Gainesville Regional Utilities Authority

AGENDA

Wednesday, January 3, 2024, 5:30 p.m.

GRU Administration Building

301 SE 4th Avenue

Gainesville, FL 32601

Authority Members

Craig Carter - Chair

James Coats, IV - Vice-Chair

Robert Karow - Member

Eric Lawson - Member

Vacant

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A. **CALL TO ORDER**

Agenda Statement: The Gainesville Regional Utilities Authority encourages civil public speech. The Gainesville Regional Utilities Authority expects each person entering this chamber to treat others with respect and courtesy. Speakers are expected to focus on agenda items under discussion. Signs, props, posters, food, and drinks should be left outside the auditorium.

B. **ROLL CALL**

C. **INVOCATION**

D. **PLEDGE OF ALLEGIANCE**

E. **GENERAL PUBLIC COMMENT**

(for items not on the agenda, not to exceed 30 minutes total)

F. **ADOPTION OF THE AGENDA**

G. **APPROVAL OF MINUTES**

H. **CEO/GM REMARKS**

I. **BUSINESS DISCUSSION ITEMS**

1. **2024-16 FY25 GRU Budget - Presentation on GRU's Debt Portfolio Review (B)**
Department: GRU Budget, Finance, and Accounting

Description: Staff will present an overview of GRU's debt portfolio as part of the FY25 budget process.

Fiscal Note: None at this time.

Recommendation: The Authority hear a presentation from staff.

2. **2024-36 GRU CEO/GM Search (NB)**
Department: GRU Authority

Description: This item is in response to the GRU Authority's motion for a nationwide search for GRU's CEO/GM position.

Fiscal Note: Expected range $25,000 to $50,000 for search and travel.

Recommendation: Board to discuss options and provide direction on next steps. **Options**: **1).**Use current City of Gainesville contract with Baker Tilly. GRU Procurement staff, in conjunction with direction from the GRU Authority, would develop a task assignment and create a purchase order to start the process. Once the task order is approved, GRU Procurement Staff will need direction from the Authority on changes to current job description, special qualifications/ certifications, salary range, etc. **Timing**: About two weeks to thirty days to get task order written and approved; then the firm's search, selection, review, interviews and salary negotiation could be 4 to 6 months. **2.)** Use GRU's Procurement Office to execute a Specified Source contract to hire a specific recruitment firm. Firms used in the past by the City of Gainesville/ GRU: Baker Tilly, Colin Baenziger, CPS, GovHR, Mycoff Fry Partners. GRUA Authority provide staff a vendor name to be used as a Specified Source. GRUA Authority provide an upper limit ceiling on amount of search plus cost for onsite interviews. **Timing**: About two weeks to thirty days to contact vendor and approve contract; then the firm's search, selection, review, interviews and salary negotiation could be 4 to 6 months. Once contract is approved, GRU Procurement Staff will need direction from the Authority on changes to current job description, special qualifications/ certifications, salary range, etc. Note: Staff cannot attest to any of these firms on their price, quality or timeliness. **3.)** Conduct a Request for Qualifications (RFQ) or a Request for Proposal (RFP) to judge price, quality and timeliness for multiple recruitment firms to provide executive recruitment searches. **Timing**: A minimum of 60 days to write and post for vendors to respond, select vendor, and negotiate contract. Moreover, another 4 to 6 months for the firm to conduct the search, selection, review, interviews and salary negotiation.

3. **2024-37 Joint Meeting with the City Commission (NB)**
Department: GRU Authority Board (Vice Chair Coats)

Description: The Vice Chair of the GRU Authority Board is recommending a joint meeting between Gainesville Regional Utilities (GRU) Authority Board and the City of Gainesville's City Commission to discuss the Government Services Contribution (GSC) and impacts any changes would have on the city.

Fiscal Note: None at this time

Recommendation: GRU Authority members discuss and recommend next steps.

J. MEMBER COMMENT

K. ADJOURNMENT

Gainesville Regional Utilities Authority

MINUTES

December 14, 2023, 5:30 p.m.
GRU Administration Building
301 SE 4th Avenue
Gainesville, FL 32601

Members Present: Chair Craig Carter, Vice-Chair James Coats, IV, Robert Karow, Eric Lawson

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A. CALL TO ORDER

The Chair called the meeting to order at 5:30pm

Chair Craig Carter joined the meeting at 5:30 pm.

Vice-Chair James Coats, IV joined the meeting at 5:30 pm.

Robert Karow joined the meeting at 5:30 pm.

Eric Lawson joined the meeting at 5:30 pm.

B. ROLL CALL

Present:

Member Karow

Member Lawson

Vice Chair Coats

Chair Carter

C. INVOCATION

The Chair asked if anyone would like to lead the invocation.

D. PLEDGE OF ALLEGIANCE

E. GENERAL PUBLIC COMMENT

The Chair called for public comment:

-Jim Konish

-Debbie Martinez

-Kimbock Joy

-Tom Cunilio

-Robin Baxley

F. ADOPTION OF THE AGENDA

Public Comment:

-Jim Konish

Moved by Vice-Chair Coats
Seconded by Eric Lawson

G. APPROVAL OF MINUTES

Public Comment:

-Jim Konish

-Kimbock Joy

Moved by Eric Lawson
Seconded by Robert Karow

1. Minutes of the December 6, 2023 GRU Authority Meeting

H. CEO/GM REMARKS

-Estoppel Agreement was passed at the City Commission

-Passed the resolution for the Liquidity Item from BFA

+The Chair would also like a list of the potential financial impacts.

- The CFO mentioned that there are risks with delaying the item. Drop dead by May 24th, which means our team needs to be done by

May 17th.

+The City Attorney spoke to the item.

+The Chair mentioned doing a joint mtg. with the City Commission in January

-The Chair stated legal counsel or other staff can handle the next steps as needed

I. BUSINESS DISCUSSION ITEMS

1. 2023-1180 City Auditor Role as it Relates to GRU (B)

The CEO/GM introduced the item.

The CFO presented on the item.

Public Comment:

-Jim Konish

-Kimbock Joy

-Angela Casteel

-Tyler Forest

The CFO added some additional context.

-Vice Chair Coats asked if anyone could step into the audit role immediately

+The CFO added that there is someone from her staff that could step into that role.

Moved by Eric Lawson
Seconded by Vice-Chair Coats

Recommendation: The GRU Authority affirm that the CEO/GM is to pause any audits performed by the City Auditor for fiscal year 2024 and to approve the following next steps: Research creating an internal GRU audit function and/or Research creating a service level agreement with City Auditor to include number of audits, hours expended, etc. to control costs Research requirement for oversite of GRU's External Financial Statement Audit Come back to GRUA for additional recommendations in Spring 2024

Approved as Recommended

2. 2023-1179 Procurement Compliance (B)

The CEO/GM introduced the item.

The CFO presented on the item.

Public Comment:

-Jim Konish

-Kimbock Joy

-Tom Cunilio

-Tyler Forest

-Angela Casteel

The Vice Chair inquired about modifying the recommendation in order to acknowledge the veteran status.

Member Karow suggested waiting to vote on the item until we have legal counsel available to provide guidance.

Ayes to table the motion until a future meeting, after legal counsel reviews the item and the particular aspect of veterans.

Moved by Vice-Chair Coats
Seconded by Robert Karow

Recommendation: The GRU Authority approve an update to the GRU Procurement Policy that will focus on the minimum state requirements for future contracts and other legal documents to be in compliance with Chapter 2023-348 (HB 1645). As part of the Policy update, GRU will review current GRU-specific exceptions. Staff will bring back updated to policy to the GRU Authority at a later date.

Withdrawn

3. 2023-1188 Legal Services and Contract for GRU (B)

The CEO/GM introduced the item.

The Chair spoke to the item.

Scott Walker spoke to the item.

