



Annual Operating and Capital Budget

Budget Year 2018

Executive Summary

Gainesville Regional Utilities' (GRU) proposed Fiscal Year 2018 capital and operating budget presents a framework for providing safe, reliable, competitively priced utility services in an environmentally responsible manner that contributes to the quality of life in our community.

Absent from this proposed budget is any discussion of ongoing negotiations to purchase Gainesville Renewable Energy Center (GREC) and terminate the 30-year Power Purchase Agreement (PPA).

The potential benefits of a GREC purchase and PPA termination could have a profound positive impact on FY18 and future budgets. In acknowledgement of the approvals needed before any deal can be cemented, GRU staff has presented a conservative budget that supports our vision of emphasizing best practices and optimizing all aspects of the organization for the benefit of our customers and the community at large.

In the proposed FY18 budget, staff recommends a 2 percent increase for electric base rates. This represents the first electric base rate increase since FY12. Staff also recommends an increase to the fuel and purchased power adjustment charge from \$0.070/kWh to \$0.075/kWh. GRU will implement the change Aug. 1, 2017, largely due to a 30 percent increase in natural gas prices compared to 2016 lows. The impact to a monthly residential electric bill based on 1,000 kWh will be \$6.15. The proposed bill amount of \$136.55 will be \$15.46 above the City Commission's goal of rates within one half of one standard deviation above the mean (\$121.09) for all Florida electric utilities.

Staff is proposing no base rate increases for the water, wastewater or natural gas systems.

As always, GRU's chief priorities are maintaining financial strength, sustaining and enhancing system reliability and improving both customer service and employee engagement.

Challenges

As with most utilities, GRU will continue to be challenged by ongoing regulatory pressure in all systems. These pressures include additional costs in the electric system associated with increased compliance for North American Electric Reliability Corporation standards and U.S. Environmental Protection Agency rules regulating the disposal of coal combustion residuals.

GRU's biggest challenge will be its transformation into a modern utility determined to adopt a private-industry model of efficiency. While GRU already provides a value-added service, the organization must reach beyond the meter to provide additional services such

as real-time pricing, alternative-power products, improved access to information and smoother interactions.

The proposed fiscal year 2018 budget reflects staffs' best efforts to balance the direction of the City Commission and the challenges confronting the Utility across all systems.

Systems

Electric

Total electric energy sales through May 2017 are 1.5 percent lower than projected. This decrease can be largely attributed to warmer-than-typical winter weather conditions.

Staff is recommending a 2 percent increase in the revenue requirement, and is proposing a rate increase for the electric system in fiscal year 2018 for the first time since fiscal year 2012. With the \$5 million increase to the fuel and purchased power adjustment implemented in August 2017, staff projects the electric system fuel-levelization balance to be \$721,000 at the end of fiscal year 2017 and (\$4.0 million) at the end of fiscal year 2018.

While GRU has mitigated costs by keeping GREC in cold standby for extended periods, optimizing its own portfolio of generating assets and purchasing power from other sources, capital projects at the Deerhaven Generating Station, J.R. Kelly Generation Station and South Energy Center (SEC) are needed to improve reliability, produce long-term savings or generate revenue.

Deerhaven receives the bulk of a \$14.1 million proposed capital budget request to complete improvements on Unit 2 of \$4.5 million and Gas Turbine 3 of \$3.6 million. As a cost-savings measure, Energy Supply has performed the diagnostics and analytics required to move from a 12-month to an 18-month planned outage frequency, reducing non-labor outage costs by 25 to 30 percent over the next three years. By transitioning Deerhaven Unit 2 to an 18-month outage frequency, GRU will save approximately \$5 million over the next six years.

Energy Supply has increased its original fiscal year 2018 budget for SEC expansion to accommodate the needs of UF Health's Heart & Vascular and Neuromedicine hospitals. GRU recovers expenses related to SEC expansion through its contract with UF Health. Net revenues from the SEC flow into the electric fund and help provide rate relief for GRU electric customers.

Natural Gas

GRU is recommending no natural gas rate increases for fiscal year 2018. Natural gas is estimated to satisfy fiscal year 2018 42 percent of total system load in the upcoming fiscal year. During last year's budget process, an increase of 3 percent was projected.

Projections for gas sales and revenue are approximately 13 percent and 12 percent below forecast, respectively, due largely to the mild winter.

Staff has recommended an increase to the Purchased Gas Adjustment (PGA) from 23 cents per therm to 33 cents per therm beginning August 2017. This increase is largely due to a 30 percent increase in natural gas prices compared to 2016 lows. Staff forecasts a PGA levelization balance of \$538,000 at the close of fiscal year 2017 and a negative balance of (\$381,000) by the end of fiscal year 2018.

The increased purchased gas adjustment will result in a net increase of \$2.50 for residential customers with usage of 25 therms per month. Even with this increase, GRU's natural gas prices remain among the lowest in Florida.

Additionally, the gas system will continue to improve the efficiency and reliability of its arterial system through projects focused on satisfying increased demand and meeting the needs of customers in new and existing developments.

Water/Wastewater

Staff is recommending no base rate revenue requirement increase for the water and wastewater systems in FY18 after projecting a 3 percent increase for both systems during the fiscal year 2017 budget process.

In the water system, sales and revenue projections are 7.5 percent and 9.5 percent above forecast, respectively. This increase in customer usage is largely attributable to lower-than-average levels of rainfall through May.

Wastewater sales and revenue projections are 3.3 percent and 4.1 percent above forecast, respectively. The wastewater system continues to incur expenses related to regulatory compliance, including operation of the biosolids-dewatering facility and management expenses related to the Paynes Prairie Sheetflow Restoration Project and Sweetwater Wetlands Park.

GRUCom

GRUCom's continued expansion is a key factor to achieving GRU's strategic initiatives, specifically the integration of Enterprise Resource Planning for all systems. Maintaining and expanding GRUCom with a model of right-sizing and right-placing external resources to maximize value to GRU operations – simultaneously maximizing value to all GRU customers – will effectively transform GRU into one of the most innovative and financially stable utilities in the country. GRUCom's principle value to GRU, and therefore all GRU customers, is as the information technology backbone of both GRU and the City of Gainesville.

Summary

The chart below illustrates the residential price changes recommended by staff and described previously. These changes use the standard industry compares for a residential customer for fiscal year 2017 and fiscal year 2018. About 70 percent of customers receive three services (electric, water and wastewater) and about 30 percent receive all four services.

System	Usage	June 2017 Bill	Base Rate Change	Fuel Change	Proposed FY18 Bill
Electric	1,000 kWh	\$130.40	\$1.15	\$5.00	\$136.55
Gas	25 therms	\$ 32.64	No change	\$2.50	\$ 35.14
Water	7 kgal	\$ 30.50	No change	na	\$ 30.50
Wastewater	7 kgal	\$ 53.20	No change	na	\$ 53.20
Total		\$246.74	\$1.15	\$7.50	\$255.39

June 2017 Electric and Gas bills based on Fuel Adjustment of \$0.070/kWh and Purchased Gas Adjustment of \$0.23/therm. Proposed FY18 Electric and Gas bills based on Fuel Adjustment of \$0.075/kWh and Purchase Gas Adjustment of \$0.33/therm.

Rate relief, especially for electric customers, remains GRU's key budget driver. GRU is most valuable to customers when financial strength is maximized to increase competitiveness by reducing system revenue requirements, lowering rates and debt levels and increasing organizational resources.

GRU's strategic initiatives are focused on improving workflow processes, eliminating barriers to efficiencies and increasing competitiveness through projects such as our OneSAP system upgrade and business-minded decision such as the pending GREC purchase.

GRU's peer utilities across Florida and the nation are reporting similar trends with slower sales and growth, increasing fixed costs and the resulting pressure on base rates. Despite these challenges, GRU maintains high ratings and stable outlooks from Fitch, Moody's and Standard & Poor's.

This can be attributed in part to the deliberation and care put into the budgeting and ratemaking process. GRU will continue striving to become the best regional utility in Florida by providing dependable, competitively priced services while investing in business decisions and people who facilitate the optimum long-term benefits to our community.

Annual Operating Budget

Table of Contents

Section A: Budget Overview

System Overview	1
Fiscal Year 2018 Revenues	3
Fiscal Year 2018 Expenses and Uses of Net Revenues.....	4
Revenues Trend.....	5
Expenses Trend	6
Key Financial Metrics	7
Fiscal Year 2018 Rate Structure	11
Forecasts.....	12

Section B: Flow of Funds

Combined System	1
Electric System.....	2
Water System.....	3
Wastewater System	4
Gas System	5
GRUCom	6

Section C: Revenues

Combined System	1
Electric System.....	2
Water System.....	4
Wastewater System	6
Gas System	8
GRUCom	10

Section D: Non-Labor

Combined System	1
Fuel.....	2
Energy Supply	3
District Energy.....	4
Energy Delivery	5
Water.....	7
Wastewater	8
GRUCom	9
Administration.....	10
Customer Support Services	12
Information Technology	13
Budget, Finance, and Accounting.....	14
Chief Operating Officer	15
General System Expenditures	16
Debt Service Expenditures	17
Utility Plant Improvement Fund.....	18
General Fund Transfer	19

Section E: Labor

Combined System	1
Energy Supply	7
District Energy	8
Energy Delivery	9
Water	10
Wastewater	11
GRUCom	12
Administration	13
Customer Support Services	14
Information Technology	15
Budget, Finance, and Accounting	16

Section F: Capital Projects

Combined System	1
Electric System	2
Water System	6
Wastewater System	8
Gas System	10
GRUCom	12

Section G: Financial Reserves and Ratios

Reserve Requirements	1
Total Debt Service Coverage	2
Fixed Charge Coverage	3
Days Liquidity on Hand	4
Days Cash on Hand	5

Section A – Budget Overview

System Overview

Electric System

The Energy Supply department operates and maintains the J.R. Kelly Generating Station with a net summer generation capability of 108 Megawatts (MW), the Deerhaven Generating Station (DH1 and DH2) with a total net summer generation capability of 409 MW and the South Energy Center (SEC) with a net summer capability of 3.5 MW. In addition, the System also has two Power Purchase Agreements (PPA): one for all of the available energy, delivered energy and environmental attributes from a 102.5 MW biomass fuel generating facility, Gainesville Renewable Energy Center (GREC), located on property leased from GRU and one for the entire output generated from landfill gas derived from the baseline landfill in Marion County, which has a net summer capability of 3.7 MW. The total combined generating and PPA resources for GRU are 626.7 MW.

The Energy Delivery department operates 120 miles of 138 Kilovolt (KV) and 230 KV transmission lines, 562 miles of 12 KV overhead distribution lines, 857 miles of 12 KV underground distribution lines and 10 substations. The department is also responsible for the construction and maintenance of all GRU-owned substations as well as all transmission and distribution infrastructure including: conductors, cables and wires, poles, protection devices, isolating and interrupting devices, voltage regulators, meters, control systems and lighting systems.

Water System

The Water System operates and maintains the Murphree Water Treatment Plant, which has a treatment capacity of 54 million gallons of water per day (MGD). The plant is responsible for providing safe, reliable, high-quality drinking water to customers at acceptable pressures and volumes. The System is also responsible for construction, operation and maintenance in excess of 1,145 miles of water transmission and distribution mains, as well as the installation and maintenance of water meters, fire hydrants and backflow prevention devices.

Wastewater System

The Wastewater System operates and maintains the 14.9 MGD treatment facility at Kanapaha Water Reclamation Facility, the 7.5 MGD treatment facility at Main Street Water Reclamation Facility, 168 lift stations, 634 miles of gravity main, 141 miles of associated force main and 28 miles of reclaimed water mains. 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 System also administers the Utility's industrial pretreatment, biosolids, grease and backflow prevention programs.

Gas System

The Gas System covers approximately 115 square miles and provides service to 30 percent of Alachua County's population. The System is responsible for the construction, operation and maintenance of six natural gas gate stations, as well as all transmission and distribution system infrastructure, including 774 miles of pipelines in various sizes and materials, valves, pressure regulators, protection devices, odorant

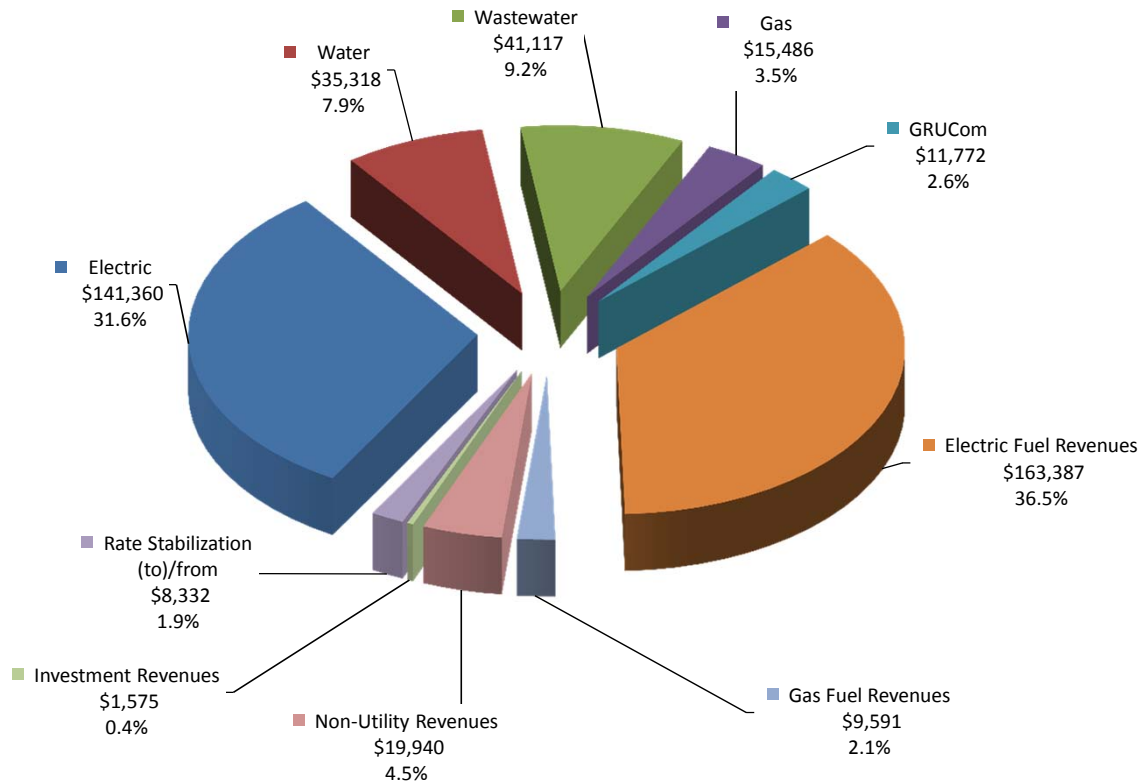
injection systems, meters and control systems. The System also includes a number of propane gas distribution systems operated in developments where natural gas is not yet available.

GRUCom System

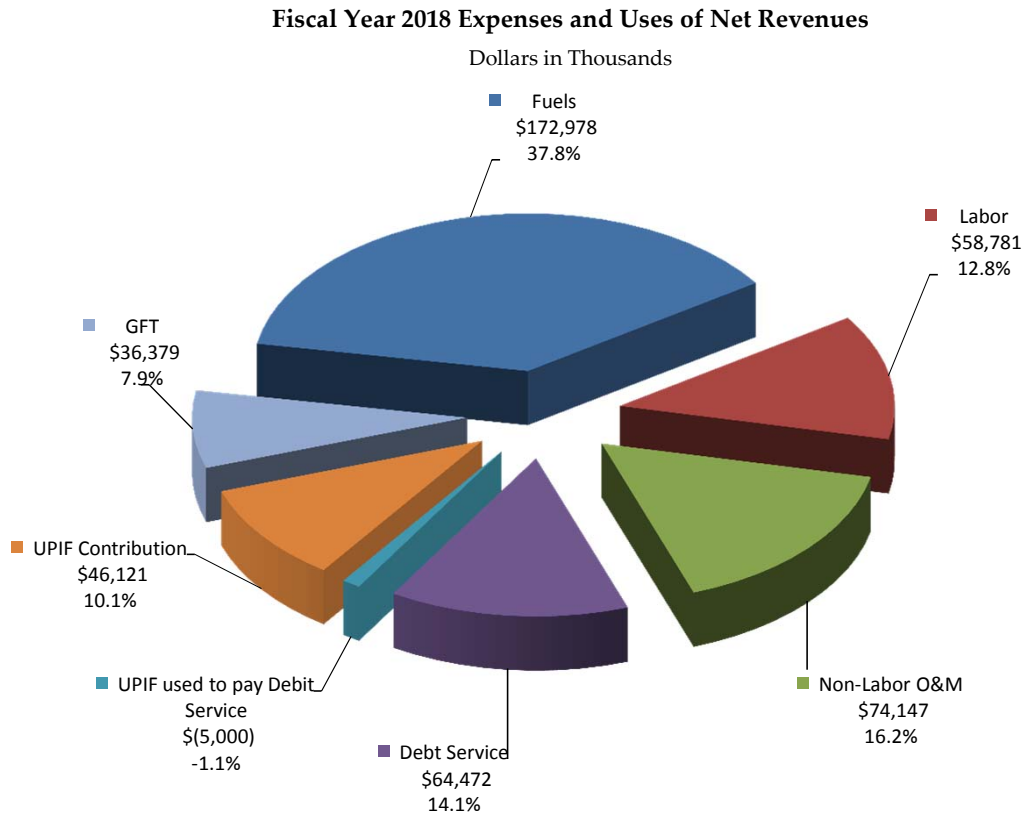
The Telecommunications System (GRUCom) provides communications services utilizing a 526 mile fiber-optic network. GRUCom's three basic product lines include telecommunication and data services, public safety radio and tower leasing services. GRUCom is divided into several operating units, including business management, engineering, construction, electronics, network operations and public safety radio system. The GRUCom fiber-optic network continues to expand, providing customers with unmatched service and reliability.

