693	460,445,984	438,798,528	443,199,736	459,135,959	467,877,556	475,780,076
Total O&M Expense	315,816,895	281,797,791	264,526,998	246,878,552	258,799,865	266,563,861	274,560,777	282,797,600
Net Revenues	211,529,697	186,924,902	195,918,986	191,919,976	184,399,871	192,572,099	193,316,779	192,982,476
Uses of Net Revenues								
Debt Service	99,932,764	109,677,918	102,918,849	108,346,827	108,149,490	120,600,223	120,739,963	120,219,476
Debt Defeasance	11,856,195	1,213,590	31,569,294	29,708,165	27,655,764	25,855,043	25,753,614	25,666,139
UPIF	45,762,559	46,206,211	46,125,619	45,359,758	40,089,393	37,611,608	38,317,977	38,591,636
General Fund Transfer	36,283,000	34,283,000	15,305,224	8,505,225	8,505,225	8,505,225	8,505,225	8,505,225
Retain in Revenue Funds	19,906,650	-	-	-	-	-	-	-
County Streetlights	-	(800,000)	-	-	-	-	-	-
Intercompany Loan	(2,211,471)	(3,655,817)	-	-	-	-	-	-
Total Uses of Net Revenues	211,529,697	186,924,902	195,918,986	191,919,976	184,399,871	192,572,099	193,316,779	192,982,476
Debt Service Coverage	2.12	1.70	1.90	1.77	1.71	1.60	1.60	1.61
Fixed Charge Coverage	1.75	1.39	1.75	1.69	1.63	1.53	1.53	1.53
Operating Cash	31,631,268	25,834,774	37,485,262	37,485,262	37,485,262	37,485,262	37,485,262	37,485,262
Rate Stabilization Fund Cash	54,600,333	64,844,503	71,859,282	100,148,504	126,632,997	143,897,185	158,963,306	172,597,370
UPIF Cash	50,057,490	55,980,916	42,106,535	39,066,293	39,155,686	37,767,294	38,085,271	37,676,907
Total Days Cash	136,289,091	146,660,193	151,451,079	176,700,059	203,273,945	219,149,741	234,533,839	247,759,539
Total Days Cash on Hand	158	190	209	261	287	300	312	320
Total Cash	136,289,091	146,660,193	151,451,079	176,700,059	203,273,945	219,149,741	234,533,839	247,759,539
Authorized but Undrawn Lines of Credit	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Total Liquidity	286,289,091	296,660,193	301,451,079	326,700,059	353,273,945	369,149,741	384,533,839	397,759,539
Total Liquidity Days on Hand	333	384	416	483	498	505	511	513

2025 Budget Planned CIP

Summary of Capital Improvement Program - Sources and Uses

	2024	2025	2026	2027	2028	Total
Uses of Funds:						
Construction Projects:						
Electric	58,572,382	42,927,144	45,473,171	40,207,942	39,052,736	226,233,375
Gas	6,360,567	5,760,116	6,320,536	4,901,191	5,297,568	28,639,978
Water	19,375,496	18,740,786	19,408,739	16,822,065	18,262,076	92,609,162
Wastewater	25,477,186	54,872,611	41,640,717	41,628,669	58,389,237	222,008,420
GRUCom	468,121	201,322	417,533	213,272	210,423	1,510,671
Total Construction	110,253,752	122,501,979	113,260,696	103,773,139	121,212,041	571,001,607
Sources						
Bond Financing	52,961,466	65,475,554	61,504,636	66,161,531	82,894,064	328,997,251
Revenues	46,125,619	45,359,758	40,089,393	37,611,608	38,317,977	207,504,355
Grants	11,166,667	11,666,667	11,666,667	-	-	34,500,001
Total Sources	110,253,752	122,501,979	113,260,696	103,773,139	121,212,041	571,001,607

2025 Budget Strategic Implications

Non-Fuel O&M Expense

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total FY24-FY33
Non-fuel O&M expense											
FY24 final budget	157,324,197	164,094,613	169,017,451	174,087,975	179,310,614	184,689,933	190,230,631	195,937,550	201,815,676	207,870,146	1,824,378,785
FY25 "prior CEO" budget		155,565,061	164,587,699	169,525,330	174,611,090	179,849,423	185,244,905	190,802,252	196,526,320	202,422,110	1,619,134,190
FY25 final budget		150,256,059	159,278,697	164,057,058	168,978,770	174,048,133	179,269,577	184,647,664	190,187,094	195,892,707	1,566,615,757
Difference from 2024		(13,838,554)	(9,738,754)	(10,030,917)	(10,331,845)	(10,641,800)	(10,961,054)	(11,289,886)	(11,628,582)	(11,977,440)	(257,763,028)
Difference from "prior CEO"		(5,309,002)	(5,309,002)	(5,468,272)	(5,632,320)	(5,801,290)	(5,975,329)	(6,154,588)	(6,339,226)	(6,529,403)	(52,518,432)