Members Karow and Lawson said they have no concern with this item.

The CEO/GM listed the next steps.

The City Attorney spoke to the issue.

The Board discussed the issue at hand.

Vice Chair would like to move forward with the RFP item (last item of recommendation). Member Karow seconded the item.

"GRU staff will develop an RFP and provide the scope of services to the GRU Authority for approval."

Public Comment:

-Jim Konish

-Kimbock Joy

-Angela Casteel

-Tyler Forest

Member Karow would like to move forward with the drafting of the contract. Vice Chair Coats seconded the item.

"The specified source contract will include a limit of $50,000 and include a monthly evaluation".

Public Comment:

-Jim Konish

The Chair and Member Karow spoke.

The CEO/GM spoke to this inquiry.

Table the offset cost for a future mtg.

Vice Chair Coats suggested a separate workshop to determine legal counsel.

GRU staff will develop an RFP and provide the scope of services to the GRU Authority for approval.
Moved by Vice-Chair Coats
Seconded by Robert Karow

Recommendation: Options: 1.) GRU staff will draft a method of specified source to be used for the hiring of external legal counsel. 2.) The specified source contract will include a limit of $50,000 and include a monthly evaluation. 3.) Once limit has been reached, the GRU Authority will be informed. 4.) GRU staff will develop an RFP and provide the scope of services to the GRU Authority for approval.

Approved as Recommended

Amendment:
.) GRU staff will draft a method of specified source to be used for the

hiring of external legal counsel
Moved by Robert Karow
Seconded by Vice-Chair Coats

The Board voted on the items separately. This vote was for the approval of GRU staff moving forward with drafting the contract for a specified source.

Approved as Recommended

4. 2023-1178 Business Plan Kick-off (B)

The CEO/GM introduced the item.

The CSO presented on the item.

Member Lawson inquired as to who created the current mission/vision statement. And when it was created. Member Lawson suggested an online forum for submitting input/suggestions.

Vice Chair suggested a workshop with the community regarding the mission/vision statements.
The CEO/GM spoke to the item and potential ideas.

Member Karow mentioned that we need to include the objectives mentioned in the statute. Also, mentioned that we need to address electric side, power mix (generation), aged facilities, provide reliable service and cheaper service, etc.

The CSO addressed Member Karow's concerns and desires and stated that the IRP will be discussed at the Jan. 17th mtg.

Public Comment:

-Kimbook Joy

-Tom Lyons

-Angela Casteel

-Tom Cunilio

Moved by Vice-Chair Coats
Seconded by Robert Karow

Recommendation: 1) GRUA approve development of a Business Plan, 2) GRUA give direction on Mission and Vision statement, and 3) GRUA give direction on Strategic Objectives

Approved as Recommended

5. 2023-1181 Rate and GSC Scenarios (B)

The CEO/GM introduced the item.

BFA staff presented on the item.

Member Lawson and Member Karow spoke to the issue.

Inquired about the plan for when topics would be discussed. The Clerk referred the board to the Workshop Plan with meetings listed and what topics are included.

Recommendation: The GRU Authority hear a presentation on potential alternative rate structures and GSC levels for the FY25 GRU budget.

Heard

J. MEMBER COMMENT

Chair Carter addressed the board.

-Would like to put the CEO/GM position out for hire.

+Public Comment:

-Kimbook Joy

To do a proper search for the CEO/GM position at GRU.
Moved by Robert Karow
Seconded by Vice-Chair Coats

To allow the Chair go out and find a permanent CEO/GM through a search.

Approved

K. ADJOURNMENT

Adjourned at 8:31pm

Chair Craig Carter left the meeting at 8:31 pm.

Vice-Chair James Coats, IV left the meeting at 8:31 pm.

Robert Karow left the meeting at 8:31 pm.

Eric Lawson left the meeting at 8:31 pm.

Kristen J. Bryant, Interim City Clerk

Gainesville Regional Utilities Authority
Agenda Item Report

File Number: 2024-16

Agenda Date: January 3, 2024

Department: Gainesville Regional Utilities

Title: 2024-16 FY25 GRU Budget - Presentation on GRU's Debt Portfolio Review (B)

Department: GRU Budget, Finance, and Accounting

Description: Staff will present an overview of GRU's debt portfolio as part of the FY25 budget process.

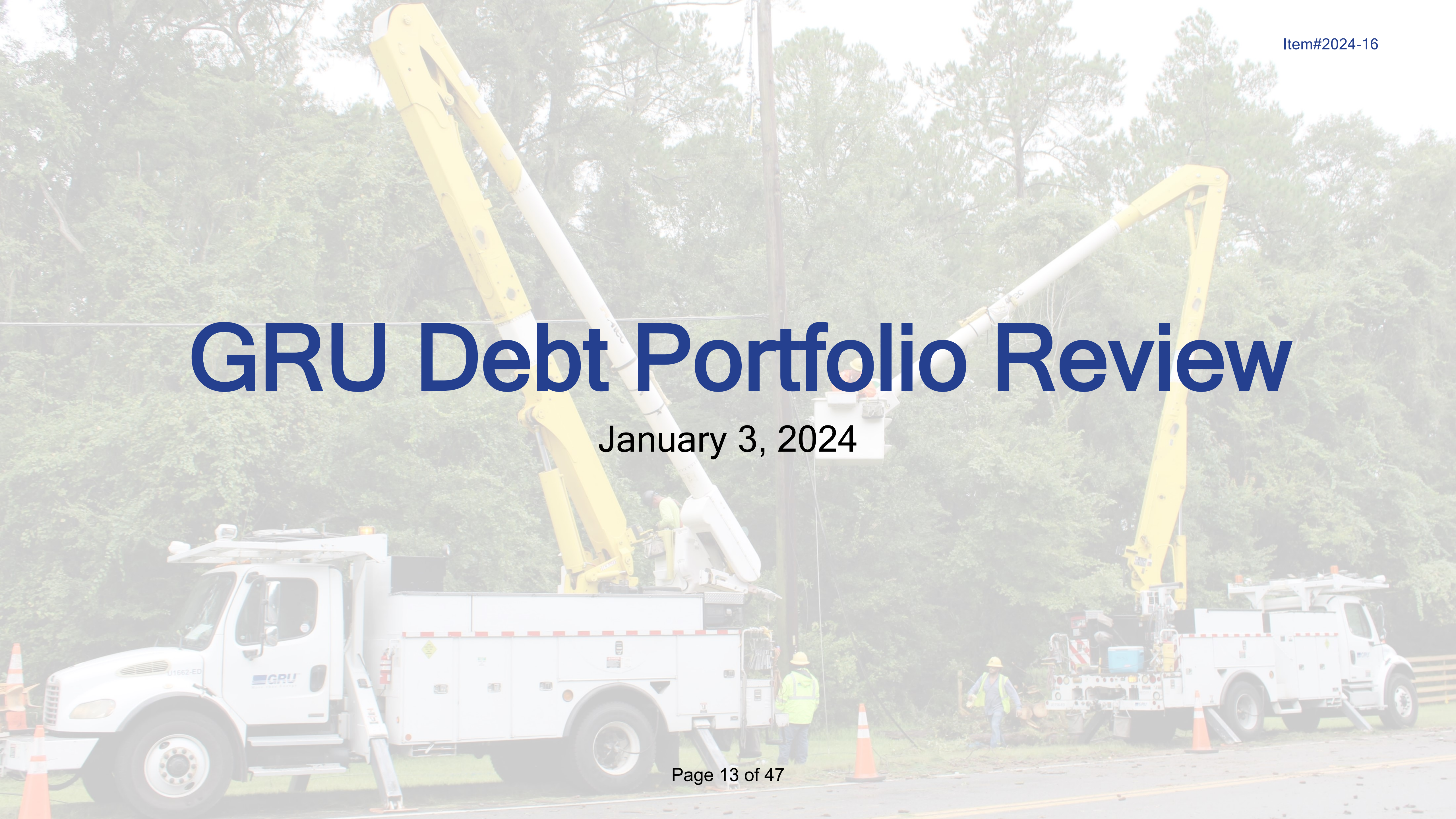
Fiscal Note: None at this time.