Fiscal Year 2018 Revenues

Dollars in Thousands



	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Revenues:				
Electric	\$ 132,339	\$ 130,624	\$ 141,096	\$ 141,360
Water	34,378	36,258	35,086	35,318
Wastewater	41,846	41,774	42,680	41,117
Gas	14,987	15,046	15,514	15,486
GRUCom	11,080	11,248	11,323	11,772
Electric Fuel Revenues	153,980	153,734	160,188	163,387
Gas Fuel Revenues	7,697	7,420	11,963	9,591
Non-Utility Revenues	15,173	18,168	15,478	19,940
Investment Revenues	1,649	1,676	1,304	1,575
Rate Stabilization (to)/from	8,822	9,752	2,330	8,332
Total Revenues	\$ 421,951	\$ 425,700	\$ 436,962	\$ 447,878

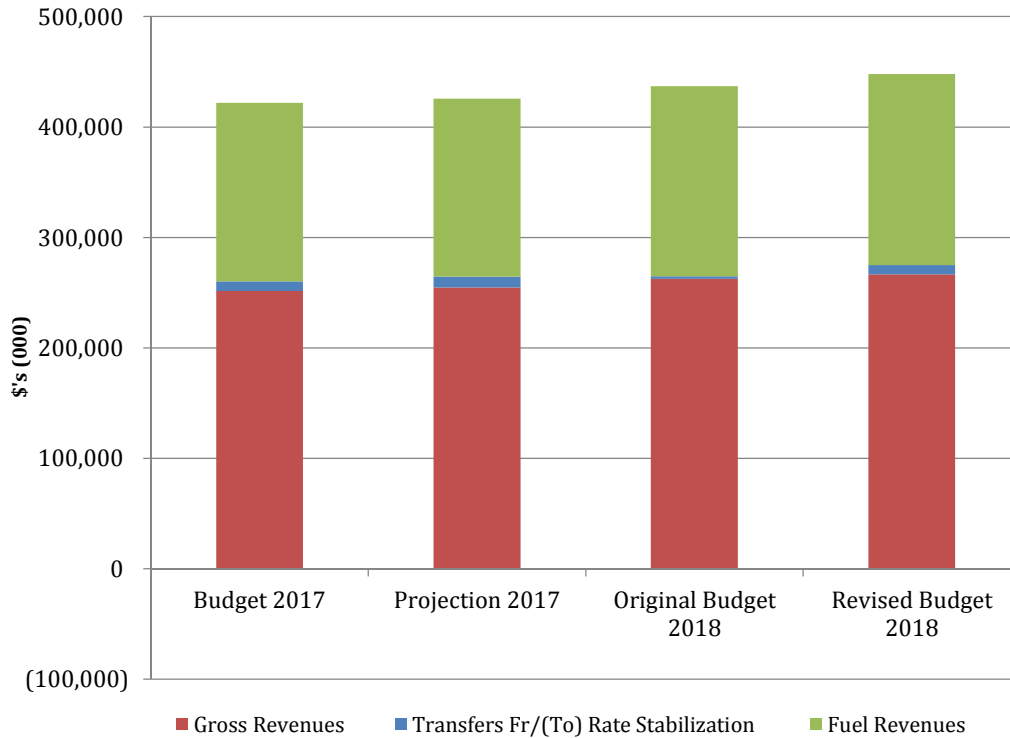


	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Expenses and Use of Net Revenues:				
Fuels	\$ 161,675	\$ 161,153	\$ 172,150	\$ 172,978
Labor	57,257	53,992	58,642	58,781
Non-Labor O&M	63,463	69,843	66,650	74,147
Debt Service	61,884	63,019	61,893	64,472
UPIF used to pay Debit Service	(5,000)	(5,000)	(5,000)	(5,000)
UPIF Contribution	46,858	46,858	46,466	46,121
GFT	35,814	35,835	36,161	36,379
Total Expenses and Use of Net Revenues	\$ 421,951	\$ 425,700	\$ 436,962	\$ 447,878

Annual Operating Budget

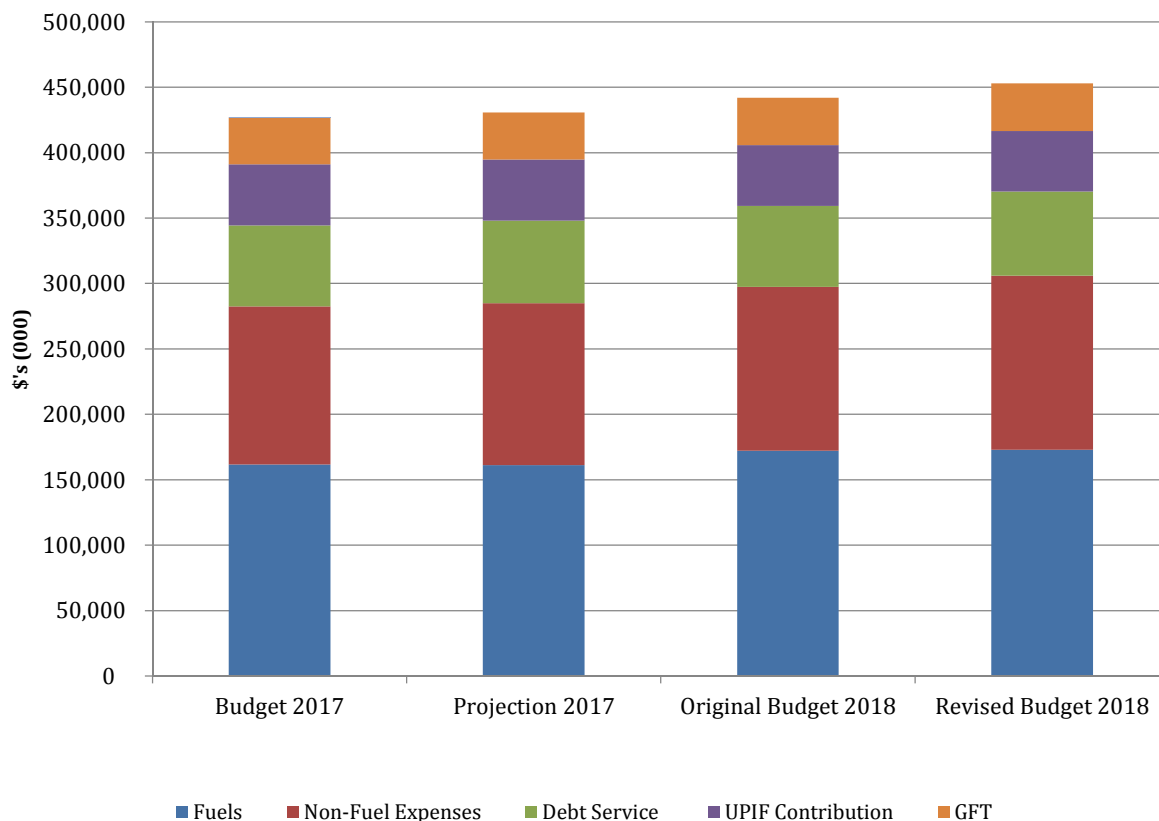
Budget Overview

Revenues Trend



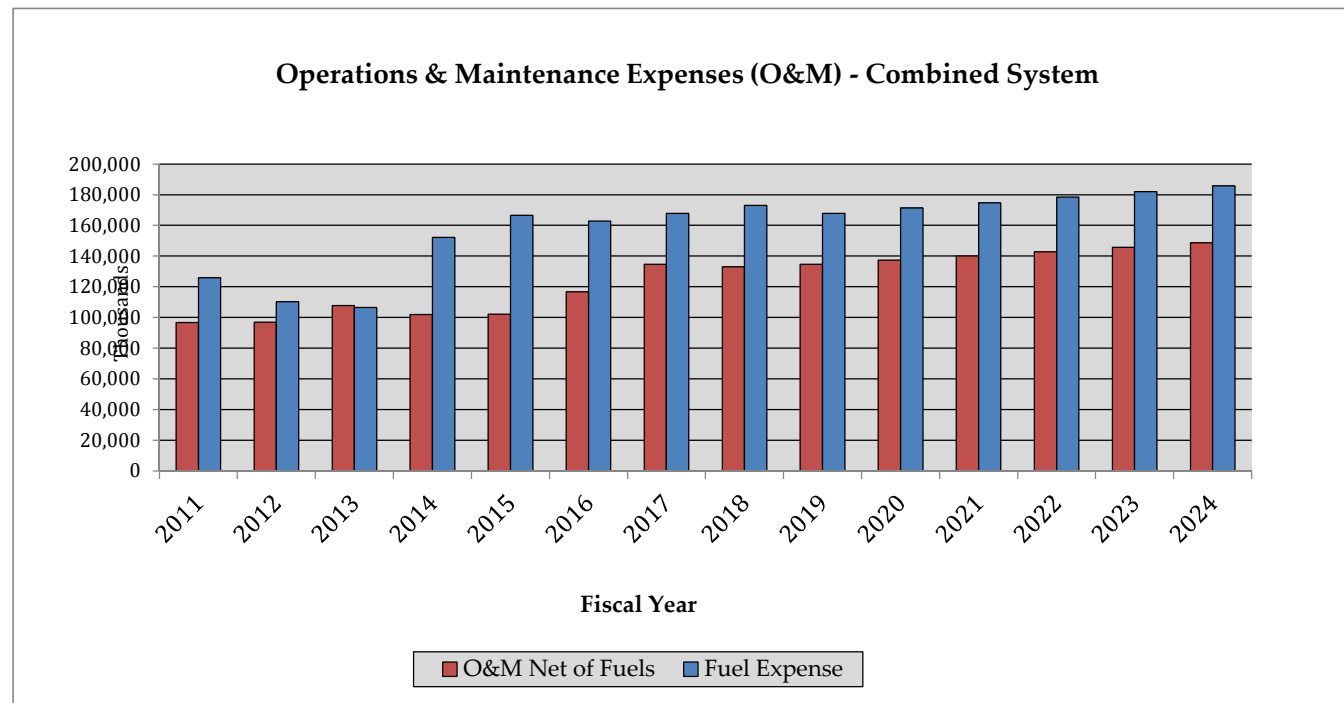
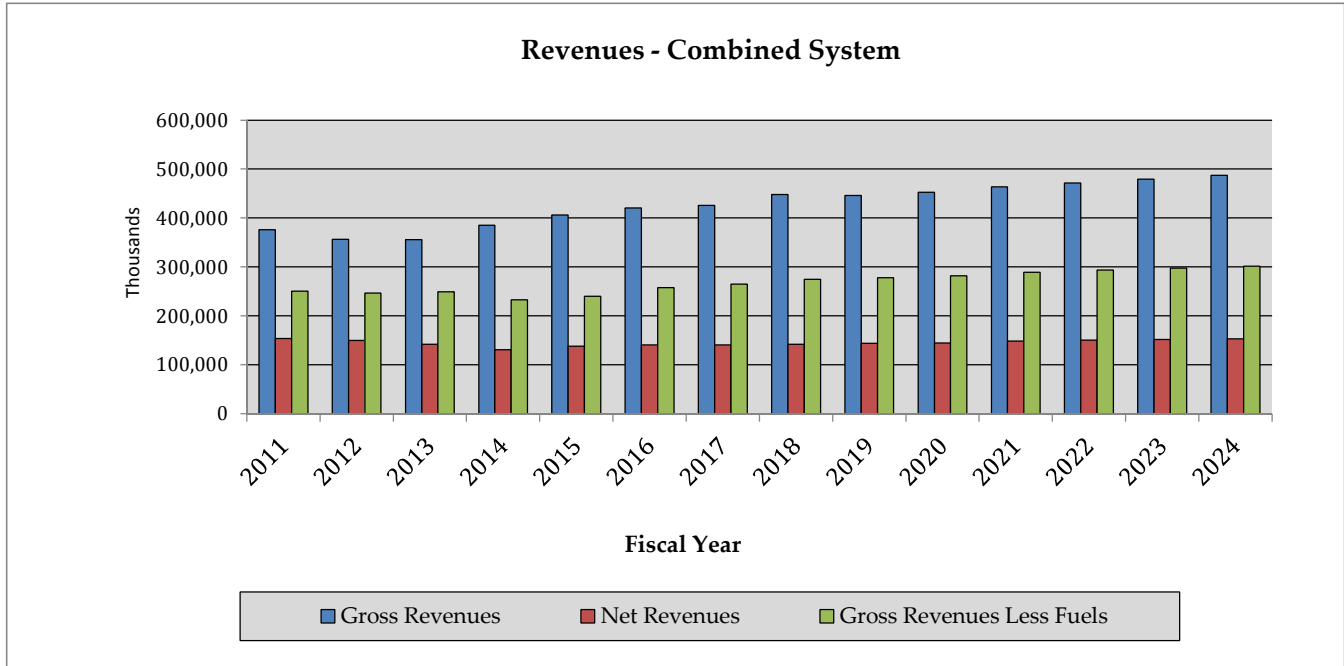
	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Utility Operating Revenues				
Electric	\$ 132,339	\$ 130,625	\$ 141,096	\$ 141,359
Water	34,378	36,258	35,086	35,318
Wastewater	41,846	41,774	42,680	41,117
Gas	14,987	15,046	15,514	15,486
GRUCom	11,080	11,248	11,323	11,772
Fuel Revenues	161,677	161,153	172,151	172,979
Non-Utility Revenues	15,173	18,168	15,478	19,940
Investment Revenues	1,649	1,676	1,304	1,575
Rate Stabilization (to)/from	8,822	9,752	2,330	8,332
Total Revenues	\$ 421,951	\$ 425,700	\$ 436,962	\$ 447,878

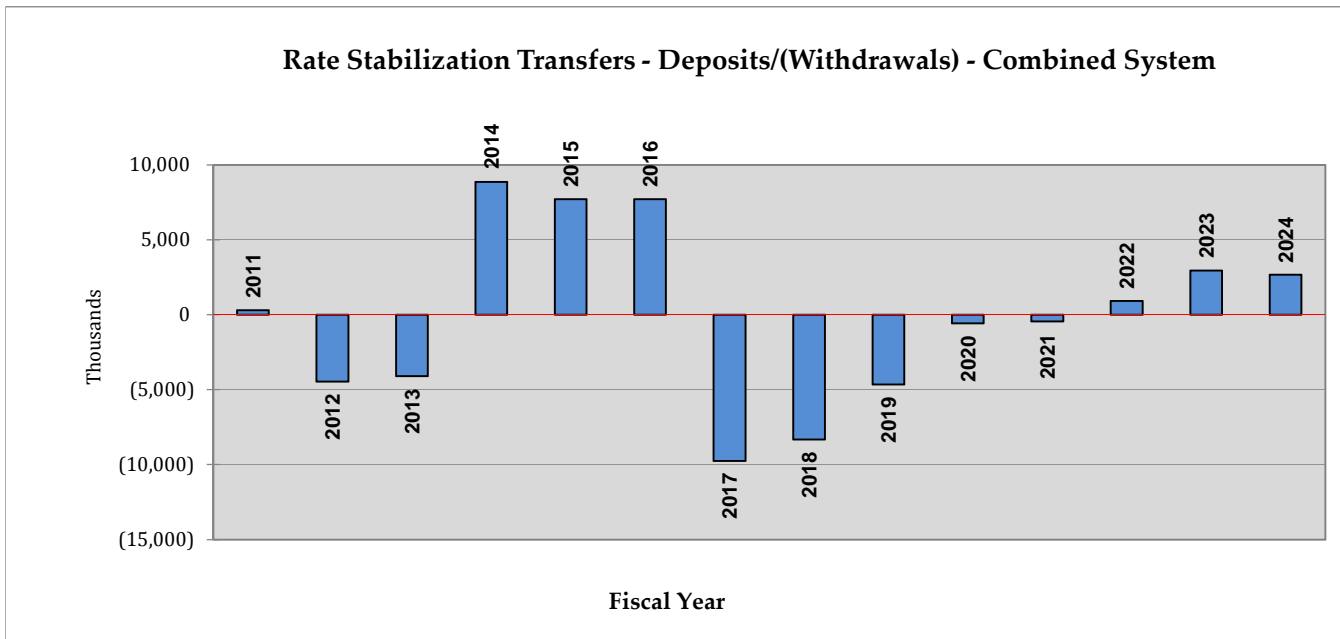
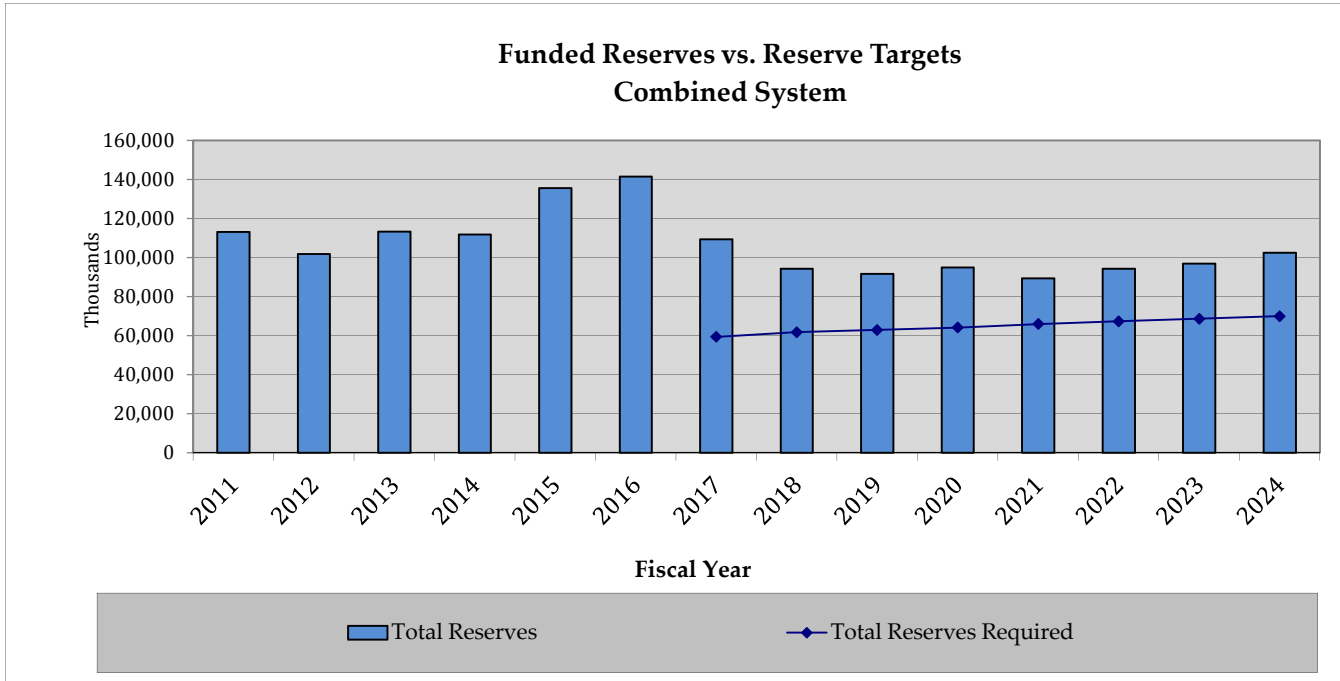
Expenses Trend