- ~\$5.3 million FY25 annual reduction from the initial planned 2025 budget
 - ~\$3.0 million for personnel services
 - ~\$1.5 million for reduced utility costs
 - Remainder associated with travel, training etc.
 - GRU to revisit FY26 level (~\$160 million) and determine if a lower level is warranted

General Fund Transfer / Government Services Contribution

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total FY24-FY33
General Fund Transfer											
FY24 final budget	15,305,224	15,348,987	15,737,836	16,077,440	16,402,071	16,742,060	16,830,219	16,921,200	17,017,281	17,111,624	163,493,941
FY25 "prior CEO" budget		15,305,224	15,305,224	15,305,224	15,305,224	15,305,224	15,305,224	15,305,224	15,305,224	15,305,224	137,747,013
FY25 final budget		8,505,225	8,505,225	8,505,225	8,505,225	8,505,225	8,505,225	8,505,225	8,505,225	8,505,225	76,547,025
Difference from 2024		(6,843,762)	(7,232,611)	(7,572,215)	(7,896,846)	(8,236,835)	(8,324,994)	(8,415,975)	(8,512,056)	(8,606,399)	(86,946,916)
Difference from "prior CEO"		(6,799,999)	(6,799,999)	(6,799,999)	(6,799,999)	(6,799,999)	(6,799,999)	(6,799,999)	(6,799,999)	(6,799,999)	(61,199,988)

- GFT "high watermark" was in 2021, \$38.3 million transfer
- City Commission reduced GFT to \$15.3 million in 2024, applied new name and formula
- GRUA reduced transfer by \$6.8 million annually for 10 years to address prior transfers
 - In those years, GRU did not generate the necessary net income to fund the transfer

2025 Budget Strategic Implications

Capital Improvement Program

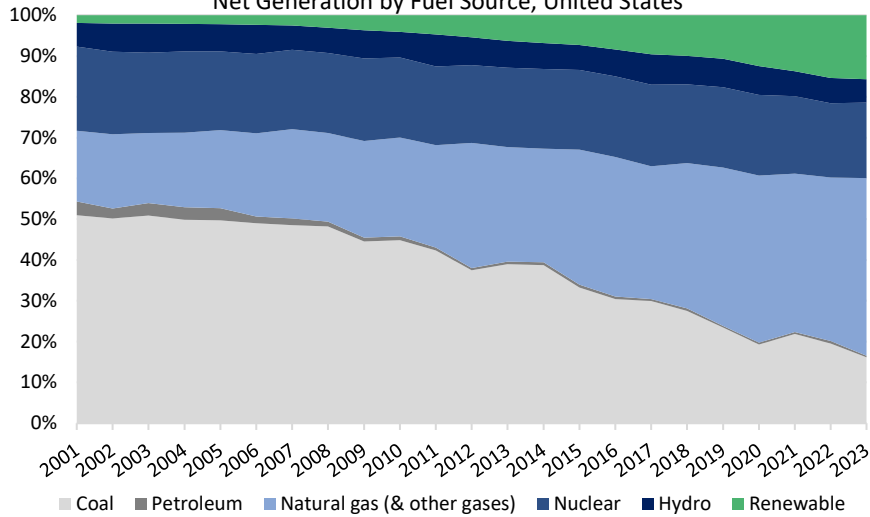
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total FY24-FY33
Capital Improvement Plan											
Prior CIP (10 year total)	942,000,000										
FY25 "prior CEO" budget		126,754,101	132,895,740	119,244,976	128,798,063	106,637,289	90,308,771	104,713,117	110,673,697	114,001,458	1,034,027,211
FY25 final budget		122,501,979	113,260,696	103,773,139	121,212,041	123,415,123	119,288,237	88,278,747	87,534,924	88,911,773	968,176,659
Difference from 2024											
Difference from "prior CEO"		(4,252,122)	(19,635,044)	(15,471,837)	(7,586,022)	16,777,834	28,979,466	(16,434,370)	(23,138,773)	(25,089,685)	(65,850,552)

- Previous CEO FY25 Budget initially proposed ~\$1.2 billion CIP total, then reduced to \$1.0 billion after presentation to GRUA
- \$968 million FY25 CIP was approved on June 26, 2024
- FY25 CIP reflects more historic levels of execution
- Moved projects into FY29 and FY30, primarily water and wastewater impacting
 - Main Street Water Reclamation Facility
 - Lift Station Upgrades
 - Wetlands Restoration Project
 - Murphree
 - Wellfield Improvements
 - Equipment Building
 - Storage Tank Design