Explanation: As part of the budget development process, staff will hold a series of meetings with the Authority to present information on the various pieces that make up GRU's annual budget. These meetings are designed to give the Authority a chance to have a more in-depth view of GRU's budget and finances and ask questions that will help staff ensure they provide the appropriate level of detail in GRU's final budget submission for a vote. This presentation involves a review of GRU's debt portfolio.

Recommendation: The Authority hear a presentation from staff.

GRU Debt Portfolio Review

January 3, 2024



GRU Debt Portfolio Review

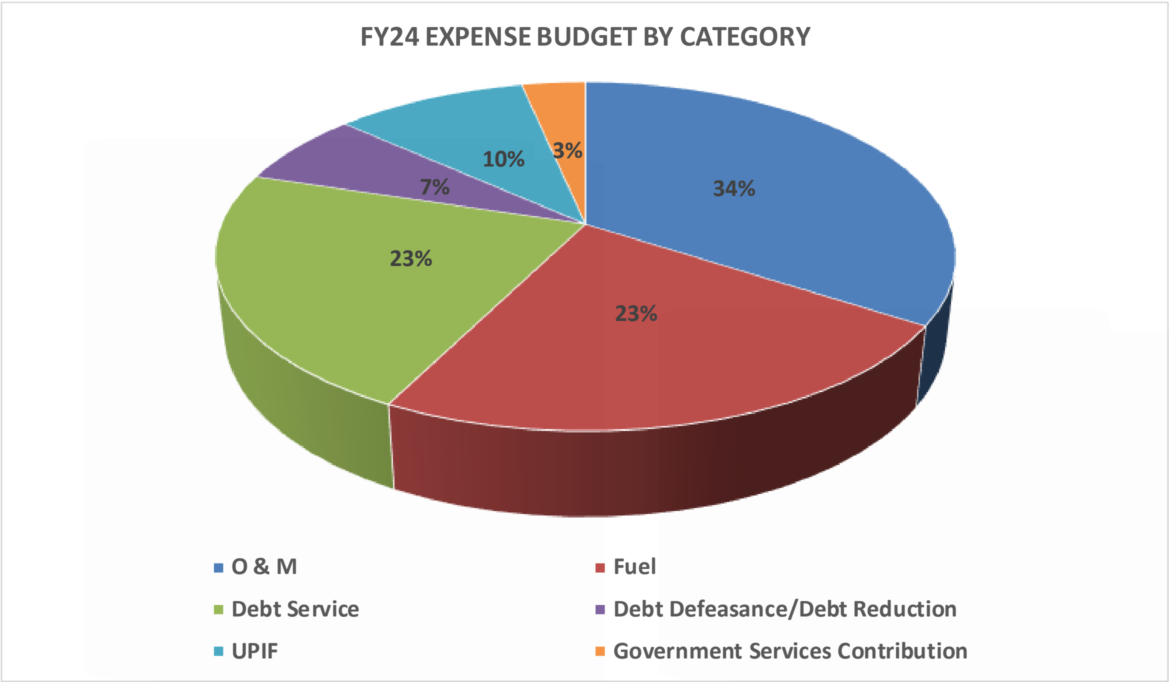
Debt Portfolio Review

- As a five system municipal utility operation which includes power generation, GRU is a capital intensive operation

Combining Statement of Net Position - Unaudited Preliminary @ September 30, 2023	
Utility plant in service	3,125,576,762
Right-of-Use Asset	758,738
Less: accumulated depreciation & amortization	(1,412,606,580)
	1,713,728,920
Construction in progress	139,385,234
Net capital assets	1,853,114,154

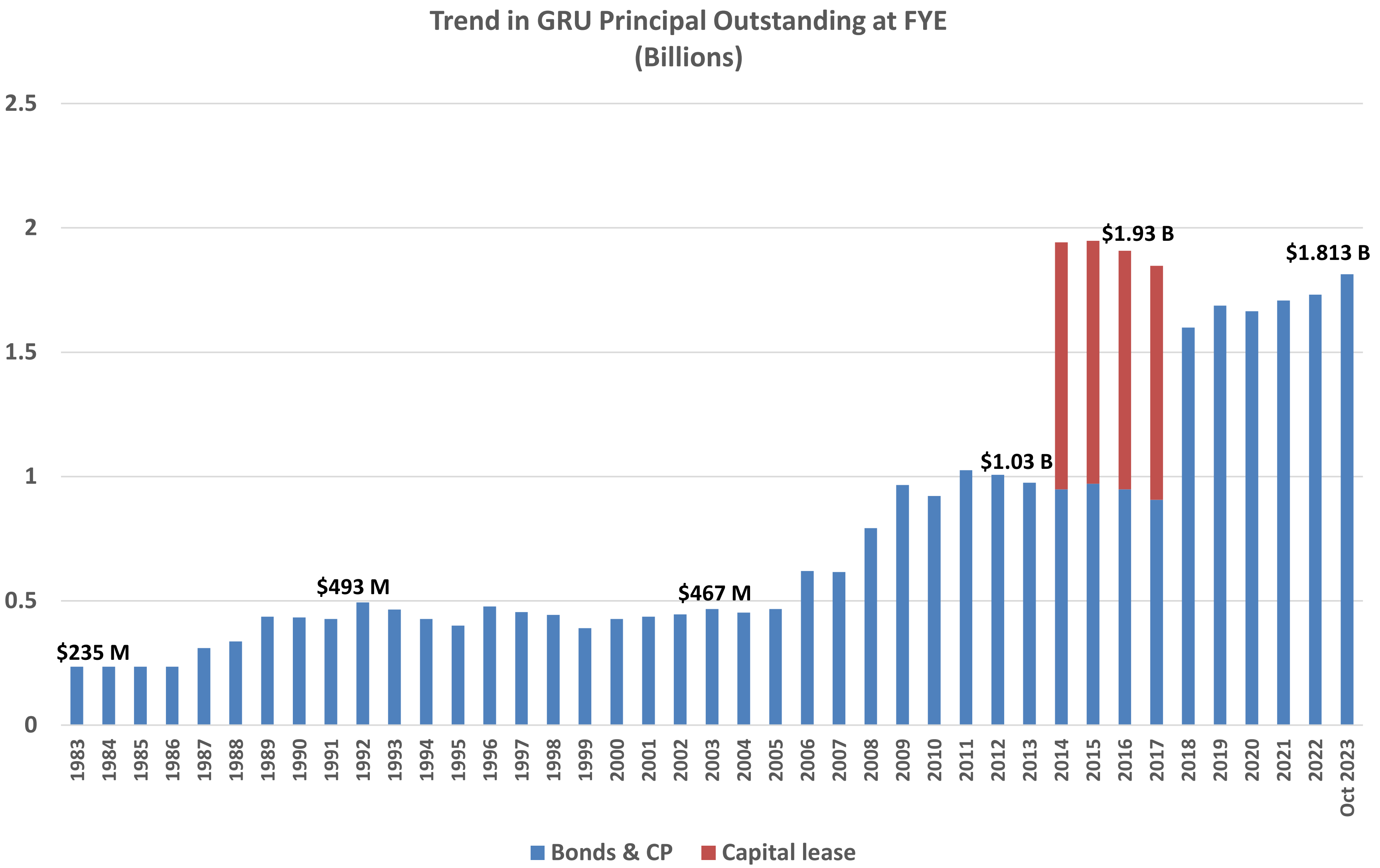
- GRU needs to access capital markets regularly to obtain resources to acquire, construct and maintain this capital infrastructure

Debt is a Significant Portion of GRU Total Budget



EXPENSE CATEGORY	FY24 BUDGET %	FY24 BUDGET $
O & M	34.17%	157,324,197
Fuel	23.28%	107,202,801
Debt Service	22.35%	102,918,849
Debt Defeasance/Debt Reduction	6.86%	31,569,293
UPIF	10.02%	46,125,618
Government Services Contribution	3.32%	15,305,225

Debt Portfolio Review



Debt Composition

- At 9/30/23 $1.85 billion in outstanding principal
- $1.3 billion or 68.2% of the total is original issue fixed rate debt
- $588.2 million or 31.8% is original issue variable rate debt

Why Utilize Variable Rate Debt?