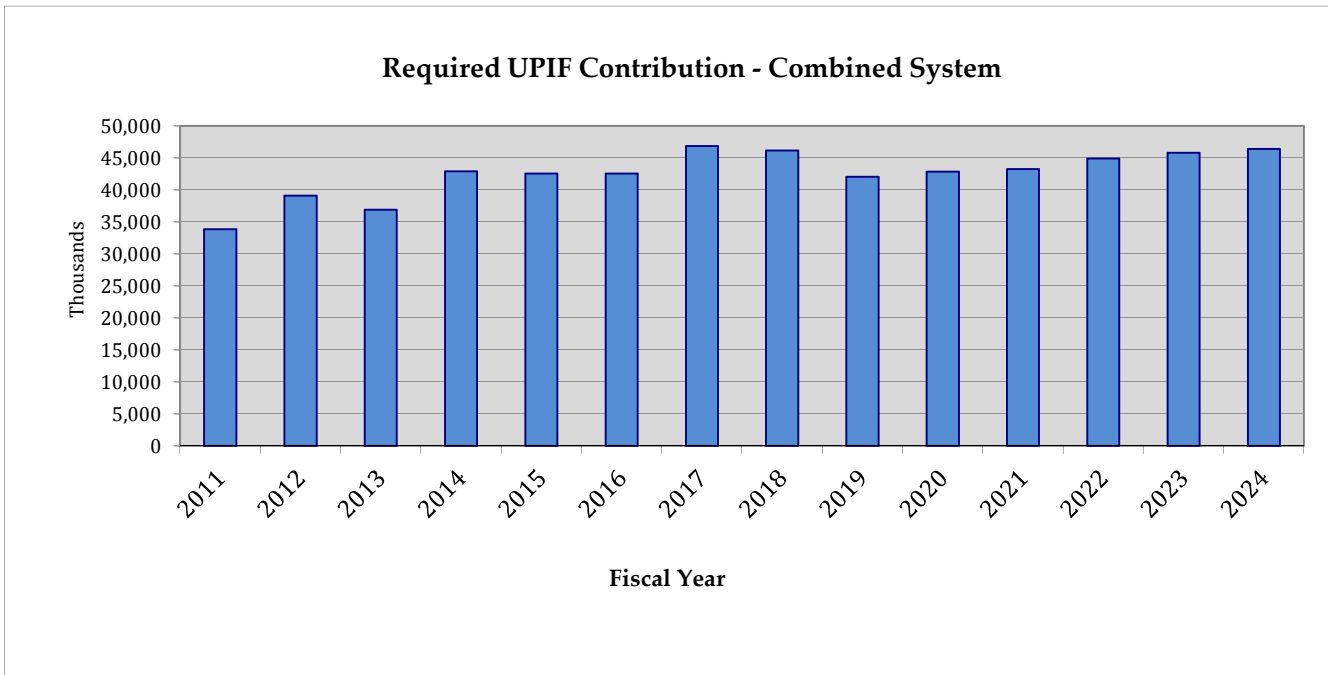
	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Fuels	\$ 161,675	\$ 161,153	\$ 172,150	\$ 172,978
Labor - Operations	35,042	33,229	36,089	34,971
Labor - Administrative	22,215	20,763	22,553	23,810
Total Labor	57,257	53,992	58,642	58,781
O&M - Operations	32,081	33,562	34,727	37,836
O&M - Administrative	31,382	36,281	31,923	36,311
Total O&M	63,463	69,843	66,650	74,147
Total Expenses	282,395	284,988	297,442	305,906
Debt Service	61,884	63,019	61,893	64,472
UPIF used to pay Debt Service	(5,000)	(5,000)	(5,000)	(5,000)
UPIF Contribution	46,858	46,858	46,466	46,121
GFT	35,814	35,835	36,161	36,379
Total Use of Net Revenues	139,556	140,712	139,520	141,972
Total Expenses and Use of Net Revenues	\$ 421,951	\$ 425,700	\$ 436,962	\$ 447,878

Key Financial Metrics

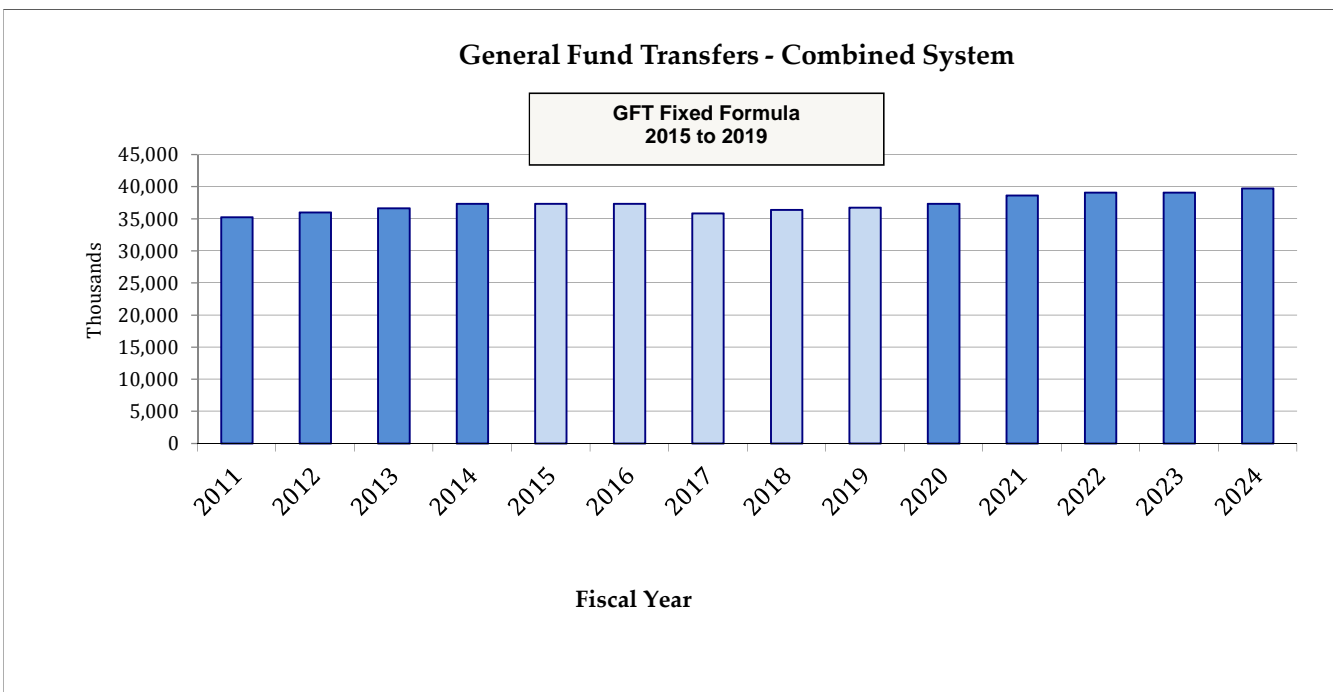




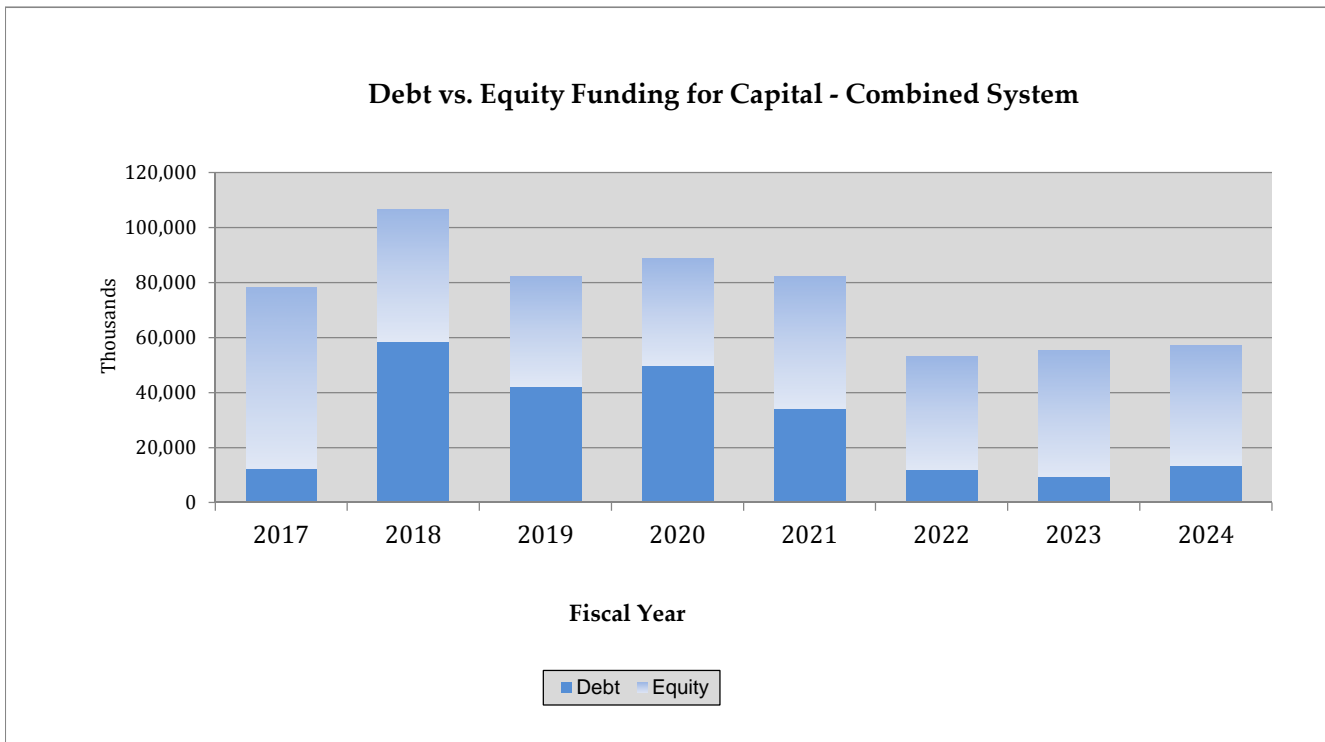
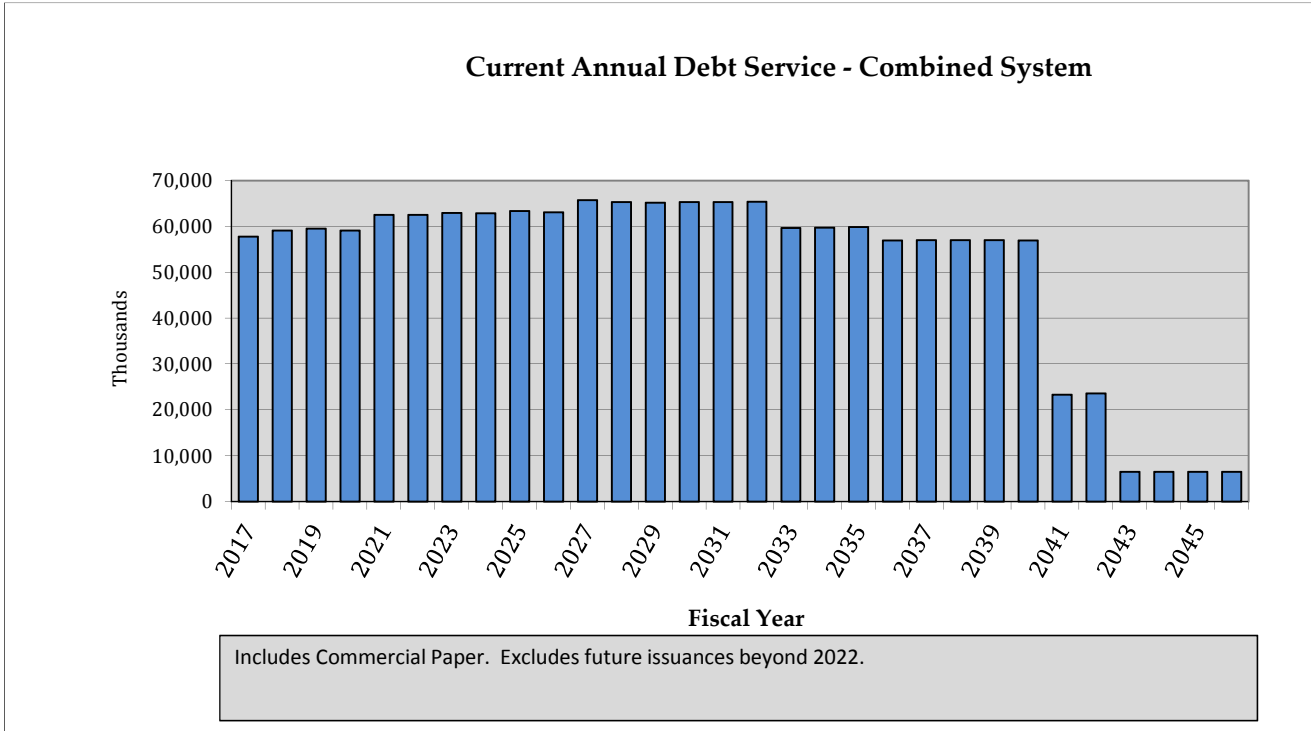
Positive numbers reflect a deposit into the Rate Stabilization Fund (RSF). This indicates that Utility revenues were greater than expenses, including General Fund Transfer, Debt Service and UPIF contributions. Negative numbers reflect a withdrawal from the Rate Stabilization Fund. This indicates that Utility revenues were less than expenses, including General Fund Transfers, Debt Service and UPIF contributions. RSF activity is projected over the planning horizon to manage rates and mitigate significant pricing variances to customers.



The Utility Plant Improvement Fund (UPIF) Contribution is required by the Utilities System Revenue Bond Resolution, as amended.



The General Fund Transfer (GFT) represents transfers to the City of Gainesville’s General Fund, in total, for all systems.