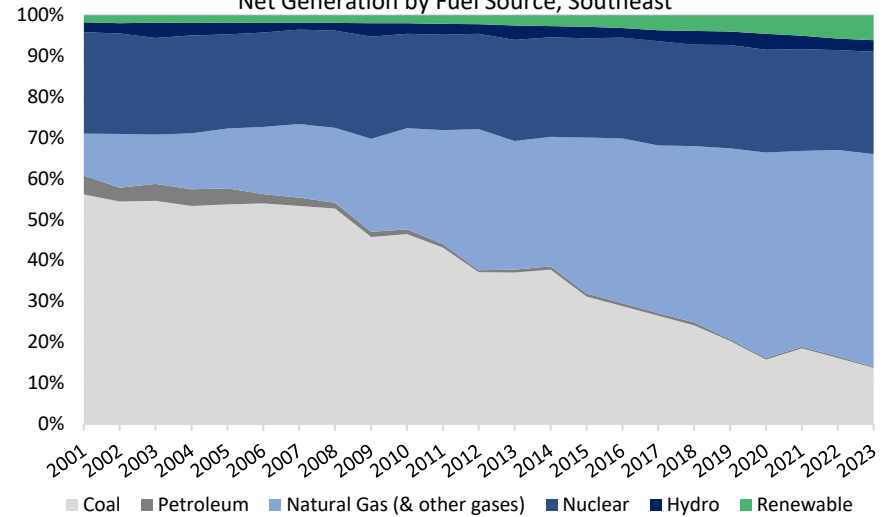
No impact to water treatment capacity

2025 Budget Strategic Implications: Renewables

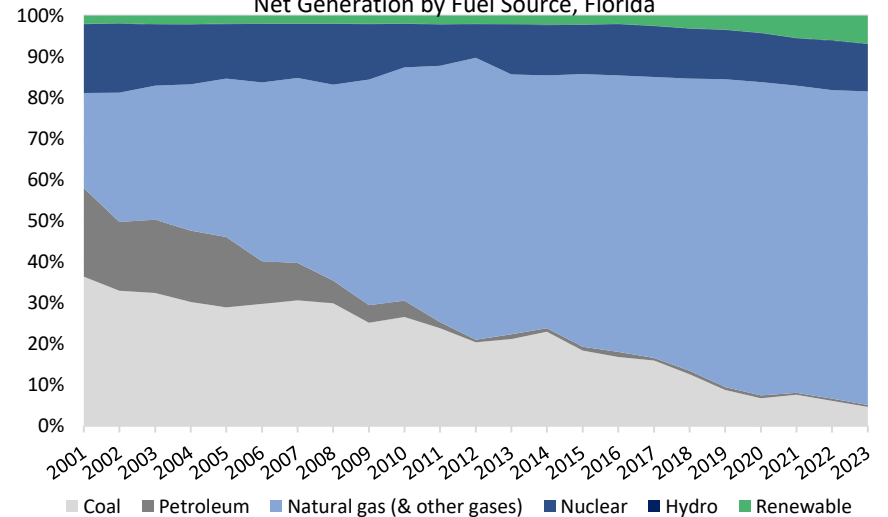
Net Generation by Fuel Source, United States