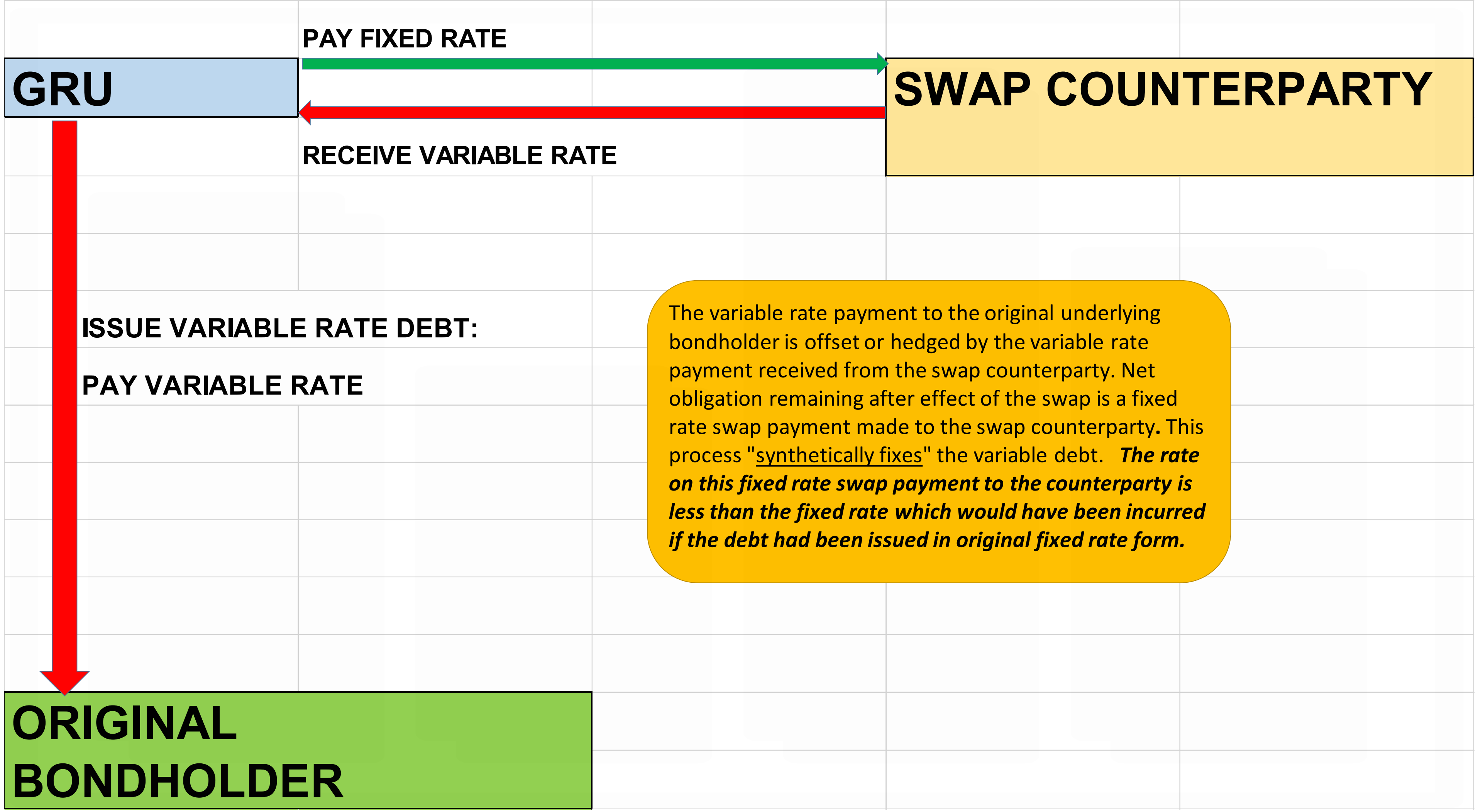
PROS

- Generally lower initial interest rates compared to fixed rate debt
- More flexibility regarding potential refundings
- Provides for asset/liability matching
- As size and complexity of portfolio grows facilities managing the overall cost of borrowing