Annual Operating Budget

Budget Overview

Fiscal Year 2018 Rate Structure

Electric	Consumption	Fiscal Year 2017 Rate	Fiscal Year 2018 Rate
Residential Customer Charge	Per Bill	\$ 14.25	\$ 14.25
Residential	Tier One (1-850 kWh)	\$ 0.043	\$ 0.044
Residential	Tier Two (851 kWh or more)	\$ 0.064	\$ 0.066
General Service Non-Demand Customer Charge	Per Bill	\$ 29.50	\$ 29.50
General Service Non-Demand	Tier One (1-1500 kWh)	\$ 0.069	\$ 0.070
General Service Non-Demand	Tier Two (1501 kWh or more)	\$ 0.100	\$ 0.103
General Service Demand Customer Charge	Per Bill	\$ 100.00	\$ 100.00
General Service Demand Charge	Per kW	\$ 8.50	\$ 8.50
General Service Energy Charge	Per kWh	\$ 0.0400	\$ 0.0412
Large Power Customer Charge	Per Bill	\$ 350.00	\$ 350.00
Large Power Demand Charge	Per kW	\$ 8.50	\$ 8.50
Large Power Energy Charge	Per kWh	\$ 0.0360	\$ 0.0370

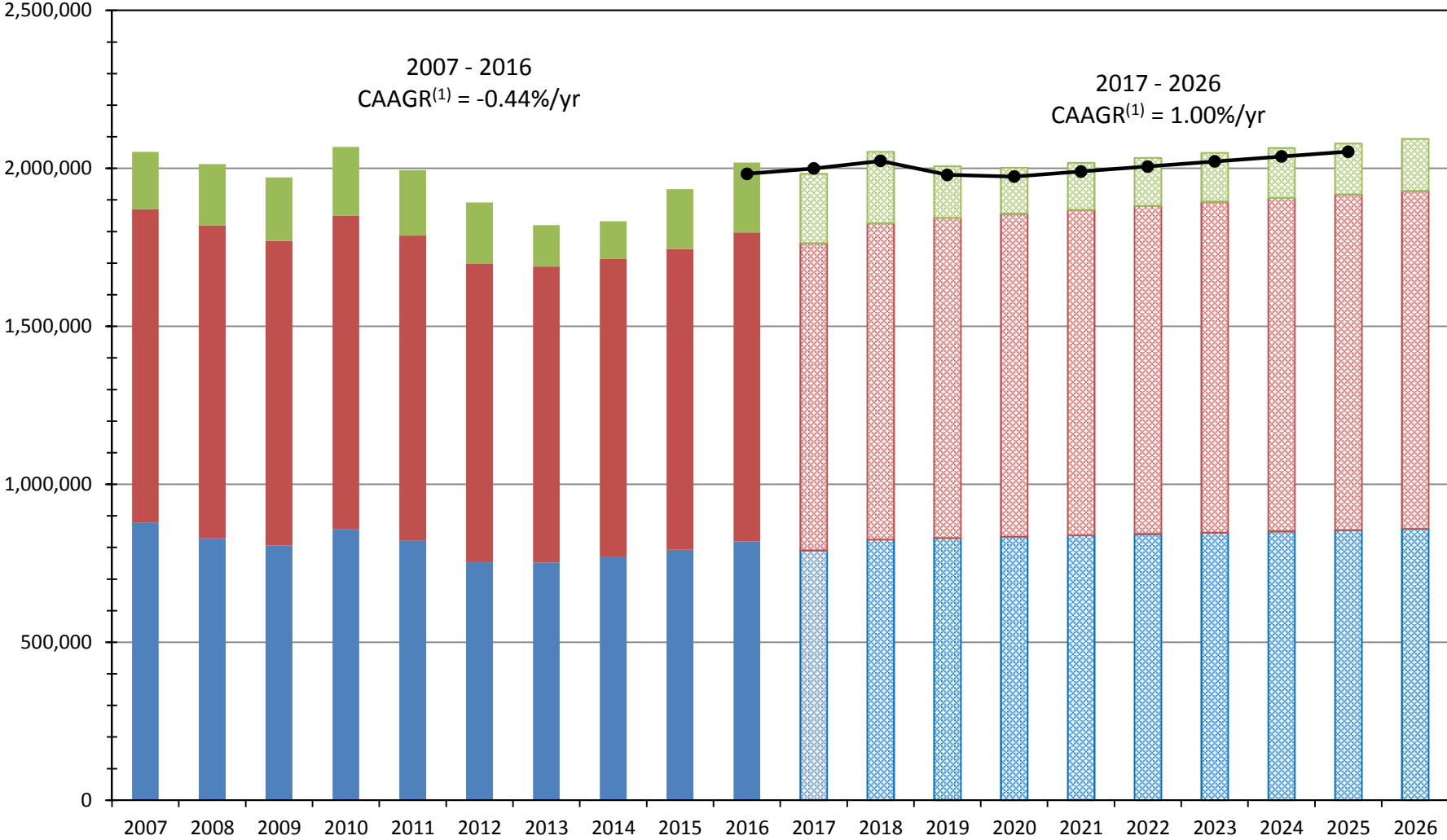
Water	Consumption	Fiscal Year 2017 Rate	Fiscal Year 2018 Rate
Residential Customer Charge (5/8" & 3/4")	Per Bill	\$ 9.45	No Change
Residential	Tier One (1-4 kgals)	\$ 2.45	No Change
Residential	Tier Two (5-16 kgals)	\$ 3.75	No Change
Residential	Tier Three (17 kgals or more)	\$ 6.00	No Change
Multi-Family Customer Charge	Per Bill	<i>Based on Meter Size</i>	<i>Based on Meter Size</i>
Multi-Family	All kgals	\$ 3.75	No Change
Irrigation Residential Customer Charge	Per Bill	\$ 9.45	No Change
Irrigation Residential	Tier One (1-12 kgals)	\$ 3.75	No Change
Irrigation Residential	Tier Two (13 kgals or more)	\$ 6.00	No Change
Commercial Customer Charge	Per Bill	<i>Based on Meter Size</i>	<i>Based on Meter Size</i>
Commercial	All kgals	\$ 3.85	No Change
Irrigation Commercial Customer Charge	Per Bill	<i>Based on Meter Size</i>	<i>Based on Meter Size</i>
Irrigation Commercial	All kgals	\$ 4.60	No Change

Wastewater	Consumption	Fiscal Year 2017 Rate	Fiscal Year 2018 Rate
All Customers	Per Bill	\$ 9.10	No Change
	All kgals	\$ 6.30	No Change
Reclaimed Water	Per Bill	\$ 9.10	No Change
	All kgals	\$ 0.95	No Change

Natural Gas	Consumption	Fiscal Year 2017 Rate	Fiscal Year 2018 Rate
Residential Customer Charge	Per Bill	\$ 9.75	No Change
Residential Energy Charge	Per Therm	\$ 0.6300	No Change
Residential - MGP Charge	Per Therm	\$ 0.0556	No Change
Small Commercial Customer Charge	Per Bill	\$ 20.00	No Change
Small Commercial Energy Charge	Per Therm	\$ 0.6200	No Change
Small Commercial MGP Charge	Per Therm	\$ 0.0556	No Change
Commercial Customer Charge	Per Bill	\$ 45.00	No Change
Commercial Energy Charge	Per Therm	\$ 0.4400	No Change
Commercial MGP Charge	Per Therm	\$ 0.0556	No Change
Large Commercial Customer Charge	Per Bill	\$ 400.00	No Change
Large Commercial Energy Charge	Per Therm	\$ 0.2700	No Change
Large Commercial MGP Charge	Per Therm	\$ 0.0556	No Change

Electric Energy Sales MegaWatt-hours

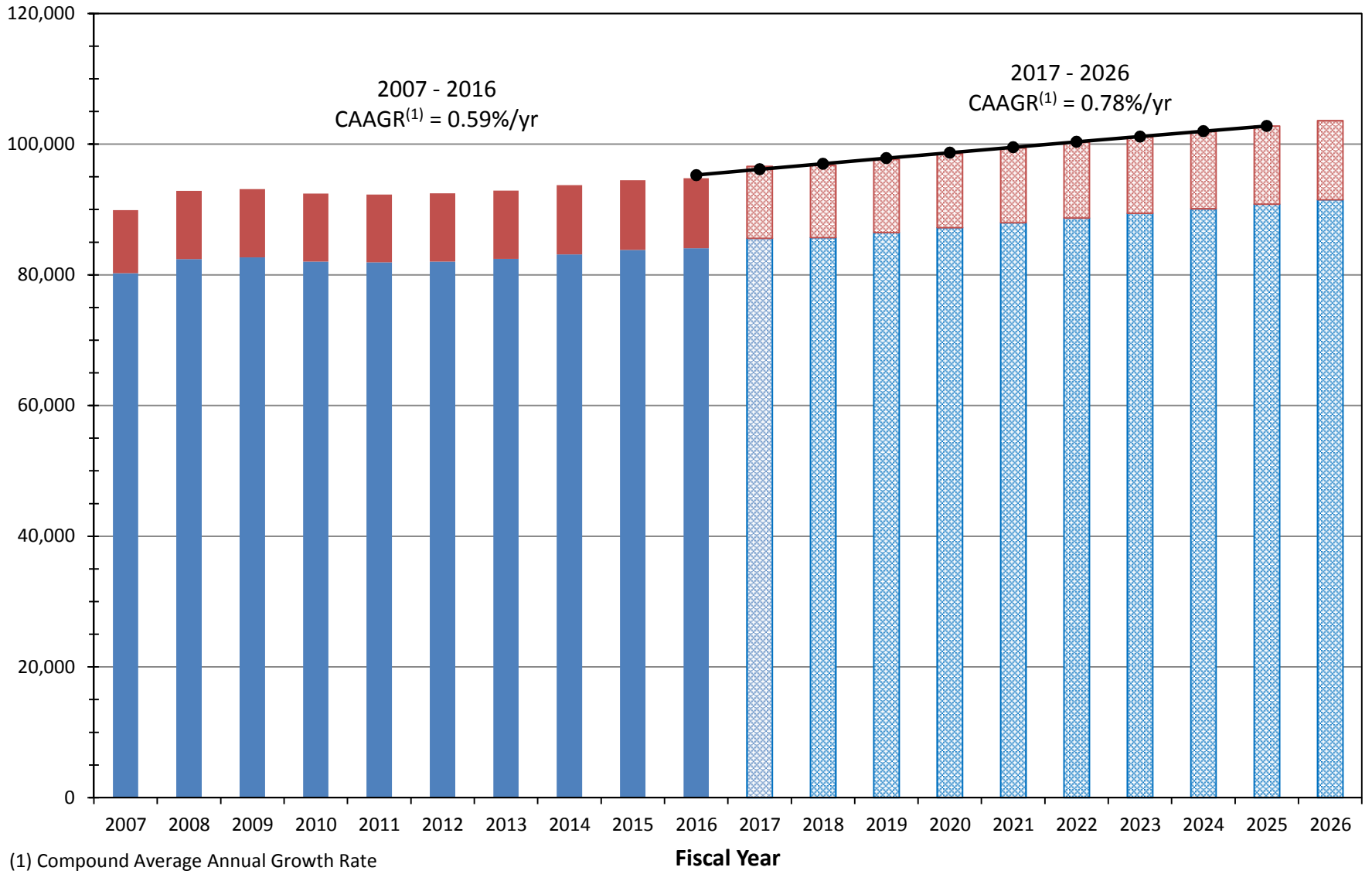
■ Residential
 ■ Non-Residential
 ■ Sales for Resale
 ●— 2017 Forecast



(1) Retail Sales - Compound Average Annual Growth Rate

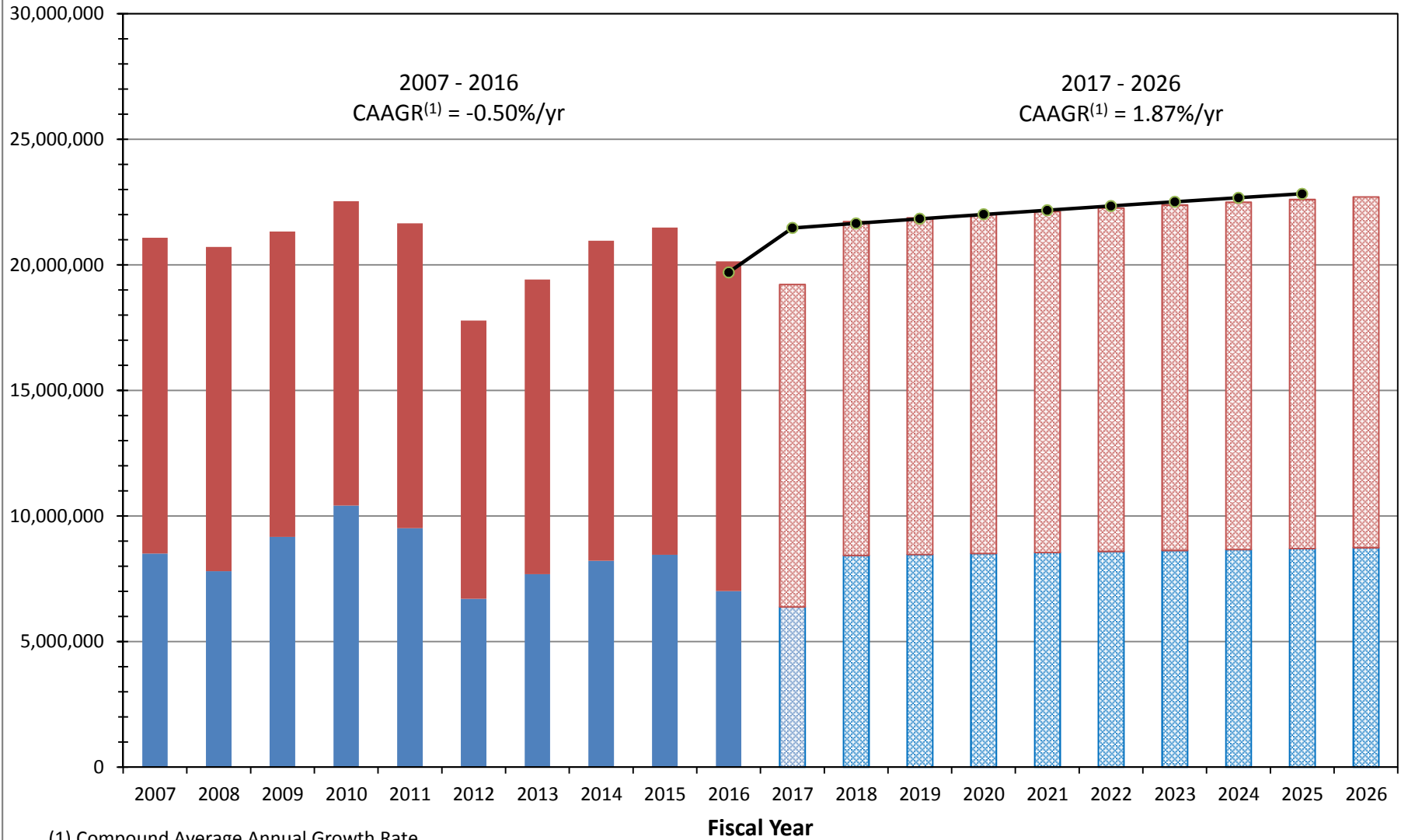
Electric Customers

Residential Non-Residential 2017 Forecast



Natural Gas Energy Sales Therms

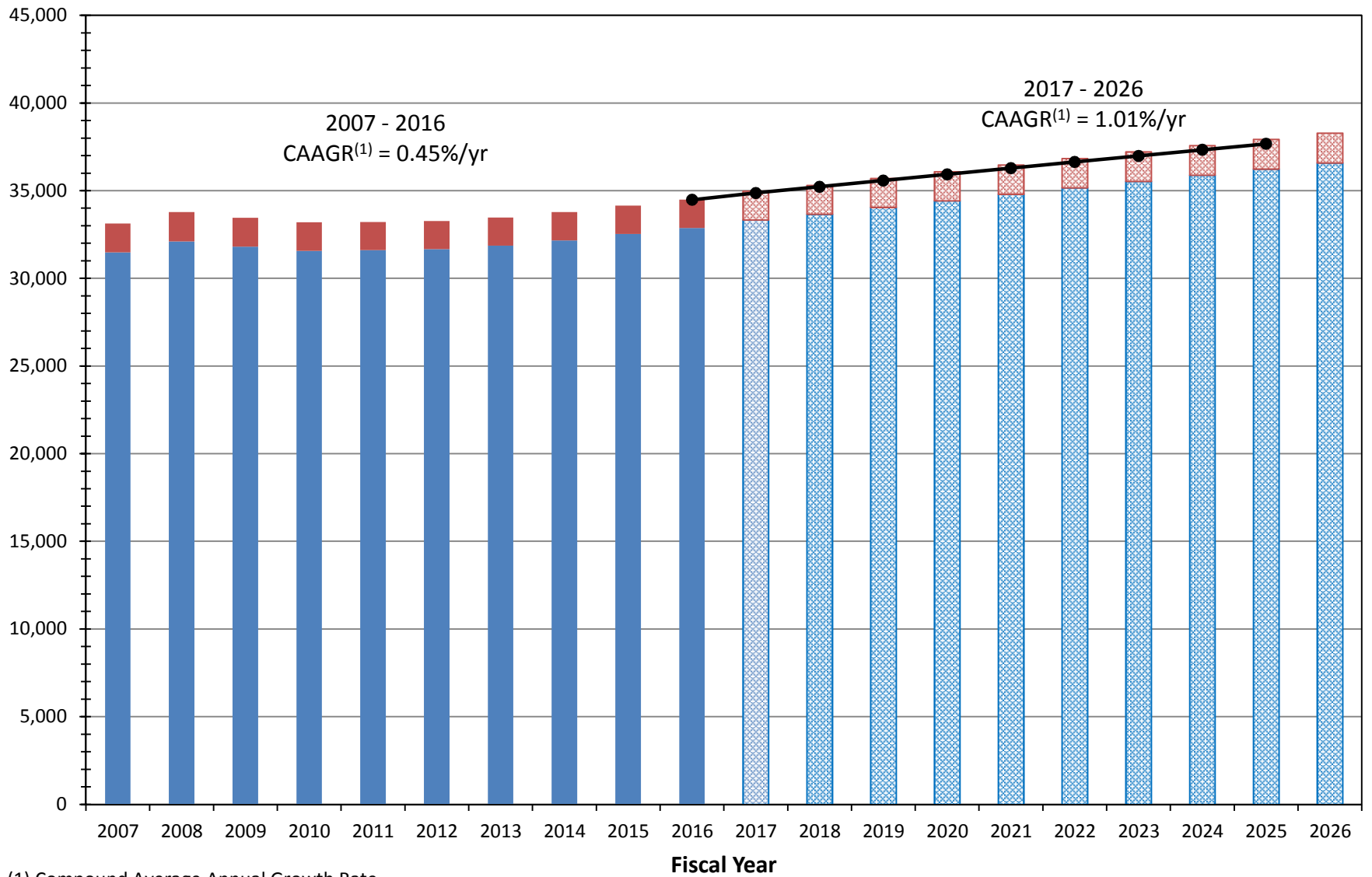
■ Residential
 ■ Non-Residential
 ● 2017 Forecast