Net Generation by Fuel Source, Southeast



Net Generation by Fuel Source, Florida

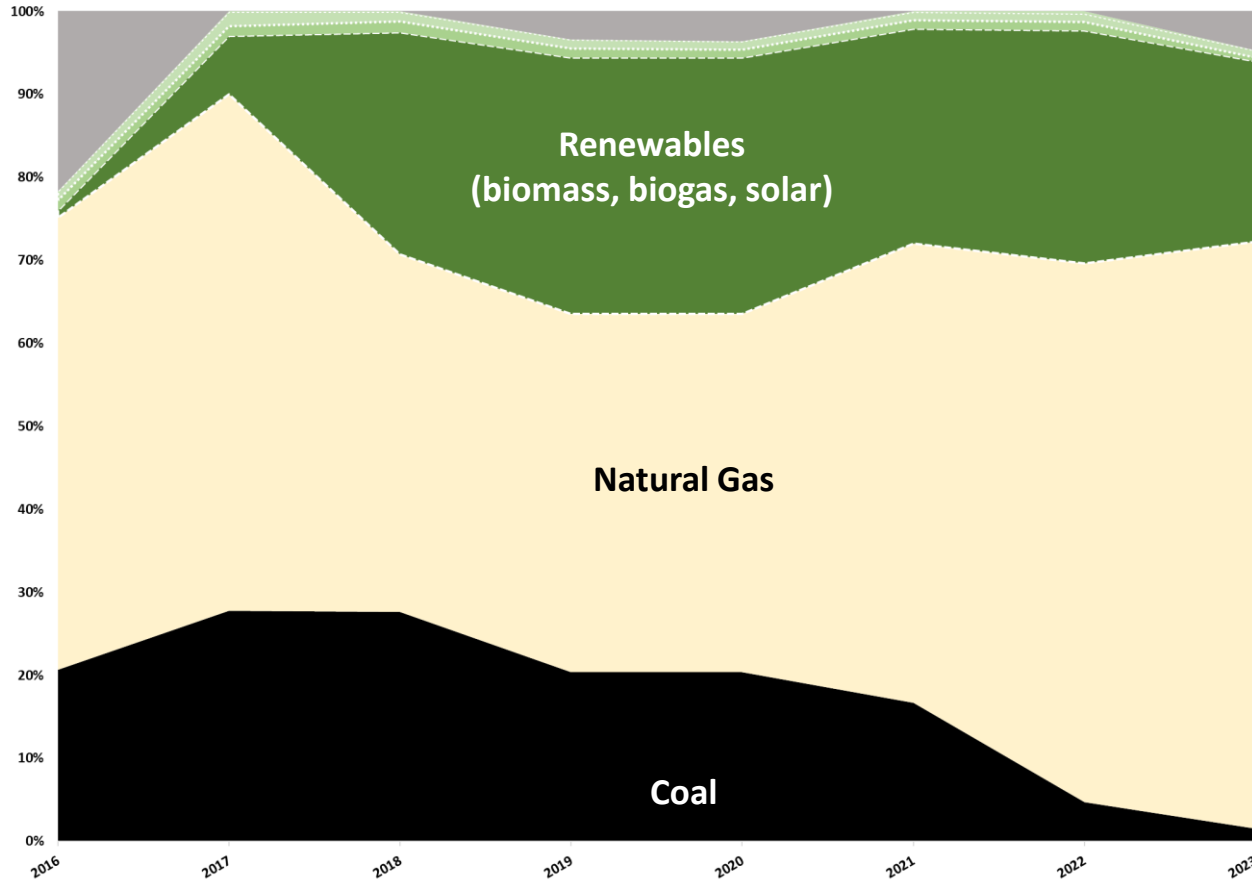


2023 Comparison

Fuel	U.S.	Southeast	Florida
Coal	16.2%	13.7%	4.6%
Petroleum	0.4%	0.2%	0.5%
Natural Gas	43.5%	52.1%	76.4%
Nuclear	18.5%	25.1%	11.5%
Renewable (Inclds Hydro)	21.4%	8.9%	7.0%

2025 Budget Strategic Implications: Renewables

GRU Generation Portfolio, by Fuel



- >50% reduction in CO2 emissions since 2010
- Renewables average ~30% of generation
- Coal has averaged ~13% since 2019 with significant reduction in 2023 (~1.5% of MWh generated given gasification of Deerhaven 2) and likely 0% going forward
- Increased reliance on natural gas as it accounts for ~65% - 70% - addressed through more aggressive hedging program
- GRU not reliant on market purchases, ~5% of MWhs in 2023 (darker grey section on chart)

2024/2025 Expected Financing Activities

- **Renewing GRU's credit facilities**
 - 2018 A Letter of Credit, expiring November 2024 with Truist
 - 2020 A Letter of Credit, expiring November of 2024 with Truist
 - 2022 A/B Revolver, expiring April of 2025 with U.S. Bank
 - 2019 C Letter of Credit, expiring April 2025 with Bank of America
- **2014 Series A Forward Starting Swap**
 - 2014 A Bonds callable on October 1, 2024 with swap locking in rate of 1.05%
 - Impacted by bond validation process
 - GRU currently plans to use this swap to hedge other variable rate debt
- **Cash defeasance**
 - Defeased \$6.1 million the 2005C and 2006A bonds in April, 2024
 - GRU plans to defease an additional ~\$38 million in debt before the end of the fiscal year
 - Plans currently being finalized
- **Other potential initiatives**
 - Forward starting swap for the 2017A Bonds
 - Prepay transactions for natural gas/renewables/electricity



Summary

Strategic Vision

Re-Powering GRU

- Continue to navigate new governance structure
 - Re-examining how GRU does *business*
 - Reducing the GSC by \$6.8 million annually for the next decade
 - Resetting the IRP process with more emphasis on affordability
 - Reviewing creative means to reduce carbon intensity (transmission)
 - Redeeming debt through proactive and sophisticated debt management processes and policies
 - Reducing costs in the individual utility systems by implementing continuous process improvement to promote efficient, reliable operations
 - Re-evaluating commodity risks through a more robust hedging program and updated cash balance studies
 - Reimagining the customer experience
 - Re-emerging as a utility the community can afford



Thank You!

**GRU**SM
More than Energy

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