CONS

- Exposure to interest rate risk in rising interest rate environments

Mitigating Interest Rate Risk



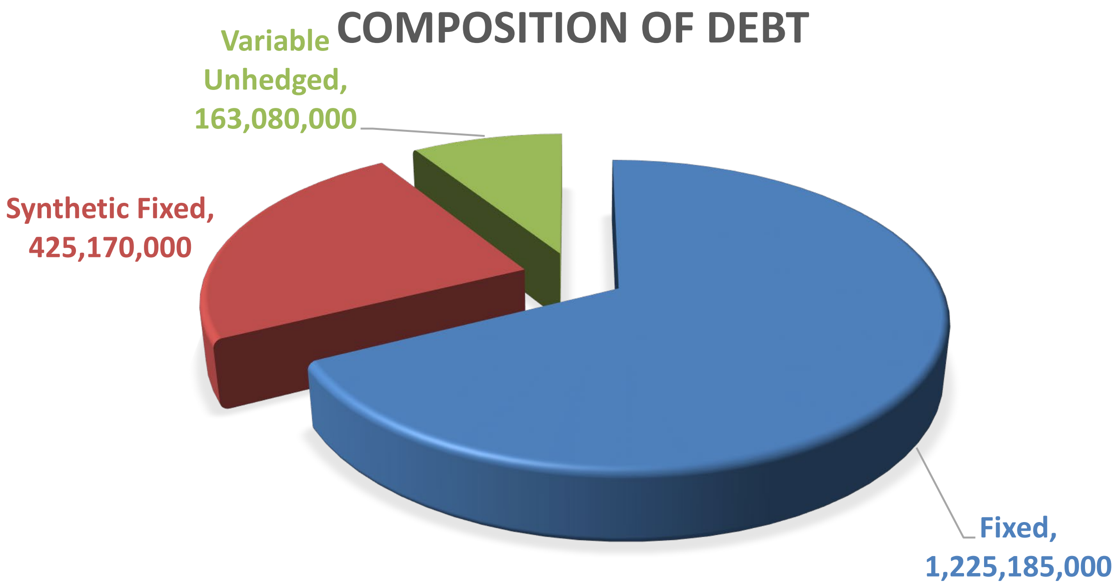
Utilization of Swaps

PORTFOLIO COMPOSITION

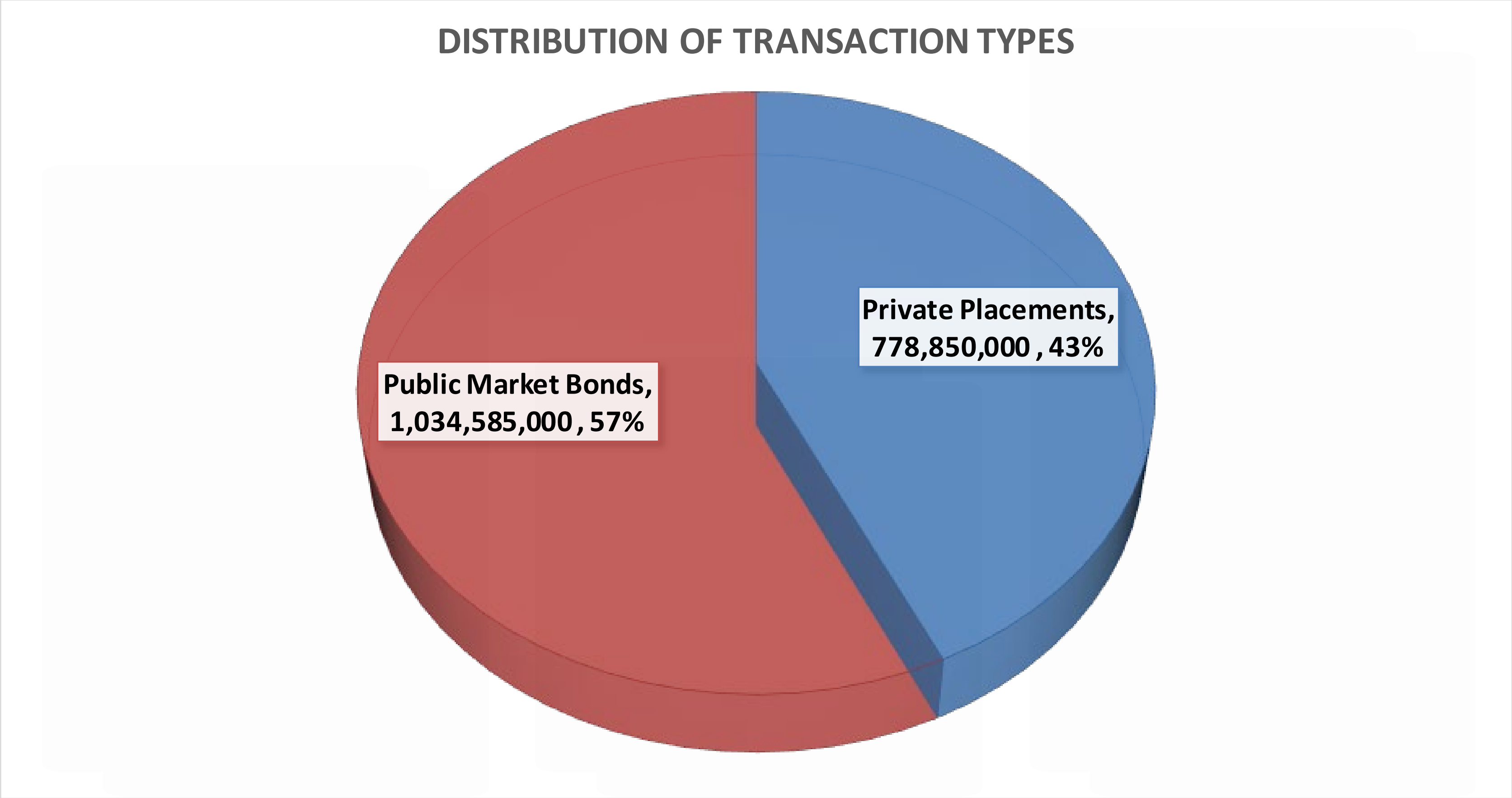
	Outstanding Principal @10/1/23				Outstanding	(Overhedged)
	Fixed	Variable	Total		Notional Swap $	Net Unhedged
2005C		3,090,000			4,560,000	(1,470,000)
2006A		2,985,000			4,400,000	(1,415,000)
2009B	117,905,000					
2010A	12,930,000					
2010B	132,445,000					
2012B		98,610,000				98,610,000
2014A	35,035,000			(1)		
2014B	12,085,000					
2017A	343,355,000					
2019A	153,820,000			(2)		
2019B	26,665,000					
2019C		67,355,000				67,355,000
2020A	10,575,000					
2021A	95,760,000					
2022A	54,525,000					
2022B	230,085,000					
2023A		160,000,000			45,000,000	115,000,000
					115,000,000	(115,000,000)
2023B		105,000,000			105,000,000	-
2023C		151,210,000			151,210,000	-
@ 9/30/23	1,225,185,000	588,250,000	1,813,435,000		425,170,000	163,080,000

Composition Summary	
% Original Issue Fixed	67.56%
% Original Issue Variable	32.44%
$ Notional Swaps	425,170,000
% Fixed/Synthetically Fixed	91.01%
$ Fixed/Synthetically Fixed	1,650,355,000
$ Variable Unhedged	163,080,000

(1) 2014 A FSS effective October 1, 2024 with a notional amount of $34,025,000
(2) 2019A FSS effective October 1, 2029 with a notional amount of $153,280,000



Transaction Types



PRIVATE PLACEMENTS	
Series	Outstanding Principal
2019 C	67,355,000
2020 A	10,575,000
2022 B	230,085,000
2022 A	54,625,000
2023 A	160,000,000
2023 B	105,000,000
2023 C	151,210,000

COUNTERPARTIES	
Bank of America	362,640,000
TD Bank	256,210,000
Truist	160,000,000

GRU Outstanding Debt Service Obligations

GRU DEBT SERVICE OUTSTANDING 10/1/23					
Fiscal Year End	Principal	Interest	Total P & I	Net Swap Payments	Total Debt Service
2024	35,340,000	75,314,302	110,654,302	(7,735,453)	102,918,849
2025	43,435,000	72,288,865	115,723,865	(7,689,939)	108,033,926
2026	42,915,000	69,957,949	112,872,949	(6,125,918)	106,747,031
2027	50,415,000	67,690,929	118,105,929	(4,617,335)	113,488,594
2028	52,820,000	65,822,999	118,642,999	(4,598,955)	114,044,044
2029	54,265,000	63,045,866	117,310,866	(2,947,071)	114,363,795
2030	57,260,000	56,427,677	113,687,677	(2,452,940)	111,234,737
2031	59,370,000	54,140,738	113,510,738	(2,436,396)	111,074,342
2032	61,520,000	51,835,579	113,355,579	(2,418,996)	110,936,583
2033	65,120,000	49,437,450	114,557,450	(2,400,742)	112,156,708
2034	67,340,000	46,936,026	114,276,026	(2,417,653)	111,858,373
2035	70,110,000	44,210,146	114,320,146	(2,398,178)	111,921,968
2036	69,780,000	41,261,939	111,041,939	(2,378,031)	108,663,908
2037	72,130,000	38,369,728	110,499,728	(2,356,908)	108,142,820
2038	75,070,000	34,803,016	109,873,016	(2,334,686)	107,538,330
2039	78,160,000	31,375,371	109,535,371	(2,311,365)	107,224,006
2040	81,235,000	27,637,903	108,872,903	(2,286,884)	106,586,019
2041	68,555,000	23,930,088	92,485,088	(2,116,753)	90,368,335
2042	77,800,000	22,112,648	99,912,648	(1,926,018)	97,986,630
2043	80,330,000	19,883,774	100,213,774	(1,730,517)	98,483,257
2044	83,250,000	17,533,408	100,783,408	(1,583,938)	99,199,470
2045	86,305,000	15,097,205	101,402,205	(1,402,808)	99,999,397
2046	89,570,000	12,570,082	102,140,082	(1,130,692)	101,009,390
2047	94,030,000	9,947,418	103,977,418	(853,113)	103,124,305
2048	29,825,000	7,172,072	36,997,072	(570,062)	36,427,010
2049	31,000,000	6,021,575	37,021,575	(497,942)	36,523,633
2050	32,220,000	4,823,728	37,043,728	(423,409)	36,620,319
2051	33,485,000	3,576,548	37,061,548	(346,406)	36,715,142
2052	34,810,000	2,278,231	37,088,231	(266,841)	36,821,390
2053	35,970,000	1,157,784	37,127,784	(135,607)	36,992,177
Total	1,813,435,000	1,036,661,044	2,850,096,044	(72,891,556)	2,777,204,488

Chart from pre-debt reduction plan.