(1) Compound Average Annual Growth Rate

Natural Gas Customers

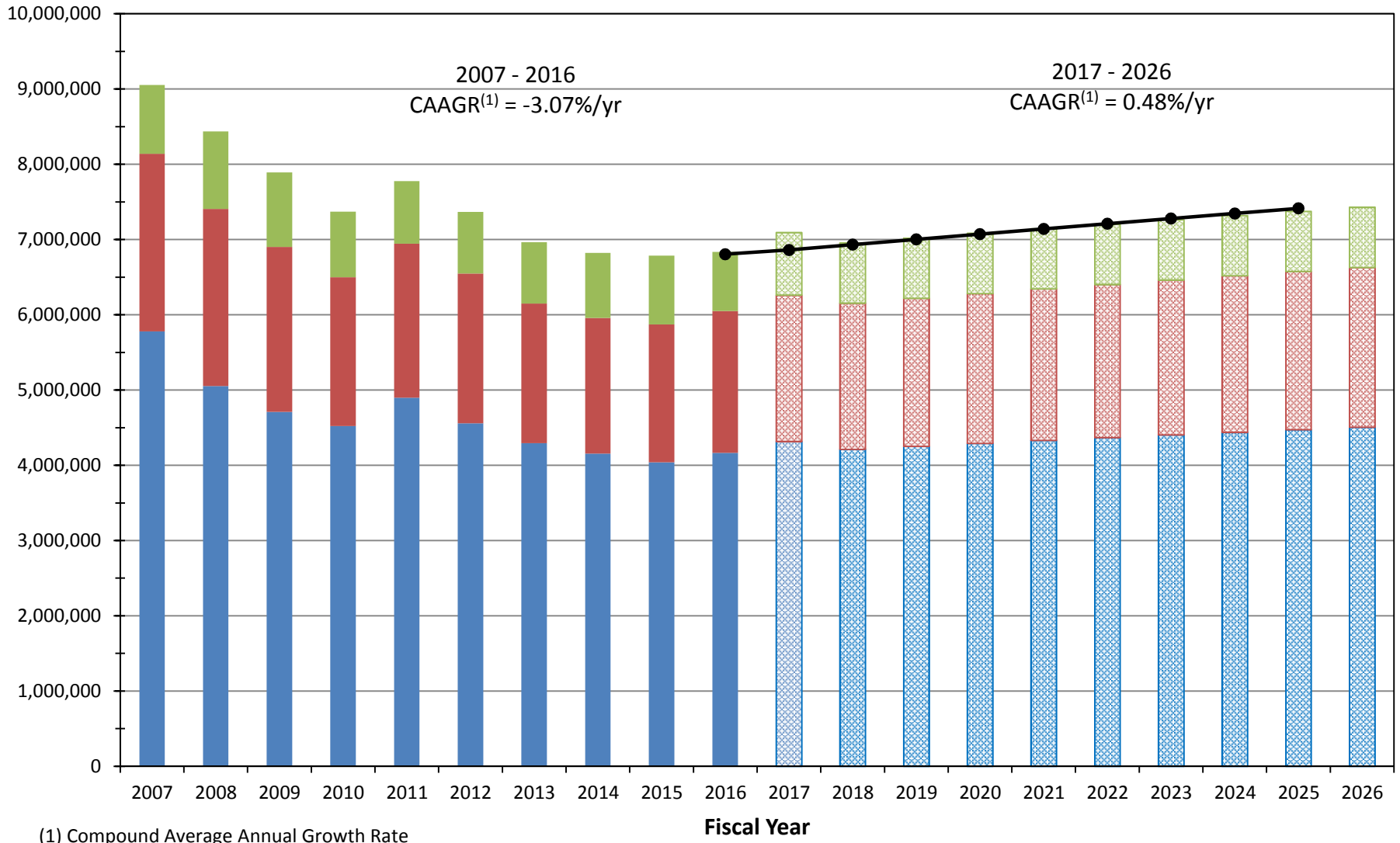
Residential Non-Residential 2017 Forecast



(1) Compound Average Annual Growth Rate

Water Sales Thousand Gallons (kgal)

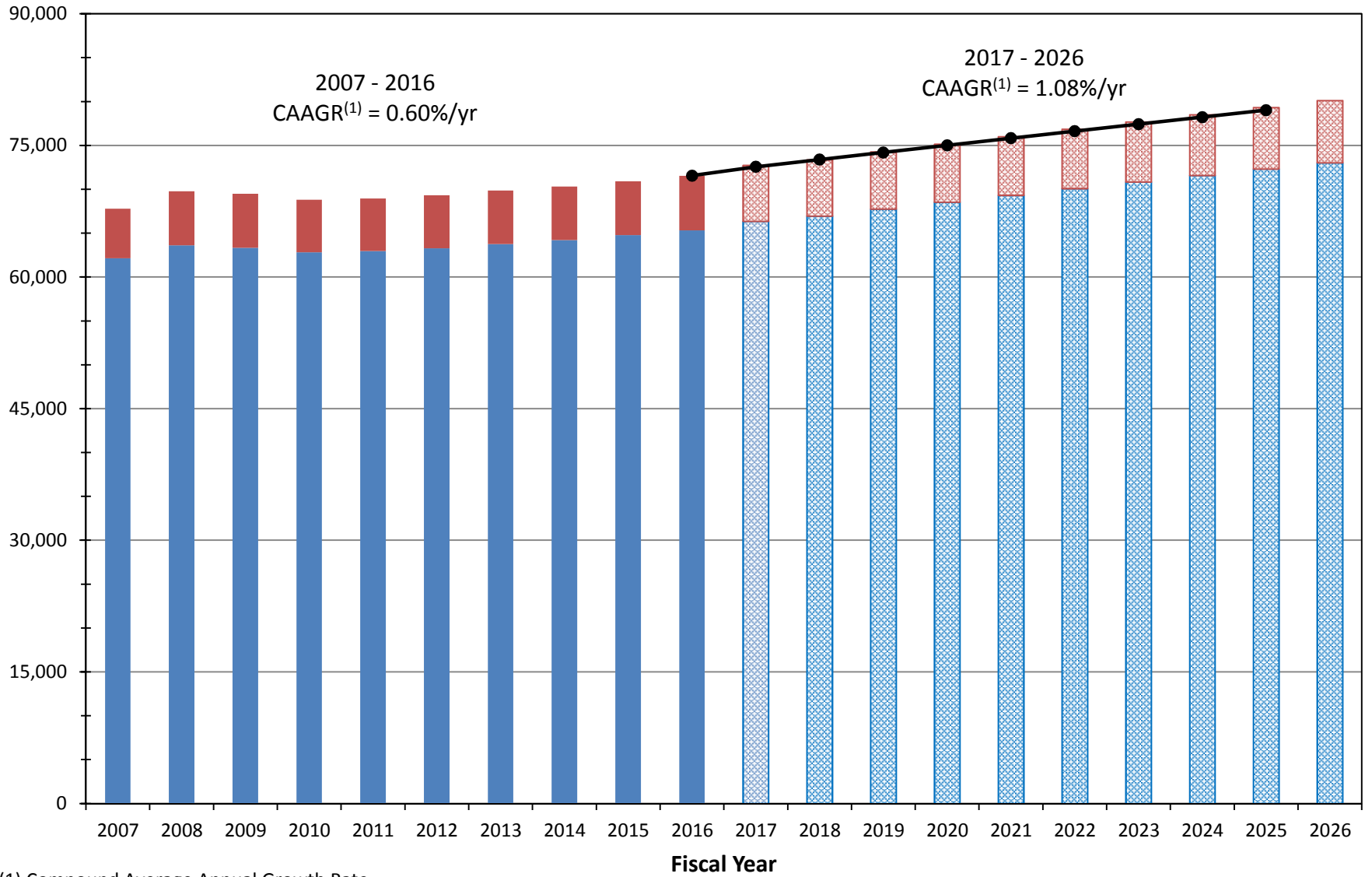
■ Residential
 ■ Non-Residential
 ■ University of Florida
 ●— 2017 Forecast



(1) Compound Average Annual Growth Rate

Water Customers

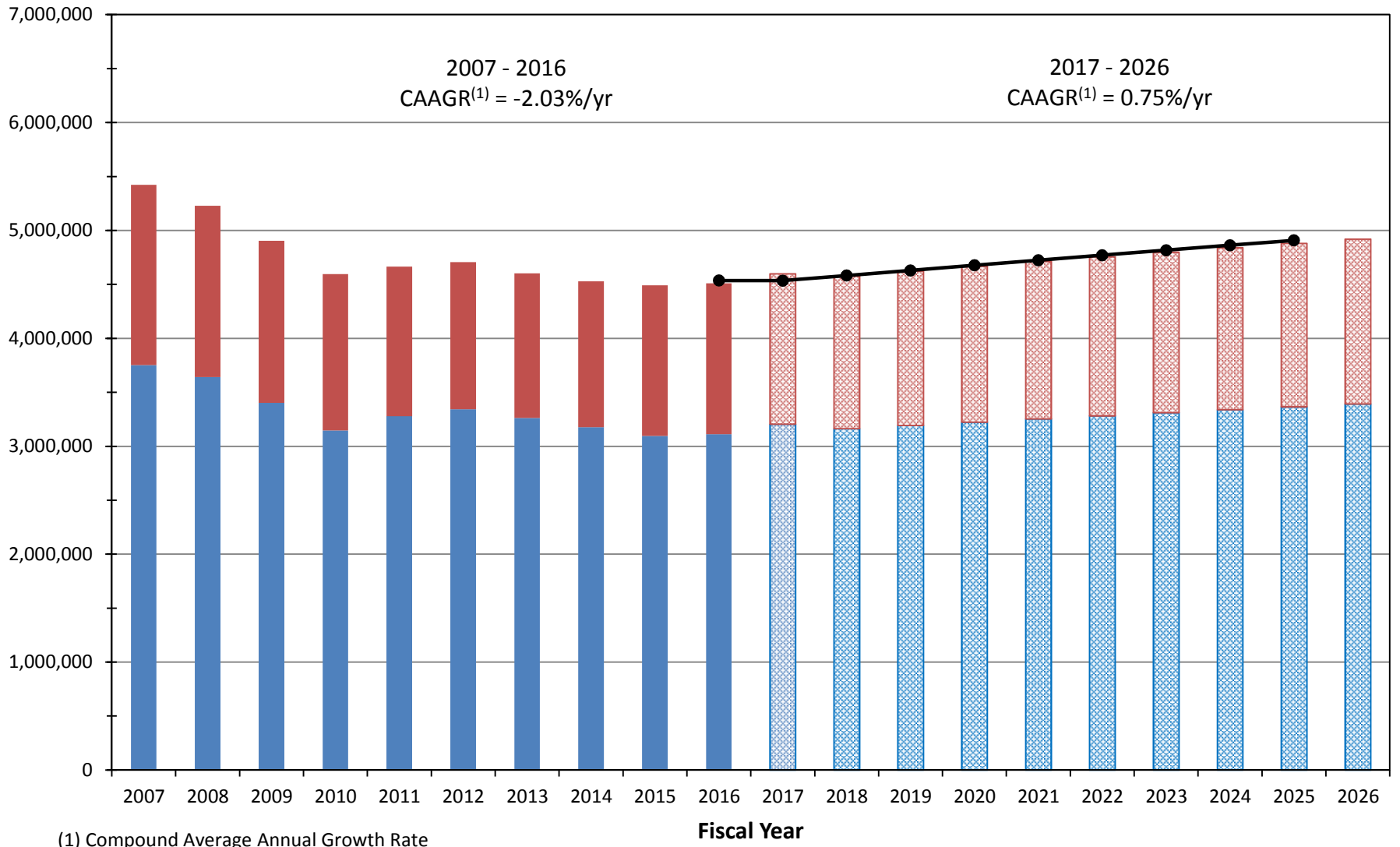
Residential Non-Residential 2017 Forecast



(1) Compound Average Annual Growth Rate

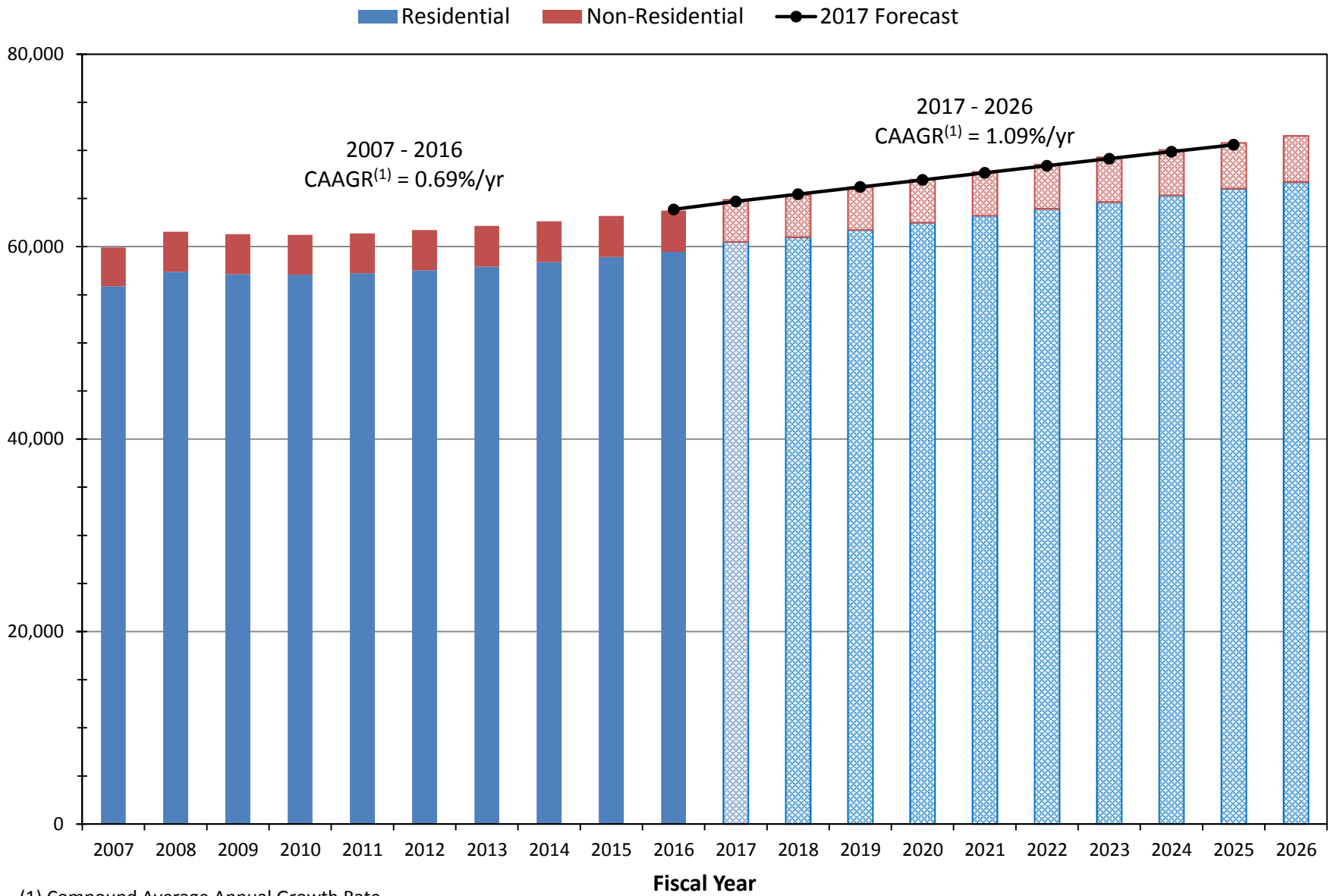
Wastewater Billings Thousand Gallons (kgal)

■ Residential
 ■ Non-Residential
 ●— 2017 Forecast



(1) Compound Average Annual Growth Rate

Wastewater Customers



(1) Compound Average Annual Growth Rate

Section B – Flow of Funds

Annual Operating Budget

Flow of Funds

Combined System

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Revenues:				
Sales Revenue	\$ 220,732,152	\$ 222,606,263	\$ 231,367,451	\$ 233,016,937
Fuel Adjustment Revenue	153,980,032	153,733,512	160,187,660	163,387,381
PGA Revenue	7,696,897	7,419,800	11,963,422	9,591,330
Surcharge Revenue	9,113,777	8,894,676	9,451,306	8,962,817
Connection Revenue	4,786,121	3,451,000	4,880,359	3,073,000
Other Revenue	15,172,623	18,167,525	15,478,170	19,940,032
Interest Income	1,648,549	1,676,263	1,304,030	1,574,982
Rate Stabilization (to)/from	8,821,840	9,751,514	2,330,379	8,331,616
Total Revenues	421,951,991	425,700,554	436,962,777	447,878,095
O&M Expenses:				
Native Load Fuel Cost	153,980,032	153,733,512	160,187,660	163,387,381
Purchased Gas	7,696,897	7,419,800	11,963,422	9,591,330
Other O&M	120,719,075	123,835,369	125,291,868	132,927,434
Total Expenses	282,396,004	284,988,681	297,442,950	305,906,145
Net Revenues:				
General	139,555,987	140,711,873	139,519,827	141,971,950
Total Net Revenues	139,555,987	140,711,873	139,519,827	141,971,950
Uses of Net Revenues:				
Debt Service	61,883,881	63,018,666	61,892,722	64,472,317
(UPIF used for Debt Service)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
UPIF	46,858,096	46,858,096	46,466,093	46,120,553
General Fund Transfer	35,814,010	35,835,111	36,161,012	36,379,080
Total Use of Net Revenues	139,555,987	140,711,873	139,519,827	141,971,950
Net Impact to Rate Stailization	\$ -	\$ -	\$ -	\$ -

Annual Operating Budget

Flow of Funds

Electric System

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Revenues:				
Residential Revenue	\$ 47,968,381	\$ 47,130,237	\$ 48,292,570	\$ 48,695,942
Residential Rate Change Revenue	-	-	965,851	973,919
Non-Residential Revenue	66,573,688	65,885,690	67,660,151	68,028,089
Non-Residential Rate Change Rev.	-	-	1,353,203	1,360,562
Other Electric Sales	3,372,509	3,388,918	3,301,911	3,678,280
South Energy Center Revenue	11,122,588	11,143,019	16,002,032	15,299,611
Innovation Square Revenue	191,000	165,000	303,000	252,000
Fuel Adjustment Revenue	153,980,032	153,733,512	160,187,660	163,387,381
Surcharge Revenue	3,113,562	2,913,109	3,217,223	3,070,214
Other Revenue	8,794,042	10,256,113	8,990,521	10,832,485
Interest Income	1,176,208	1,176,208	933,255	900,307
Rate Stabilization (to)/from	9,813,458	13,424,825	3,084,341	7,404,858
Total Revenues	306,105,468	309,216,631	314,291,718	323,883,648
O&M Expenses:				
Native Load Fuel Cost	153,980,032	153,733,512	160,187,660	163,387,381
Other O&M	70,535,394	73,501,094	73,528,082	78,682,687
Total Expenses	224,515,426	227,234,606	233,715,742	242,070,068
Net Revenues:				
General	81,590,042	81,982,025	80,575,976	81,813,580
Total Net Revenues	81,590,042	81,982,025	80,575,976	81,813,580
Uses of Net Revenues:				
Debt Service	38,449,413	38,848,611	38,273,556	39,887,725
(UPIF used for Debt Service)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
UPIF	27,046,177	27,046,177	25,860,966	25,498,577
General Fund Transfer	21,094,452	21,087,237	21,441,454	21,427,278
Total Use of Net Revenues	81,590,042	81,982,025	80,575,976	81,813,580
Net Impact to Rate Stailization	\$ -	\$ -	\$ -	\$ -

Annual Operating Budget

Flow of Funds

Water System

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Revenues:				
Sales of Water	\$ 27,945,028	\$ 30,582,004	\$ 28,272,788	\$ 29,757,854
Rate Change Revenue	243,436	-	493,255	-
UF Revenue	2,089,481	1,960,398	2,089,481	1,867,498
South Energy Center Revenue	34,670	-	36,404	-
Surcharge Revenue	2,363,115	2,505,584	2,460,468	2,455,023
Connection Revenue	1,572,161	1,139,000	1,601,850	1,165,000
Other Revenue	2,190,182	3,024,746	2,236,339	3,458,992
Surcharge on Connections	129,703	71,000	132,153	73,000
Interest Income	165,520	165,520	130,083	278,739
Rate Stabilization (to)/from	(981,358)	(3,149,569)	(383,324)	(1,067,984)
Total Revenues	35,751,938	36,298,683	37,069,497	37,988,122
O&M Expenses:				
Other O&M	16,209,661	16,399,483	16,723,331	17,273,402
Total Expenses	16,209,661	16,399,483	16,723,331	17,273,402
Total Net Revenues	19,542,277	19,899,200	20,346,166	20,714,720
Uses of Net Revenues:				
Debt Service	6,751,416	7,061,609	7,198,376	7,407,663
UPIF	7,042,712	7,042,712	7,399,641	7,468,215
General Fund Transfer	5,748,149	5,794,879	5,748,149	5,838,842
Total Use of Net Revenues	19,542,277	19,899,200	20,346,166	20,714,720
Net Impact to Rate Stailization	\$ -	\$ -	\$ -	\$ -

Annual Operating Budget

Flow of Funds

Wastewater System

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Revenues:				
Wastewater Charges	\$ 35,295,667	\$ 36,455,295	\$ 35,675,072	\$ 36,247,468
Rate Change Revenue	270,669	-	547,263	-
South Energy Center Revenue	91,764	91,764	91,764	91,764
Biosolids Revenue	300,000	334,652	300,000	300,000
Surcharge Revenue	2,708,413	2,771,229	2,817,260	2,751,183
Connection Revenue	3,213,960	2,312,000	3,278,509	1,908,000
Other Revenue	1,403,205	2,338,479	1,415,602	2,804,636
Surcharge on Connections	265,152	144,000	270,477	119,000
Interest Income	187,649	187,649	150,381	244,073
Rate Stabilization (to)/from	299,041	17,549	667,780	2,221,349
Total Revenues	44,035,520	44,652,617	45,214,108	46,687,473
O&M Expenses:				
Other O&M	18,955,816	19,180,578	19,494,007	20,551,163
Total Expenses	18,955,816	19,180,578	19,494,007	20,551,163
Total Net Revenues	25,079,704	25,472,039	25,720,101	26,136,310
Uses of Net Revenues:				
Debt Service	8,413,026	8,792,637	8,709,334	8,951,258
UPIF	9,432,248	9,432,248	9,776,337	9,836,478
General Fund Transfer	7,234,430	7,247,154	7,234,430	7,348,574
Total Use of Net Revenues	25,079,704	25,472,039	25,720,101	26,136,310
Net Impact to Rate Stailization	\$ -	\$ -	\$ -	\$ -

Annual Operating Budget

Flow of Funds

Gas System

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Revenues:				
Residential Revenue	\$ 7,817,427	\$ 8,179,917	\$ 7,899,315	\$ 8,667,688
Residential Rate Change Revenue	703,568	-	947,918	-
Non-Residential Revenue	4,347,392	5,307,036	4,382,876	5,116,091
Non-Residential Rate Change Revenue	391,265	-	525,945	-
MGPCRF Revenue	1,193,632	1,069,024	1,204,028	1,208,249
Purchased Gas Adjustment Revenue	7,696,897	7,419,800	11,963,422	9,591,330
Surcharge Revenue	533,832	489,754	553,725	494,397
Other Revenue	2,305,849	1,994,777	2,352,777	2,364,574
Interest Income	119,792	147,506	90,117	119,792
Rate Stabilization (to)/from	(1,099,917)	(1,084,611)	(2,171,121)	(1,864,348)
Total Revenues	24,009,737	23,523,203	27,749,002	25,697,773
O&M Expenses:				
Purchased Gas	7,696,897	7,419,800	11,963,422	9,591,330
Other O&M	7,265,415	7,179,149	7,425,865	7,693,461
Total Expenses	14,962,312	14,598,949	19,389,287	17,284,791
Total Net Revenues	9,047,425	8,924,254	8,359,715	8,412,982
Uses of Net Revenues:				
Debt Service	4,592,767	4,500,734	4,020,157	4,151,875
UPIF	3,093,726	3,093,726	2,978,626	2,878,702
General Fund Transfer	1,360,932	1,329,794	1,360,932	1,382,405
Total Use of Net Revenues	9,047,425	8,924,254	8,359,715	8,412,982
Net Impact to Rate Stailization	\$ -	\$ -	\$ -	\$ -

Annual Operating Budget

Flow of Funds

GRUCom

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Revenues:				
Telecommunications Revenue	\$ 7,610,821	\$ 7,744,161	\$ 7,819,233	\$ 8,276,037
Public Safety Radio Revenue	1,781,119	1,773,462	1,790,024	1,755,042
Tower Lease Rental Revenue	1,688,047	1,730,339	1,713,367	1,740,843
Other Income	179,345	218,758	182,931	179,345
Interest Income	(620)	(620)	194	32,071
Rate Stabilization (to)/from	790,616	543,320	1,132,703	1,637,741
Total Revenues	12,049,328	12,009,420	12,638,452	13,621,079
O&M Expenses:				
Other O&M	7,752,789	7,575,065	8,120,583	8,726,721
Total	7,752,789	7,575,065	8,120,583	8,726,721
Total Net Revenues	4,296,539	4,434,355	4,517,869	4,894,358
Uses of Net Revenues:				
Debt Service	3,677,259	3,815,075	3,691,299	4,073,797
UPIF	243,233	243,233	450,523	438,581
General Fund Transfer	376,047	376,047	376,047	381,980
Total Use of Net Revenues	4,296,539	4,434,355	4,517,869	4,894,358
Net Impact to Rate Stailization	\$ -	\$ -	\$ -	\$ -

Section C – Revenues

Annual Operating Budget

Revenues

Combined System

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Revenues:				
Electric System	\$ 306,105,468	\$ 309,216,631	\$ 314,291,718	\$ 323,883,648
Water System	35,751,938	36,298,683	37,069,497	37,988,122
Wastewater System	44,035,520	44,652,617	45,214,108	46,687,473
Gas System	24,009,737	23,523,203	27,749,002	25,697,773
GRUCom System	12,049,328	12,009,420	12,638,452	13,621,079
Total Revenues	\$ 421,951,991	\$ 425,700,554	\$ 436,962,777	\$ 447,878,095

Please see individual system page for description and highlights.

Annual Operating Budget

Revenues

Electric System

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Revenues:				
Residential Revenue	\$ 47,968,381	\$ 47,130,237	\$ 48,292,570	\$ 48,695,942
Residential Rate Change Revenue	-	-	965,851	973,919
Non-Residential Revenue	66,573,688	65,885,690	67,660,151	68,028,089
Non-Residential Rate Change Rev.	-	-	1,353,203	1,360,562
Other Electric Sales	3,372,509	3,388,918	3,301,911	3,678,280
South Energy Center Revenue	11,122,588	11,143,019	16,002,032	15,299,611
Innovation Square Revenue	191,000	165,000	303,000	252,000
Fuel Adjustment Revenue	153,980,032	153,733,512	160,187,660	163,387,381
Surcharge Revenue	3,113,562	2,913,109	3,217,223	3,070,214
Other Revenue	8,794,042	10,256,113	8,990,521	10,832,485
Interest Income	1,176,208	1,176,208	933,255	900,307
Rate Stabilization (to)/from	9,813,458	13,424,825	3,084,341	7,404,858
Total Revenues	\$ 306,105,468	\$ 309,216,631	\$ 314,291,718	\$ 323,883,648

Description

- Forecasts were developed from econometric models that project number of customers and usage per customer for each major billing class. External inputs used in these models were sourced from the Bureau of Economic and Business Research (demographics), IHS Global Insight (economics) and the National Oceanic and Atmospheric Administration (climate). Revenue projections are the product of number of customers, billed sales and GRU's prevailing prices.
- Cumulative increases in retail revenues from proposed rate changes are shown as residential and non-residential rate change revenue.
- The South Energy Center (SEC) is a combined heat and power plant providing electricity, chilled water, steam, and the storage and delivery of medical gases to the UF Health Cancer Center. The SEC has contributed significant revenues to the Electric System since May 2009. Phase II of SEC is being completed in conjunction with the completion of the new UF Health Heart & Vascular and Neuromedicine hospitals in 2018.
- Innovation Square is a research and business development effort of the University of Florida and is served by the Electric System.
- Fuel adjustment revenues offsets the fuel and purchased power costs for retail and sales for resale electricity sales.
- Surcharge revenues are a 10 percent charge applied to the non-fuel portion of retail rates for customers outside the incorporated portion of the City of Gainesville.
- Other Revenue includes late fees and other miscellaneous service charges.
- Interest Income is generated from the investment earnings for the Operating Fund, Rate Stabilization Fund and Utility Plant Improvement Fund for each system.
- Rate Stabilization revenues are withdrawals from (if positive) or deposits to (if negative) rate stabilization which functions as a revenue stabilizer when deemed necessary.

Budget Highlights

- Projected Residential and Non-Residential sales revenues for fiscal year 2017 are 1.7 percent and 1.0 percent lower than originally budgeted, respectively. This is primarily the result of reduced load associated with heating sales during the winter season, which was milder than average. Residential and Non-Residential sales revenues are projected to increase 3.3 percent in fiscal year 2018.
- Revenues associated with the South Energy Center are projected to increase significantly in fiscal year 2018, due to additional generating unit at the SEC producing more steam and chilled water for the hospital expansion at the UF Health Cancer Center.

Annual Operating Budget

Revenues

Water System

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Revenues:				
Sales of Water	\$ 27,945,028	\$ 30,582,004	\$ 28,272,788	\$ 29,757,854
Rate Change Revenue	243,436	-	493,255	-
UF Revenue	2,089,481	1,960,398	2,089,481	1,867,498
South Energy Center Revenue	34,670	-	36,404	-
Surcharge Revenue	2,363,115	2,505,584	2,460,468	2,455,023
Connection Revenue	1,572,161	1,139,000	1,601,850	1,165,000
Other Revenue	2,190,182	3,024,746	2,236,339	3,458,992
Surcharge on Connections	129,703	71,000	132,153	73,000
Interest Income	165,520	165,520	130,083	278,739
Rate Stabilization (to)/from	(981,358)	(3,149,569)	(383,324)	(1,067,984)
Total Revenues	\$ 35,751,938	\$ 36,298,683	\$ 37,069,497	\$ 37,988,122

Description

- Forecasts were developed from econometric models that project number of customers and usage per customer for each major billing class. External inputs used in these models were sourced from the Bureau of Economic and Business Research (demographics), IHS Global Insight (economics), and the National Oceanic and Atmospheric Administration (climate). Revenue projections are the product of number of customers, billed sales and GRU's prevailing prices.
- Revenues are obtained from retail sales to residential and non-residential customers served by the potable water system and include monthly customer charges and usage charges (Kgal) based on metered water sales.
- UF Revenues represent wholesale water sales to the UF campus, which maintains its own distribution system, as well as off-campus UF facilities.
- Cumulative increases in retail revenues from proposed rate changes are shown as rate change revenue.
- The SEC, as described in the electric system, is a generation facility that became operational in 2009 and is served by the Water System.
- A surcharge of 25 percent is collected outside the incorporated portion of the City of Gainesville.
- Connection fees are collected to recover the costs of meter installations, transmission and distribution, and water treatment and supply required for each new customer. There is a 25 percent surcharge on connection fees for customers outside the incorporated portion of the City.
- Interest Income is generated from the investment earnings for the Operating Fund, Rate Stabilization Fund and Utility Plant Improvement Fund for each system.
- Rate Stabilization revenues are withdrawals from (if positive) or deposits to (if negative) rate stabilization which functions as a revenue stabilizer when deemed necessary.

Budget Highlights

- General Service water sales revenues for fiscal year 2017 are projected to be 9.4 percent higher than originally projected. This is primarily due to high water sales resulting from drought conditions through May.
- Revenues from the sale of water to residential and non-residential customers for fiscal year 2018 are expected to be 2.7 percent lower than high sales in fiscal year 2017 as the forecast is based on average rainfall levels.

Annual Operating Budget

Revenues

Wastewater System

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Revenues:				
Wastewater Charges	\$ 35,295,667	\$ 36,455,295	\$ 35,675,072	\$ 36,247,468
Rate Change Revenue	270,669	-	547,263	-
South Energy Center Revenue	91,764	91,764	91,764	91,764
Biosolids Revenue	300,000	334,652	300,000	300,000
Surcharge Revenue	2,708,413	2,771,229	2,817,260	2,751,183
Connection Revenue	3,213,960	2,312,000	3,278,509	1,908,000
Other Revenue	1,403,205	2,338,479	1,415,602	2,804,636
Surcharge on Connections	265,152	144,000	270,477	119,000
Interest Income	187,649	187,649	150,381	244,073
Rate Stabilization (to)/from	299,041	17,549	667,780	2,221,349
Total Revenues	\$ 44,035,520	\$ 44,652,617	\$ 45,214,108	\$ 46,687,473

Description

- Forecasts were developed from econometric models that project number of customers and usage per customer for each major billing class. External inputs used in these models were sourced from the Bureau of Economic and Business Research (demographics), IHS Global Insight (economics), and the National Oceanic and Atmospheric Administration (climate). Revenue projections are the product of number of customers, billed quantities and GRU's prevailing prices.
- Revenues are obtained from wastewater charges to residential and non-residential customers served by our wastewater collection, treatment, re-use and disposal systems.
- Cumulative increases in retail revenues from proposed rate changes are shown as rate change revenue.
- Wastewater is not metered. Charges for most residential customers are based on winter water consumption to avoid billing customers for irrigation and other outdoor uses that do not discharge to the Wastewater system.
- Non-residential customers are billed based on 95 percent of water consumption each month. Customers are given the option of installing irrigation water meters, which are not included in wastewater bill calculations, as a way to manage wastewater costs.
- The SEC is a generation facility that became operational in 2009 and is served by the Wastewater System.
- Biosolids revenue is generated for the receipt, treatment and beneficial reuse of waste residuals of other municipalities and septage haulers.
- A surcharge of 25 percent is collected from customers outside the incorporated portion of the City of Gainesville.
- Connection charges are collected to recover the capital costs of wastewater collection and treatment required for each new customer. There is a 25 percent surcharge on connection fees for customers outside the incorporated portion of the City.
- Interest Income is generated from the investment earnings for the Operating Fund, Rate Stabilization Fund and Utility Plant Improvement Fund for each System.
- Rate Stabilization revenues are withdrawals from (if positive) or deposits to (if negative) rate stabilization which functions as a revenue stabilizer when deemed necessary.

Budget Highlights

- Projected revenues from wastewater billings for fiscal year 2017 are 3.3 percent higher than originally budgeted. Wastewater billings are a function of water sales, and water sales are higher than projected in response to drought conditions experienced through May 2017.
- Revenues from wastewater billings for fiscal year 2018 are projected 0.6 percent lower than the elevated revenues for fiscal year 2017, as water sales are forecast to return to lower levels based on average rainfall levels.