Total: $2.9B

Debt Portfolio Review
Liquidity Instruments

- GRU maintains several financial agreements designed to provide liquidity and operational flexibility in the event there is an unexpected need for access to funding.
- These become outstanding debt items only if they are activated throw drawdowns.
- GRU currently maintains three liquidity instruments.
  - $150 million line of credit with U.S. Bank – potential draws on this line can be either tax-exempt or taxable dependent on the manner in which the funds are used
  - $50 million taxable letter of credit with Truist Bank
  - $25 million tax-exempt letter of credit with Truist Bank
- To date none of these instruments have ever been drawn upon – so no outstanding debt exists.

Transaction Related Savings Generated 2017 Forward

Savings Over the Life of the Issues

DHR Acquisition	771,772,806
Series 2019B: Refunding of Series 2005B (savings 2019 - 2024)	9,573,288
Series 2019C: Refunding of Series 2005C, 2006A, 2007A, 2008B, & 2012B (savings 2019 - 2024)	56,759,489
2020 Restructuring Transactions:	
Series 2017C Swap	23,941,220
Series 2020A: Forward Delivery Tax-Exempt Direct Placement Refunding of Series 2010C Bonds	4,108,262
Series 2017B Goldman Sachs Swap Termination Option Extension	8,532,699
Series 2005A Bonds Redemptions	190,273
Series 2014A Forward Starting Swap	12,955,566
Series 2019A Forward Starting Swap	78,749,501
Series 2017B Citi Swap Termination Option Extension	5,577,708
2020 Pension Obligation Bonds	63,689,301
Series 2022A : Series 2012A Refunding	5,142,652
Series 2022B: Refunding of Series 2007A & 20008B	5,917,611
Total Savings	1,046,910,376

Debt Defeasance Program

Debt Defeasance Program

- As part of GRU's efforts to manage debt levels, the City Commission approved the first of its kind debt defeasance program for the utility

- Fundamental to a defeasance program is generating or identifying available cash to provide a pool from which to fund defeasance efforts

- Several initiatives generated significant savings for GRU
  - 2019B and 2019C: a portion of the near-term savings were used to redeem the final $405,000 in outstanding bonds from the Series 2005A issue on February 27, 2020
  - 2020 GRU debt restructurings - $134M in savings over the next 26 years
  - 2020 Pension Obligation Bonds (POB) transaction executed by General Government - $64M in savings to GRU over the next 22 years

Debt Defeasance Program

Committed Funds

	2017C Swap	2020A: 2010C Direct Placement Forward Refunding	2017B Goldman Sachs Swap Termination Extension	2005A Bond Redemptions	2014A Forward Starting Swap	2019A Forward Starting Swap	2017B Citi Swap Termination Extension	2020 Pension Obligation Bonds	Total
2020	712,904	67,183	225,123	11,428	-	-	112,955	-	1,129,593
2021	894,924	290,990	376,950	19,238	-	-	247,950	2,753,039	4,583,091
2022	894,924	286,813	376,950	19,238	-	-	247,950	2,750,781	4,576,656
2023	894,924	287,740	376,950	19,238	-	-	247,950	2,752,199	4,579,001
2024	903,708	288,667	376,950	19,238	-	-	247,950	2,750,567	4,587,080
2025	894,924	289,595	376,950	19,238	1,061,289	-	247,950	2,753,538	5,643,484
2026	894,924	290,521	376,950	19,238	1,025,821	-	247,950	2,751,408	5,606,812
2027	894,924	286,449	376,950	19,238	988,514	-	247,950	2,750,773	5,564,798
2028	903,708	287,478	376,950	19,238	949,365	-	247,950	2,752,620	5,537,309
2029	894,924	288,508	376,950	19,238	908,210	-	247,950	2,751,381	5,487,161
2030	894,924	289,539	376,950	1,425	865,046	4,966,848	247,950	2,753,289	10,395,971
2031	894,924	288,391	376,950	713	819,708	4,966,848	247,950	2,752,625	10,348,109
2032	903,708	287,328	376,950	713	772,027	4,966,848	247,950	2,752,678	10,308,202
2033	894,924	289,129	376,950	713	748,167	4,966,848	247,950	2,750,121	10,274,802
2034	894,924	289,931	376,950	713	721,578	4,966,848	247,950	2,750,611	10,249,505
2035	894,924	-	376,950	713	694,128	4,966,848	247,950	2,751,320	9,932,833
2036	903,708	-	376,950	713	638,919	4,966,848	247,950	2,750,845	9,885,933
2037	894,924	-	376,950	-	581,033	4,966,848	247,950	2,750,331	9,818,036
2038	894,924	-	376,950	-	520,136	4,966,848	247,950	2,750,722	9,757,530
2039	894,924	-	376,950	-	456,227	4,966,848	247,950	2,751,237	9,694,136
2040	903,708	-	376,950	-	389,140	4,966,848	247,950	2,751,845	9,636,441
2041	894,924	-	313,861	-	318,707	4,966,848	206,451	2,753,465	9,454,256
2042	894,924	-	233,998	-	244,760	4,768,749	153,919	2,751,747	9,048,097
2043	894,924	-	152,225	-	167,133	4,560,801	100,130	1,375,147	7,250,360
2044	903,708	-	68,492	-	85,658	3,783,742	45,053	420,637	5,307,290
2045	841,111	-	-	-	-	2,968,743	-	467,572	4,277,426
2046	568,315	-	-	-	-	2,027,005	-	565,347	3,160,667
2047	288,010	-	-	-	-	1,038,285	-	323,459	1,649,754
Total	23,941,220	4,108,262	8,532,699	190,273	12,955,566	78,749,501	5,577,508	63,689,301	197,744,330

Debt Management Policy Amendments: Financial Metrics & Deleveraging

Debt Management Policy Amendments

Financial Metrics & Deleveraging

- On October 20, 2022 the City Commission approved an amendment to the GRU Debt Management Policy including sections on target financial metrics and deleveraging

- Development of such a policy
  - Facilitates development of financial goals
  - Assists with budget formulation
  - Enables GRU to identify financial trends over a multiple-year period as well as tracking performance over the course of a fiscal year

Financial Metrics

- Rating agencies publish municipal-utility based criteria that establish metrics for particular rating categories that can inform the target levels established for GRU's financial metrics

- Metrics chosen for inclusion in the GRU policy are:

Days Cash on Hand	Coverage of Fixed Obligations	Capex vs Depreciation
Days Liquidity	Debt to Capitalization	Accumulated vs Annual Depreciation
Debt Service Coverage	Leverage	Book Value vs Annual Depreciation

Targets vs. Actual @ 9/30/22

PER DEBT MANAGEMENT POLICY			ACTUAL PER FY22 FINANCIAL STATEMENTS			
Metric	Type of Metric	Target	Fitch	S & P	Moody's	Internal
Days Cash on Hand	Liquidity	250 days	165	-	108	
Days Liquidity	Liquidity	300 days	347	438	279	
Debt Service Coverage	Coverage	1.7X debt service	2.06	2.16	2.04	
Coverage of Fixed Obligations	Coverage	1.3X debt service	1.60	1.69	1.71	
Debt to Capitalization	Capital Structure	70%	86.96%	80.85%	77.70%	
Leverage	Capital Structure	8X debt service	10.52	-	-	
Capex vs Depreciation	O & M	1X depreciation expense	0.8792	-	-	
Accumulated vs Annual Depreciation	O & M	15 years				12.64
Book Value vs Annual Depreciation	O & M	15 years				17.87

Deleveraging

GRU is considered highly leveraged by all three rating agencies.