Annual Operating Budget

Revenues

Gas System

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Revenues:				
Residential Revenue	\$ 7,817,427	\$ 8,179,917	\$ 7,899,315	\$ 8,667,688
Residential Rate Change Revenue	703,568	-	947,918	-
Non-Residential Revenue	4,347,392	5,307,036	4,382,876	5,116,091
Non-Residential Rate Change Revenue	391,265	-	525,945	-
MGPCRF Revenue	1,193,632	1,069,024	1,204,028	1,208,249
Purchased Gas Adjustment Revenue	7,696,897	7,419,800	11,963,422	9,591,330
Surcharge Revenue	533,832	489,754	553,725	494,397
Other Revenue	2,305,849	1,994,777	2,352,777	2,364,574
Interest Income	119,792	147,506	90,117	119,792
Rate Stabilization (to)/from	(1,099,917)	(1,084,611)	(2,171,121)	(1,864,348)
Total Revenues	\$ 24,009,737	\$ 23,523,203	\$ 27,749,002	\$ 25,697,773

Description

- Forecasts were developed from econometric models that project number of customers and usage per customer for each major billing class. External inputs used in these models were sourced from the Bureau of Economic and Business Research (demographics), IHS Global Insight (economics), and the National Oceanic and Atmospheric Administration (climate). Revenue projections are the product of number of customers, billed sales, and GRU's prevailing prices.
- Cumulative increases in retail revenues from proposed rate changes are shown as rate change revenue.
- The Manufactured Gas Plant Cost Recovery Factor (MGPCRF) is a component of revenue based on therm sales. It recovers the cost of environmental clean-up at the Depot Park Manufactured Gas Plant. This cost is partially offset with insurance proceeds, with the project expected to total nearly \$29 million when complete.
- Purchased Gas Adjustment (PGA) revenue is collected for the natural gas fuel distributed to customers.
- Surcharge revenues are a 10 percent charge applied to the non-fuel portion of retail rates for customers outside the incorporated portion of the City of Gainesville.
- Other revenue includes transportation sales to UF's cogeneration facility, late fees, service charges, and sales to liquid propane distribution system customers.
- Interest income is generated from the investment earnings for the Operating Fund, Rate Stabilization Fund, and Utility Plant Improvement Fund for each System.
- Rate Stabilization revenues are withdrawals from (if positive) or deposits to (if negative) rate stabilization which functions as a revenue stabilizer when deemed necessary.

Budget Highlights

- Revenues from sales to residential customers are projected to be 4.0% lower than originally budgeted for fiscal year 2017, exclusive of rate change revenue. Energy sales in the natural gas system are tracking significantly lower than forecast for fiscal year 2017 due to very mild winter temperatures.
- Revenues from sales to residential customers are projected to increase 6.0% from fiscal year 2017 to fiscal year 2018 as the forecast is based on average heating degree days.

Annual Operating Budget

Revenues

GRUCom

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Revenues:				
Telecommunications Revenue	\$ 7,610,821	\$ 7,744,161	\$ 7,819,233	\$ 8,276,037
Public Safety Radio Revenue	1,781,119	1,773,462	1,790,024	1,755,042
Tower Lease Rental Revenue	1,688,047	1,730,339	1,713,367	1,740,843
Other Income	179,345	218,758	182,931	179,345
Interest Income	(620)	(620)	194	32,071
Rate Stabilization (to)/from	790,616	543,320	1,132,703	1,637,741
Total Revenues	\$ 12,049,328	\$ 12,009,420	\$ 12,638,452	\$ 13,621,079

Description

- GRUCom Telecommunication revenues are based on historical sales trends, anticipated customer and market changes. Projections have been adjusted to reflect expected continued growth in Metro Ethernet based data services and a migration away from traditional SONET/TDM services.
- Public Safety Radio revenue projections are based on the historical trends of number of radios deployed pursuant to the billing rates established under the existing inter-local agreement due to expire in 2020. GRUCom is currently in negotiations with subscribers to update and expand coverage of the system, and the potential changes to revenues are not reflected in projections.
- Tower Lease Rental services are primarily tower space leases with Personal Wireless Communications Services (PCS) providers. Revenues from new leases executed in recent months are included in the forecast. Tower space leases contain provisions for automatic annual rent increases, included in the projections.
- Interest Income is generated from the investment earnings for the Operating Fund, Rate Stabilization Fund and Utility Plant Improvement Fund for each system.
- Rate Stabilization revenues are withdrawals from (if positive) or deposits to (if negative) rate stabilization which functions as a revenue stabilizer when deemed necessary. GRUCom has a current deficit in fiscal year 2017 and the deficit is projected to increase in fiscal year 2018. Management may issue commercial paper to cover the shortfall in Rate Stabilization funds for the GRUCom system.

Budget Highlights

GRUCom fiber transport and data services continue to be in high demand by local businesses. Expansion of the system into the neighboring communities of Hawthorne, Archer and Newberry, due to the successful award and implementation of a scalable 10 gigabit network for the School Board of Alachua County, provides further potential development growth opportunities throughout the county.

- GRUCom continues to receive requests from existing and newly developed apartment complexes for GATOR NET services. Revenues from these new contracts are included in projections.
- GRUCom is delivering 1 Gigabit “Gator Net” Internet service to residential MDU and student housing communities. It is expected that demand for this service offering will continue to increase as housing consumers seek the benefits of fiber-to-the-home (FTTH) technology and housing owners, developers and managers seek to improve the value and income potential of multifamily properties through the installation of all-fiber, ultra-fast broadband services.
- GRUCom plans a new competitive product line in fiscal year 2018. Revenue projections are included in the forecast.

Section D – Non-Labor

Annual Operating Budget

Non-Labor

Combined System

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Expenses:				
Fuel	\$ 161,676,929	\$ 161,153,312	\$ 172,151,082	\$ 172,978,711
Energy Supply	8,703,353	8,801,306	9,349,783	11,052,086
District Energy	3,139,067	3,332,580	4,340,257	5,269,417
Energy Delivery	6,867,379	7,221,373	6,933,753	7,487,996
Water	5,881,190	5,914,200	6,114,276	6,075,645
Wastewater	7,294,959	7,293,231	7,554,658	7,567,994
GRUCom	3,045,885	3,016,272	3,317,976	3,738,038
Administration	1,590,158	1,640,719	1,795,327	1,589,267
Customer Support Services	5,833,002	6,937,044	5,515,502	10,837,033
Information Technology	4,116,080	3,793,666	4,379,039	4,370,951
Budget, Finance and Accounting	146,307	265,475	148,819	225,308
Chief Operating Officer	46,780	39,166	137,099	496,510
General System	16,798,525	21,588,213	17,063,193	15,436,366
Debt Service	61,883,881	63,018,670	61,892,725	64,472,316
Less UPIF Portion of Debt Service Paym	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Utility Plant Improvement Fund	46,858,096	46,858,096	46,466,093	46,120,553
General Fund Transfer	35,814,010	35,835,111	36,161,012	36,379,079
Total Expenses	\$ 364,695,601	\$ 371,708,434	\$ 378,320,594	\$ 389,097,270

Please see individual department page for description and highlights.

Annual Operating Budget

Non-Labor

Fuel

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Expenses:				
Coal - Generation	\$ 29,572,926	\$ 16,521,712	\$ 35,604,182	\$ 38,169,539
Natural Gas - Generation	27,147,054	36,930,482	28,046,076	28,777,249
Natural Gas - Customer Sales	7,696,897	7,419,800	11,963,422	9,591,330
Fuel Oil #6 #2	-	24,078	-	-
Purchase Power	7,575,455	17,520,629	7,427,236	10,022,514
GREC	81,153,751	74,895,381	80,581,538	77,913,533
Landfill Gas	2,352,364	1,882,877	2,412,500	2,407,146
Solar FIT	6,178,482	5,958,353	6,116,128	6,097,400
Total Expenses	\$ 161,676,929	\$ 161,153,312	\$ 172,151,082	\$ 172,978,711

Description

Coal generation is estimated to satisfy approximately 56 percent of the total system load during fiscal year 2018. Natural gas generation is estimated to satisfy approximately 42 percent of total system load during fiscal year 2018.

Natural gas is also supplied directly to customers Local Distribution Company (LDC) 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. Natural gas cost for generation and LDC will differ due to the timing and volume of usage during the year.

GRU has a 30-year Power Purchase Agreement (PPA) with Gainesville Renewable Energy Center (GREC) for up to 102.5 MW of biomass generated power. Biomass is expected to satisfy 1.9 percent of total system load for fiscal year 2018.

Power is purchased off the electric grid when customers benefit financially or if there is a need to maintain system reliability. GRU also secures short-term and long-term purchased power arrangements as a hedge to meet native load.

Budget Highlights

In fiscal year 2018, fuel expenses are projected to be approximately \$11.3 million higher, as compared to the approved budget for 2017. This increase is mainly due to fluctuating natural gas prices for both our generation and our customer sales.

- The budgeted fiscal year 2018 “as burned” cost of coal is \$2.95/MMBtu.
- The fiscal year 2018 coal price includes \$2.5 million for pebble lime which is required for operation of the dry scrubber.
- The fiscal year 2018 “as burned” coal price also includes Fly Ash sales, which are projected to generate revenues of \$214,471. This is an offset to coal expenses for the fiscal year.
- Natural gas prices for fiscal year 2018 are budgeted to average \$4.19/MMBtu.
- Natural gas costs for customer sales (local distribution company or LDC) for fiscal year 2018 are budgeted to average \$4.37/MMBtu delivered.
- Expenses for power from GREC in fiscal year 2018 are estimated to be \$69.7 million for fixed charges, \$556,144 for variable charges and \$7.65 million for annual property tax assessment.

Annual Operating Budget

Non-Labor

Energy Supply

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Expenses:				
Administration	\$ 180,500	\$ 183,273	\$ 184,110	\$ 294,600
Safety and Training	152,700	202,620	155,554	-
Fuels Management	11,750	11,685	11,373	13,900
Production Assurance Support	41,600	32,324	42,432	70,800
Maintenance of Plant - Kelly Plant	966,388	910,476	983,116	1,014,200
Maintenance of Plant - Deerhaven	4,320,065	4,395,460	3,820,466	4,392,986
Maintenance of Plant - Plant Outage	2,731,000	2,715,462	3,979,020	5,079,000
Power Systems Operations	170,600	214,082	173,712	186,600
Electric Environmental	128,750	135,924	-	-
Total Expenses	\$ 8,703,353	\$ 8,801,306	\$ 9,349,783	\$ 11,052,086

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 Power Engineering, Outage Planning and Major Maintenance, Power Systems Operation, Transmission Switching, Power Marketing, Generation Planning and Fuels Management (including procurement, transportation and risk management for both the electric generating and gas distribution systems).

Budget Highlights

In fiscal year 2018, Energy Supply proposes a \$2.3 million increase to non-labor expenditures, as compared to the approved budget for 2017. The majority of the increase in fiscal year 2018 is in the maintenance of plant – plant outage necessary for power generation. Maintenance is as follows:

- Energy Supply delayed the major inspection of CT3 originally planned for fiscal year 2017. The inspection is now planned in the fiscal year 2018 revised budget, which accounts for the \$2.3 million increase in the Plant Outage budget.
- Over the past several years, Energy Supply has performed diagnostics and analytics required to move from a 12-month planned outage frequency to an 18-month planned outage frequency without a material increase in operational risk. This frequency reduces non-labor outage costs by 25 – 30 percent over a three year period.
- As a result, savings over the next six years from transitioning DH 2 to an 18-month planned outage frequency are expected to be approximately \$5 million.
- Due to a utility reorganization of Safety and Training, fiscal year 2018 expenses have been transferred from Energy Supply to General Manager Administration. Energy Supply retained \$110,000 in department specific expenses such as safety recognition, safety equipment, generation simulator support, and Lock Out/Tag Out (LOTO) support services in administration.

Annual Operating Budget

Non-Labor

District Energy

	Budget 2017		Projection 2017		Original Budget 2018		Revised Budget 2018	
Expenses:								
New Business Services	\$	40,950	\$	32,433	\$	30,950	\$	44,450
South Energy Center		2,911,367		3,088,403		3,980,557		4,903,092
Innovation Energy Center		186,750		211,744		328,750		321,875
Total Expenses	\$	3,139,067	\$	3,332,580	\$	4,340,257	\$	5,269,417

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 for GRU.

Budget Highlights

District Energy is proposing an increase to its fiscal year 2018 budget of \$2,130,350 over its fiscal year 2017 approved budget.

- Expenses related to the South Energy Center (SEC) are recovered from UF Health in accordance with GRU's contract with UF Health. Net revenues from the SEC flow back to GRU's electric fund, helping to provide rate relief to all GRU electric customers.
- Increased expenses at the SEC in fiscal year 2017 and fiscal year 2018 reflect the expansion of the SEC in fiscal year 2017 to serve the new UF Health Heart & Vascular and Neuromedicine Hospitals. This expansion includes a new 7.4 MW reciprocating engine, a new 3000-ton chiller, new cooling towers, and a new backup diesel generator, all of which will require new expenditures for operation and maintenance.
- Increased expenses at the Innovation Energy Center in fiscal year 2018 reflect the addition of a new chilled water and backup power customer, the Florida Innovation Hub at UF Phase II building.

Annual Operating Budget

Non-Labor

Energy Delivery

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Expenses:				
Energy Delivery Administration	\$ 21,670	\$ 21,658	\$ 21,674	\$ 6,048
Work and Resource Management	208,114	374,322	207,471	674,577
Electric Transmission and Distribution	3,345,467	3,674,459	3,407,180	3,427,023
Energy Delivery Engineering	101,233	85,547	100,819	95,287
Substation and Relay Operations	515,413	572,570	525,722	581,909
Gas and Electric Measurement	302,590	288,503	305,382	299,956
Systems Control	1,237,927	1,431,038	1,208,685	1,108,830
Gas Transmission and Distribution	604,850	312,615	614,200	744,484
Field Services	530,115	460,661	542,620	549,882
Total Expenses	\$ 6,867,379	\$ 7,221,373	\$ 6,933,753	\$ 7,487,996

Description

The Energy Delivery Department is responsible for the design, construction, operation and maintenance of approximately 120 miles of electric transmission, 1,415 miles of electric distribution lines, 766 miles of gas distribution mains, 14 electric substations and 6 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 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

Energy is proposing an increase of \$620,617 for its fiscal year 2018 budget over its approved fiscal year 2017 budget.

- As part of a Utility restructuring, the Apparatus Shop will be transferred from Substation & Relay to Electric Transmission & Distribution, the Utility Line Locators will be transferred from Field Services to Work & Resource Management, Gas Marketing will be transferred from Business Services to Gas Transmission & Distribution, Gas Engineering will be transferred from Energy Delivery Engineering to Gas Transmission & Distribution and Field Services (Meter Services, Meter Operations and Revenue Protection Operations) will be combined under Substation & Relay. The restructure of Gas Marketing to Gas T&D resulted in an increase in the O&M non-labor expenses of \$289,000 for Gas T&D and a decrease for Business Services.
- Federally mandated regulatory requirements, such as the NERC Reliability and Critical Infrastructure Protection Standards, continue to generate significant upward pressure on O&M expenses, particularly within the Systems Control and Substation & Relay work groups.
- Public Safety, reliability and customer requests are priority with routine and emergency maintenance of infrastructure and services.

- The number of meters has continued to increase over the past decade but no new FTEs have been added to Meter Operations. In order to maintain an adequate number of Meter Readers, 3 temporary employees have been requested for the purpose of backfilling positions.
- There are 48,000 utility poles in GRU's electric territory. In accordance with GRU's Pole Attachment agreements an audit is required every five years. In order to support GRU's joint-use programs and comply with legislative and regulatory requirements a professional joint use attachment survey is needed to ensure code compliance, reduce liability, reconcile attachment counts and capture any lost revenues.
- The Gas System requires business licensors for LP and natural gas. Due to retirements of current Gas Systems business licensor there is a significant increase in training budget.

Annual Operating Budget

Non-Labor

Water

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Expenses:				
Administration	\$ 11,705	\$ 11,385	\$ 12,056	\$ 22,680
Safety Training	15,102	15,094	15,555	-
Planning	131,327	164,742	135,267	179,062
Engineering	82,200	82,199	84,666	103,025
Maintenance of Plant	4,986,846	4,986,828	5,193,101	5,063,273
Water Distribution	654,010	653,952	673,630	707,605
Total Expenses	\$ 5,881,190	\$ 5,914,200	\$ 6,114,276	\$ 6,075,645

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 72,500 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 1,145 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

The Water System proposes a \$194,454 increase from the approved fiscal year 2017 budget. The increased expenses are primarily due to the increase in electricity and chemical costs to operate the Murphree Water Treatment Plant and contract services for leak detection and efficient leak repairs.

The majority of the non-labor expenses in the Water System are mandated by regulatory and other external requirements. Samples of regulatory and other external requirements include federal and state safe drinking water standards, certain energy usage, chemicals, processes, and certified operational personnel for water treatment and transmission and distribution.

Annual Operating Budget

Non-Labor

Wastewater

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Expenses:				
Administration	\$ 11,705	\$ 11,385	\$ 12,056	\$ 24,480
Safety Training	15,102	15,096	15,555	-
Planning	16,277	5,592	16,766	4,066
Engineering	82,700	82,698	85,181	94,525
Water Reclamation Facilities	6,605,000	6,616,924	6,844,000	6,893,548
Wastewater Collection	564,175	561,536	581,100	551,375
Total Expenses	\$ 7,294,959	\$ 7,293,231	\$ 7,554,658	\$ 7,567,994

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, 168 lift stations, 634 miles of gravity main and 141 miles of associated force main, providing service to 66,000 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 Program (IPP), biosolids disposal, fats, oils and greases (FOG) disposal, and reclaimed water programs.

Budget Highlights

Wastewater proposes a \$273,035 increase from the approved fiscal year 2017 budget. The proposed increases are primarily for increased electricity expenses related to the operation of the Water Reclamation Facilities and Lift Stations.