The deleveraging policy incorporates four elements:

- Continuing as directed by the City Commission to apply savings from the 2020 debt restructuring transactions and the 2020 POB issuance towards defeasing outstanding debt
- Funding at least 50% of Capital Improvement Plans through internal equity (Utility Plant Improvement Fund - UPIF)
- When cash balance levels exceed the targets established in the Commission approved Cash Balance Policy, applying these excess balances towards cash defeasance
- Grant reimbursements for capital expenses

As noted in the Financial Metrics policy discussion, the ultimate target for the deleveraging policy is to reduce GRU's…

- Debt to capitalization ratio from its current level of 86.96% to 70%
- Leverage ratio from 10.52 to 8.00

Rating Agency Methodology

Rating Agency Methodology

- GRU is rated by the 3 major agencies: Standard & Poors, Moodys & Fitch

- Investors use these rating reports as a means to judge and compare GRU to other bonds available in the municipal market

- GRU's credit ratings directly relate to the cost of GRU's debt:
  - Fixed rate bonds: rates determined once, at pricing
  - Variable Rate bonds: cost of the credit facility supporting the variable rate debt increases as GRU's ratings are lowered

- Some reputational risk associated with a rating downgrade

- Ratings analysts do their work throughout the year

Rating Agency Methodology

- Three major rating agencies
  - FitchRatings
  - Standard & Poor's
  - Moody's

- Rating agencies assess publicly held companies (PepsiCo) **across the globe** to include the United States government, counties, cities, utilities…

- These agencies work **on behalf of investors and bondholders – not the debt issuing entities**

- They assess financial & operational status of debt issuers in order to communicate to prospective investors the relative level of risk associated with a potential investment

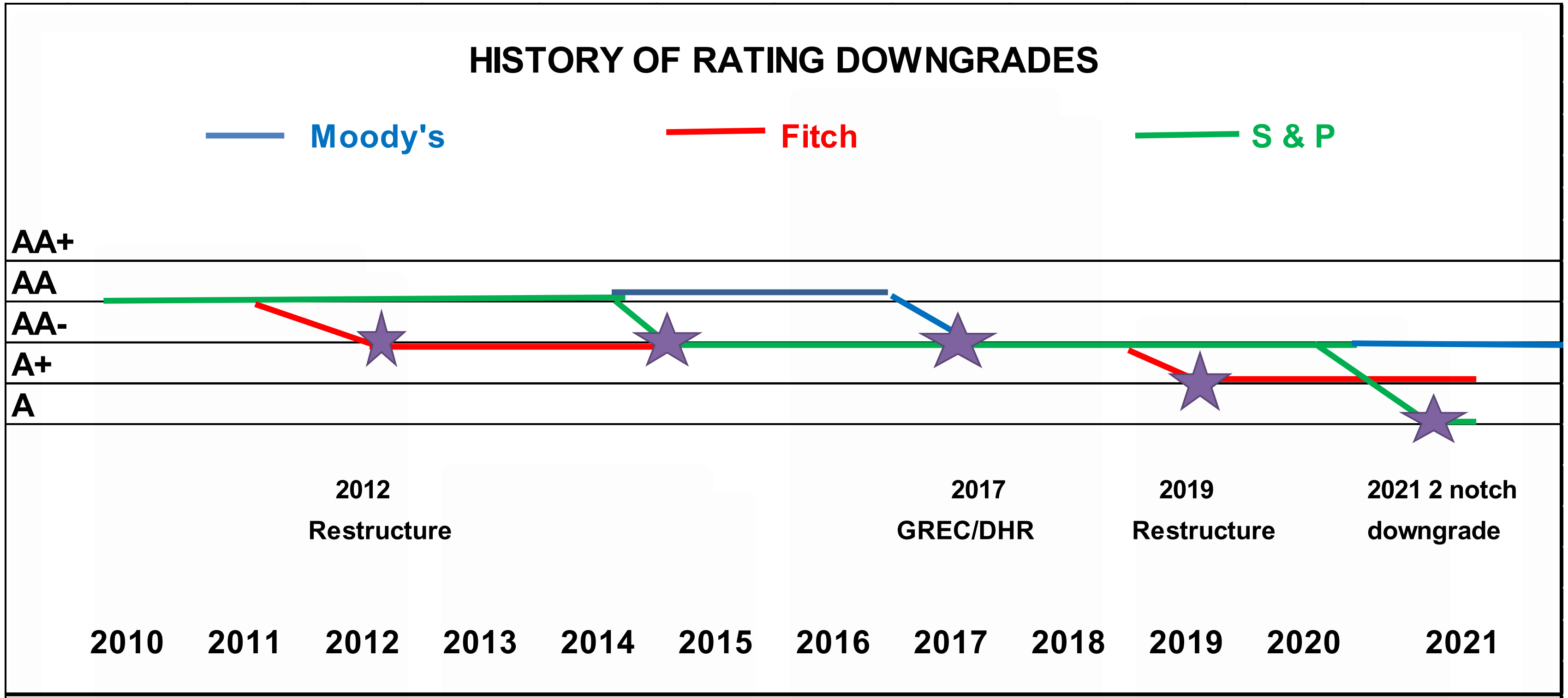
Rating Agency Methodology

	Moody's	S & P	Fitch
	Aaa	AAA	AAA
	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
	A1	A+	A+
	A2	A	A
	A3	A-	A-
	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
Investment Grade	Baa3	BBB-	BBB-
Junk Bonds	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
	B1	B+	B+
	B2	B	B
	B3	B-	B-
	Caa1	CCC+	CCC
	Caa2	CCC+	
	Caa3	CCC-	
	Ca		
Default	C	D	D

Current GRU rating

Prior ratings before downgrades

Rating Agency Methodology



Each agency has downgraded GRU since 2010
5 downgrades over past decade
Lower credit ratings equals increased cost:

- Higher cost when issuing debt
- Less refunding / restructuring savings
- Greater counterparty risk
- Collateral posting requirements (use of cash)
- Higher cost for credit facilities (bank loans & fees)

Rating Agency Methodology

- 5 downgrades over the past decade
  - Primary factors high leverage and high general fund transfer

- 2012 – restructure to offset bill impacts of PPA for the biomass plant

- 2019 – restructure to offset dis-savings from 2012 restructure, bolster reserves and pay cash for CIS/AMI and DH2 gas conversion

Rating Agency Methodology

- Important to maintain ongoing relationships with the rating agencies

- Doctrine of "No Surprises"
  - Proactively report significant issues, financial or operational
    - Before they become public knowledge if possible
    - Builds credibility with analyst and Credit Committee

- Perform quarterly ratio analysis internally to monitor our financial metrics in accordance with the metrics, formulas, and calculations of each agency

Net Debt Reduction Program

Net Debt Reduction Program

- When combined with organic debt reduction over the next decade (excess of estimated principal repayments compared to estimated principal issuances) the total dollars committed to debt reduction - after adjusting for the City Commission to pay County streetlights from GRU - will bring the estimated debt to capitalization ratio to just over 70% in ten years.

		Organic Debt Changes			Debt Plan Reduction Resources								
	Beginning Balance Outstanding Debt	Projected Issuances	Projected Paydowns Current Debt	Projected Paydowns Projected Debt	GSC Reductions	Excess Reserves	Budget Cuts	FYE Outstanding Debt	Plus Unamortized Bond Premium	Less Cash Available for Debt Svc: Operating, RSF, Debt Service & Construction Funds	= Net Debt	Divided by Net Capital Assets	= Debt to Capitalization Rate
FYE 22								1,731,945,000	101,033,480	(220,027,342)	1,612,951,138	1,854,172,294	86.99%
2023	1,731,945,000	150,000,000	(35,680,000)					1,846,265,000	101,033,480	(298,074,000)	1,649,224,480	1,843,298,490	89.47%
2024	1,846,265,000		(35,340,000)		(16,977,776)	(6,500,000)	(3,410,011)	1,784,037,213	101,033,480	(250,872,000)	1,634,198,693	1,830,000,000	89.30%
2025	1,784,037,213		(43,435,000)		(14,934,013)	(6,467,000)	(2,817,000)	1,716,384,200	101,033,480	(205,211,000)	1,612,206,680	1,815,000,000	88.83%
2026	1,716,384,200	60,000,000	(42,915,000)	(1,200,000)	(12,545,164)	(6,433,010)	(2,817,000)	1,710,474,026	101,033,480	(279,568,000)	1,531,939,506	1,800,000,000	85.11%
2027	1,710,474,026		(50,415,000)	(1,350,000)	(10,205,560)	(6,398,000)	(2,817,000)	1,639,288,466	101,033,480	(256,594,000)	1,483,727,946	1,795,000,000	82.66%
2028	1,639,288,466		(52,820,000)	(1,350,000)	(9,880,929)	(6,324,799)	(2,817,000)	1,566,095,738	101,033,480	(239,170,000)	1,427,959,218	1,790,000,000	79.77%
2029	1,566,095,738	98,000,000	(54,265,000)	(3,310,000)	(9,541,000)	(6,286,542)	(2,817,000)	1,587,876,196	101,033,480	(342,880,000)	1,346,029,676	1,785,000,000	75.41%
2030	1,587,876,196		(57,260,000)	(3,705,000)	(9,452,781)	(6,247,139)	(2,817,000)	1,508,394,276	101,033,480	(286,953,000)	1,322,474,756	1,780,000,000	74.30%
2031	1,508,394,276		(59,370,000)	(3,705,000)	(9,361,800)	(6,206,553)	(2,817,000)	1,426,933,923	101,033,480	(225,518,000)	1,302,449,403	1,775,000,000	73.38%
2032	1,426,933,923	106,000,000	(61,250,000)	(5,825,000)	(9,265,719)	(6,164,749)	(2,817,000)	1,447,611,455	101,033,480	(310,521,000)	1,238,123,935	1,740,000,000	71.16%
2033	1,447,611,455		(65,120,000)	(6,485,000)	(9,171,376)	(6,121,692)	(2,223,989)	1,358,489,398	101,033,480	(234,332,000)	1,225,190,878	1,725,000,000	71.03%
Totals		414,000,000	(557,870,000)	(26,930,000)	(111,336,118)	(63,149,484)	(28,170,000)						

Gainesville Regional Utilities Authority
Agenda Item Report

File Number: 2024-36

Agenda Date: January 3, 2024

Department: Gainesville Regional Utilities

Title: 2024-36 GRU CEO/GM Search (NB)

Department: GRU Authority

Description: This item is in response to the GRU Authority's motion for a nationwide search for GRU's CEO/GM position.

Fiscal Note: Expected range $25,000 to $50,000 for search and travel.

Explanation: At the December 14, 2023 GRU Authority meeting, during member comment, Chair Carter referenced language in HB 1645 (Chapter 2023-348) that the CEO/ GM is a position that needs to be appointed by the GRU Authority. Therefore, to comply with the bill, Chair Carter motioned and the other Authority Members approved for an external firm to conduct a nationwide search for a CEO/GM.
The specific language as referenced in HB 1645 (Chapter 2023-348): "Until such time as the Authority appoints a CEO/GM, the sitting general manager of GRU shall serve as the CEO/GM."
Draft of Process that Recruitment Firm Could Follow. Recruitment Firm is expected to:

1. Work with GRUA Chair to identify criteria for ideal candidate based on input from the full Authority.
2. Develop a recruitment brochure and solicitations that describe the position (use current or create a revised job description), GRU's organization, the community, and other pertinent information.
3. Develop a timeline and strategy for recruitment. At a minimum, the Executive Search Firm shall perform an executive search and nationally advertise to identify high quality applicants.
4. Acknowledge receipt of candidates' application materials.
5. Review resumes and conduct initial screening of all candidates' applications utilizing the criteria provided by the GRUA.
6. Provide a listing of all candidates applying for the opportunity that were deemed to have been, at least, minimally qualified.
7. Within a time-period to be negotiated between the GRUA and the firm that has been engaged to do the search, provide to the GRUA a list of up to 15 well-qualified candidates together with two (2) packets of information for each candidate that is submitted. Each information packet should include a resume

and a written summary detailing the background, achievements, and strengths of the candidate, and outlining in general their most promising qualifications.

8. Conduct process with the GRUA to identify the top three (3) candidates or such number as agreed upon by the firm.
9. Conduct all background and reference checks on the top three (3) candidates or such number as is agreed upon by the firm prior to onsite interviews. Verify education and employment history.
10. Coordinate the on-site portion of the process including, scheduling interviews and other activities, and making travel and lodging arrangements.
11. Assist in negotiating the job offer with the selected candidate.
12. Provide notification to all candidates not selected for the position.
13. Advise applicants that their submittals will be subject to disclosure under the FL Public Records Act, chapter 119.
14. Ensure the recruitment process conforms to best practices in the hiring industry. The Executive Search firm will work with GRU's Government Affairs and Community Relations Director to schedule appropriate pre-employment requirements (physical exam, etc.)
15. The selected Executive Search firms will respond to all candidates' inquiries, including production of all correspondence throughout the recruitment process; and perform any administrative activity incidental to, required by and generally included as part of the service of a full executive recruitment assignment.

Fiscal Note: Expected range $25,000 to $50,000 for search and travel.

Recommendation: Board to discuss options and provide direction on next steps.
Options:
1). Use current City of Gainesville contract with Baker Tilly. GRU Procurement staff, in conjunction with direction from the GRU Authority, would develop a task assignment and create a purchase order to start the process. Once the task order is approved, GRU Procurement Staff will need direction from the Authority on changes to current job description, special qualifications/ certifications, salary range, etc.
Timing: About two weeks to thirty days to get task order written and approved; then the firm's search, selection, review, interviews and salary negotiation could be 4 to 6 months.
2.) Use GRU's Procurement Office to execute a Specified Source contract to hire a specific recruitment firm. Firms used in the past by the City of Gainesville/ GRU: Baker Tilly, Colin Baenziger, CPS, GovHR, Mycoff Fry Partners. GRUA Authority provide staff a vendor name to be used as a Specified Source. GRUA Authority provide an upper limit ceiling on amount of search plus cost for onsite interviews.
Timing: About two weeks to thirty days to contact vendor and approve contract; then the firm's search, selection, review, interviews and salary negotiation could be 4 to 6 months. Once contract is approved, GRU Procurement Staff will need direction from the Authority on changes to current job description, special qualifications/ certifications, salary range, etc. Note: Staff cannot attest to any of these firms on their price, quality or timeliness.
3.) Conduct a Request for Qualifications (RFQ) or a Request for Proposal (RFP) to judge price, quality and timeliness for multiple recruitment firms to provide executive recruitment searches.

Timing: A minimum of 60 days to write and post for vendors to respond, select vendor, and negotiate contract. Moreover, another 4 to 6 months for the firm to conduct the search, selection, review, interviews and salary negotiation.

Gainesville Regional Utilities Authority
Agenda Item Report

File Number: 2024-37

Agenda Date: January 3, 2024

Department: Gainesville Regional Utilities

Title: 2024-37 Joint Meeting with the City Commission (NB)

Department: GRU Authority Board (Vice Chair Coats)

Description: The Vice Chair of the GRU Authority Board is recommending a joint meeting between Gainesville Regional Utilities (GRU) Authority Board and the City of Gainesville's City Commission to discuss the Government Services Contribution (GSC) and impacts any changes would have on the city.

Fiscal Note: None at this time

Explanation: Due to various conversations surrounding the current Government Services Contribution (GSC), Vice Chair Coats is recommending the board participate in a joint meeting with the City Commission in order to discuss the potential impact of lowering or removing the GSC.

Recommendation: GRU Authority members discuss and recommend next steps.