The majority of the non-labor expenses in the Wastewater System are mandated by regulatory and other external requirements in order to meet federal and state collection, treatment, effluent and disposal standards, certain chemicals, processes and certified operational personnel are required.

Annual Operating Budget

Non-Labor

GRUCom

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Expenses:				
Operations	\$ 1,040,385	\$ 1,023,237	\$ 1,173,334	\$ 1,104,478
Public Safety Radio	658,000	665,789	765,092	810,392
Professional Services	177,500	308,210	186,150	629,768
Circuits	1,170,000	1,019,036	1,193,400	1,193,400
Total Expenses	\$ 3,045,885	\$ 3,016,272	\$ 3,317,976	\$ 3,738,038

Description

GRUCom's three basic product lines include Telecommunications (data transport and carrier services), Public Safety Radio and Tower Lease Rental.

Budget Highlights

GRUCom proposes a \$692,153 increase to the fiscal year 2018 budget over the approved fiscal year 2017 budget.

- GRUCom expenditures reflect the ongoing costs to operate and maintain the fiber optic network and the equipment used to provide data transport, carrier services and Internet access.
- Operational costs are associated with network expansion for new growth and support of existing services. In fiscal year 2016 and fiscal year 2017 GRUCom was awarded a contract from the School Board of Alachua County and in fiscal year 2017 from the Alachua County Library District, which allowed for long-term expansion of services and secured revenues to offset associated operating expenses respectively.
- Projections include increased costs for annual maintenance service agreements. GRUCom is currently in negotiations with Public Safety Radio subscribers to update and expand coverage of the Trunking Radio System.
- Professional Services expenditures reflect costs associated with utilizing external sources to assist with ongoing business, product and service development with the cellular, long distance transport and other telecommunication organizations that provide voice, 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 circuits allow GRUCom to sell Internet access and data transport services to customers who are not in close proximity to GRUCom's fiber network.

Annual Operating Budget

Non-Labor

Administration

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Expenses:				
General Manager	\$ 534,100	\$ 524,796	\$ 546,550	\$ 574,060
Change Management	-	-	-	9,900
Utilities - Legal Services	210,659	207,873	212,052	209,992
Business Services	202,547	269,809	312,547	12,750
Community Relations	204,212	204,212	237,747	358,400
Communications	438,640	434,029	486,431	424,165
Total Expenses	\$ 1,590,158	\$ 1,640,719	\$ 1,795,327	\$ 1,589,267

Description

The General Manager is responsible for all aspects of the combined utility systems – Electric, Water, Wastewater, Gas and GRUCom - and the implementation of policies adopted by the City Commission.

The Change Management Office was implemented in fiscal year 2017 and directs the assessment, development, implementation and institutionalization of critical organizational changes, in addition to directing GRU's Enterprise Resources Planning strategy. This office also directs the development of GRU's Change Management Plan(s) to maximize full employee and system potential, minimize institutional resistance, and maximize employee engagement.

The Utilities Attorney is part of the City Attorney's Office and provides legal counsel and contract review for the combined utility systems.

Business Services is responsible for management of GRUCom in addition to the development of additional revenue sources for the utility.

Community Relations develops, implements, manages and evaluates more than 13 community outreach programs for the combined utility systems. Additionally, Community Relations is responsible for the utility's community partnerships, diversity and inclusion efforts, community charitable investments, and government relations.

The Communications Department handles all external media requests, social media management, website content management, marketing, advertising and community education issues concerning the utility. Communications is responsible for public relations and brand development for all five utility services. The department develops and implements campaigns, video production, copy writing, strategic planning and media training/coaching, and is an integral part of all employee communications.

Budget Highlights

Administration is essentially maintaining its proposed budget from fiscal year 2017 to fiscal year 2018 with an \$892 decrease.

- The Community Relations budget has increased to cover the cost of developing and implementing a utility-wide diversity and inclusion initiative.
- The Business Services budget decreased as gas rebates are now budgeted in the Gas System.

Annual Operating Budget

Non-Labor

Customer Support Services

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Expenses:				
Customer Operations Administration	\$ 2,440,848	\$ 3,544,384	\$ 1,883,570	\$ 7,295,408
Energy and Business Services	527,195	527,704	583,573	578,195
Facilities and Administrative Services	2,864,959	2,864,956	3,048,359	2,963,430
Total Expenses	\$ 5,833,002	\$ 6,937,044	\$ 5,515,502	\$ 10,837,033

Description

Customer Support Services includes the customer call center, lobby and drive-thru payment processing, billing and collections, energy & business services, new services, and the OneSAP system upgrade. It also includes administrative functions such as utilities purchasing and stores, mail services, land rights and real estate, facilities maintenance and security.

Budget Highlights

There was a substantial increase in Customer Operations Administration from the Budget 2017 figure to the Projection 2017 figure. Likewise the proposed increase to fiscal year 2018 budget is \$5,004,030. This was due almost exclusively to the need to expense SAP project costs to O&M vs. the originally anticipated capitalization of those costs. Customer Operations Administration fiscal year 2017 increase consists of the following components:

- o The OneSAP project accounted for \$1,353,752 of the fiscal year 2017 increase due to additional training and consultant costs.
- o Customer Operations had an overall increase of approximately \$260,000.
- o Planning for SAP upgrade and temporary staff needs in the contact center for \$150,000.
- o Change in the way 3rd party payment vendor charges are accounted for in the budget. Formerly these charges were paid by Budget, Finance, Accounting; however, following RFP for new bill/print vendor relationship, payments to the 3rd party payment vendor to be budgeted for \$135,000 in Customer Service.
- Energy & Business Services had a slight increase of less than 10% of Non-Labor O&M from 2017 to 2018 due to increased equipment & labor expenses for LEEP, funding commitment to Community Weatherization and more community involvement with the Key Accounts Department.
- Facilities and Administrative Services shows a difference in the fiscal year 2017 budget of \$64,000 for a 3% increase in the utilities budget (\$37,000) and for additional security requirements placed on GRU by the North American Electric Reliability Corporation (NERC) for Critical Infrastructure Protection (CIP) (\$27,000).

There was a substantial increase in the Customer Operations Administration from the 2018 budget to the Revised 2018 budget. This was due almost exclusively to the initiating the next phase of the SAP project with an expanded scope. The SAP project is a corporate wide Enterprise Resource Planning (ERP) project that involves upgrading our financial and billing systems as well as consolidating all of our disparate enterprise asset management (EAM) systems used by the various operational areas into one integrated system.

Annual Operating Budget

Non-Labor

Information Technology

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Expenses:				
IT Administration	\$ 3,341,830	\$ 2,970,637	\$ 3,442,574	\$ 3,287,176
Technical Management	222,500	291,233	222,500	257,000
Application Management	170,480	156,416	171,694	517,750
IT Service Desk	302,125	294,122	463,125	288,500
IT Project Management	79,145	81,258	79,145	20,525
Total Expenses	\$ 4,116,080	\$ 3,793,666	\$ 4,379,039	\$ 4,370,951

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. IT supports over 2,100 users and approximately 2,500 desktop and laptop computers used by employees at over 30 locations for the City of Gainesville including GRU. In addition, IT supports mission-critical systems such as the SAP financial management and customer care systems, multiple websites, and various revenue collection systems.

Budget Highlights

IT is proposing an increase to its fiscal year 2018 budget of \$254,871 over its fiscal year 2017 approved budget.

The IT budget is comprised of major expenditures relating to the support costs and professional services needed to keep mission critical infrastructure, software systems and network environment modernized, secure and stable. The escalation of software maintenance costs for mission critical systems contributed to the fiscal year 2018 budget increase. Newly added software to the SAP environment, renewal of the scheduled Microsoft Enterprise Agreement, and rising costs of general software support were driving factors. The professional services expenditures increased notably in fiscal year 2018 in order to maintain continuity of providing IT support services to the organization as IT resources are reassigned to support OneSAP project efforts.

- Expenses are budgeted for ongoing application and infrastructure support and training for IT staff in order to provide the necessary support for SAP, GRU's Enterprise Resource Planning (ERP) system, revenue collection systems and other critical IT infrastructure.
- IT partners with operational and administrative areas to more effectively and efficiently support the applications and network infrastructure of GRU.
- Expenses are budgeted to support the continued effort to replace aging equipment and infrastructure for the utility and general government's technology environment.

Annual Operating Budget

Non-Labor

Budget, Finance, and Accounting

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Expenses:				
Finance	\$ 24,265	\$ 26,455	\$ 23,240	\$ 24,265
Rates, Forecasting and Business Analytics	37,750	37,449	38,250	33,623
Financial Analysis and Budget	61,391	67,326	63,741	69,519
Accounting	16,121	132,265	16,605	91,121
Accounts Payable	6,780	1,980	6,983	6,780
Total Expenses	\$ 146,307	\$ 265,475	\$ 148,819	\$ 225,308

Description

Budget, Finance and Accounting is responsible for the external financial statement audit, financial regulatory reporting, the utility's budget, cash forecasting and management, investments, long range financial planning, debt management, rate formulation, forecasting, benchmarking and other various financial and accounting items.

Budget Highlights

Budget, Finance and Accounting is requesting a \$79,000 due to the implementation of a new SAP software system. This software went live in fiscal year 2017 and combined with a planned preparation of an implementation of the Customer Care Service (CCS) and Enterprise Asset Management (EAM) subsidiary ledgers in future years. Budget, Finance and Accounting anticipates significant need for both permanent and temporary staff to support operations.

Annual Operating Budget

Non-Labor

Chief Operating Officer

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Expenses:				
Chief Operating Officer	\$ -	\$ -	\$ -	\$ 26,480
Electric Environmental	-	-	128,500	128,750
Compliance	46,780	39,166	8,599	46,500
Training	-	-	-	95,200
Safety	-	-	-	199,580
Total Expenses	\$ 46,780	\$ 39,166	\$ 137,099	\$ 496,510

Description

The Chief Operating Officer reports directly to the General Manager and is responsible for the Electric, Water, Wastewater and Gas systems. Additionally, he oversees Electric Environmental Permitting, Electric Compliance, Safety and Training.

Electric Environmental Permitting and Compliance submits all required new and renewal permit applications for all of GRU's generating, transmission and distribution facilities. Additionally, it generates all required reports, ensuring compliance with local, state, and federal ordinances and regulations. Department staff represents GRU during inspections by regulatory agencies and utility advocacy organizations at the state and federal levels.

Compliance is responsible for managing compliance with North American Electric Reliability Corporation (NERC) regulatory requirements. This involves monitoring conformance to NERC standards for system reliability and security under authority delegated by the Federal Energy Regulatory Commission.

Utility Training plans, directs and coordinates all training and proficiency development for all GRU employees, including direction and coordination activities associated with the administration of the Craft and Supervisory Progression-Through-Training Programs (PTTP and SPTTP). IT Provides and maintains an appropriate Learning Management System (LMS) and Learning Content Management System for the organization.

Utility Safety is responsible for directing, administering and implementing GRU's corporate safety program across all departments.

Budget Highlights

The newly formed Chief Compliance Officer fiscal year 2018 budget will be \$449,730 above the fiscal year 2017 budget of its acquired departments.

- Funds for operations management were previously budgeted with the General Manager. As additional employees and functions were added under the COO's management, it became necessary to create a separate budget for fiscal year 2018.
- Safety and Training were previously budgeted by each department but have been separated into their own divisions to place greater emphasis and importance on them, and to provide unified delivery across the organization.

Annual Operating Budget

Non-Labor

General System

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Expenses:				
Insurance	\$ 2,850,184	\$ 2,265,088	\$ 2,944,667	\$ 2,850,184
Joint Services Allocation	3,266,488	3,266,488	3,258,684	3,266,488
Risk Management Fees	2,000,000	3,980,724	2,060,000	2,000,000
Health Insurance Fund Replenishment	-	833,000	-	-
Professional/Contractual Services	576,000	325,697	576,000	576,000
Bank/Fiscal Agent Fees	2,230,429	2,230,429	2,295,533	2,169,583
Legal Services	730,000	3,768,892	730,000	730,000
Regulatory Fees/Permits	89,104	49,977	60,674	89,104
Pension Bonds	1,928,552	1,928,552	1,986,409	1,928,552
Uncollectible Accts	1,755,365	1,755,365	1,808,026	1,755,365
Other	1,372,403	1,184,001	1,343,200	71,090
Total Expenses	\$ 16,798,525	\$ 21,588,213	\$ 17,063,193	\$ 15,436,366

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

General System Expenditures proposes a fiscal year 2018 budget \$1,362,159 lower than the approved budget from fiscal year 2017.

- Insurance premiums and payments for property and liability risks are projected to be below budget in fiscal year 2017 due to a decrease in boiler plant insurance. Risk Management at the City of Gainesville General Government negotiates and selects insurers for the utility. Risk management fees, worker's compensation and general liability 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 the City Commission, City Auditor, Equal Opportunity Office and other services that are provided by General Government. Beginning in fiscal year 2017, General Government assumed all HR related staff at GRU and will bill the utility's share of cost through the Joint Services Allocation.
- Risk management fees are projected to nearly double in fiscal year 2017. The utility self-insures against claims. The current fiscal year has incurred above average claims in the first six months. Claims are expected to return closer to average in fiscal year 2018.
- Included the projection 2017 is a one-time payment to replenish the health insurance fund maintained by the City.
- Professional/Contractual Services includes the utility's financial management expenses, rating agency monitoring, cost of service studies, pay studies and other consulting services.
- Examples of "Other" expenditures include record retention/storage, corporate dues and memberships, and other items.

Annual Operating Budget

Non-Labor

Debt Service

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Use of Net Revenues for Debt Service:				
Senior Lien Debt Service Payment	\$ 55,064,881	\$ 56,489,670	\$ 61,032,725	\$ 63,059,816
Subordinated Debt Service Payment	6,819,000	6,529,000	860,000	1,412,500
Total Debt Service Before UPIF	61,883,881	63,018,670	61,892,725	64,472,316
Less UPIF Portion of Debt Service Payments	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Total Use of Net Revenues for Debt Service	\$ 56,883,881	\$ 58,018,670	\$ 56,892,725	\$ 59,472,316

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.

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. This subsidy is reflected in other income. Additionally, GRU's Variable Rate Debt continues to achieve historically low rates due to GRU's excellent credit rating and prevailing market conditions.
- The fiscal year 2017 and fiscal year 2018 budgets each include the use of \$5 million of UPIF monies to pay a portion of debt service in the electric system.

Annual Operating Budget

Non-Labor

Utility Plant Improvement Fund

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Use of Net Revenues for UPIF:				
Electric Revenue Contribution	\$ 27,046,177	\$ 27,046,177	\$ 25,860,966	\$ 25,498,577
Water Revenue Contribution	3,093,726	3,093,726	2,978,626	2,878,702
Wastewater Revenue Contribution	7,042,712	7,042,712	7,399,641	7,468,215
Gas Revenue Contribution	9,432,248	9,432,248	9,776,337	9,836,478
GRUCom Revenue Contribution	243,233	243,233	450,523	438,581
Total Use of Net Revenues for UPIF	\$ 46,858,096	\$ 46,858,096	\$ 46,466,093	\$ 46,120,553

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 of the sum of Net Revenues, including interest income but excluding non-operating revenues and expenses less Senior Lien Debt Service.
- 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 \$65.75 million in fiscal year 2017 and \$48.0 million in fiscal year 2018.

Annual Operating Budget

Non-Labor

General Fund Transfer

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Use of Net Revenues for GFT:				
Electric	\$ 21,094,452	\$ 21,087,237	\$ 21,441,454	\$ 21,427,278
Water	5,748,149	5,794,879	5,748,149	5,838,842
Wastewater	7,234,430	7,247,154	7,234,430	7,348,574
Gas	1,360,932	1,329,794	1,360,932	1,382,405
GRUCom	376,047	376,047	376,047	381,980
Total Use of Net Revenues for GFT	\$ 35,814,010	\$ 35,835,111	\$ 36,161,012	\$ 36,379,079

Description

On April 17, 2014, a new general fund transfer agreement was approved by the City Commission for fiscal year 2015 through fiscal year 2019 for transfers of monies to the City of Gainesville general fund for use as the City Commission deems appropriate. The transfers are \$35.8 million in fiscal year 2017 and \$36.4 million in fiscal year 2018. 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 fiscal year 2017 GFT is projected to be 13.5 percent of total non-fuel revenues, and fiscal year 2018 is projected at 13.2 percent of total non-fuel revenues.

Section E – Labor

Annual Operating Budget

Labor

Combined System

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Operation & Maintenance				
Wages & Fringes	\$ 51,943,053	\$ 48,348,683	\$ 53,486,176	\$ 53,427,714
Overtime Pay	2,709,130	2,818,935	2,763,245	2,749,735
Temporary Staffing	736,211	914,559	566,721	863,202
Other Pay	1,867,990	1,909,943	1,826,046	1,740,167
Total Operation & Maintenance Labor	57,256,384	53,992,120	58,642,188	58,780,818
Capital Projects				
Wages & Fringes	18,140,063	18,584,937	18,556,220	18,329,101
Overtime Pay	842,275	712,398	859,698	540,786
Temporary Staffing	111,617	274,275	101,402	157,404
Other Pay	344,753	493,574	305,577	266,225
Total Capital Projects Labor	19,438,708	20,065,184	19,822,897	19,293,516
Wages & Fringes	70,083,116	66,933,620	72,042,396	71,756,815
Overtime Pay	3,551,405	3,531,333	3,622,943	3,290,521
Temporary Staffing	847,828	1,188,834	668,123	1,020,606
Other Pay	2,212,743	2,403,517	2,131,623	2,006,392
Total Labor	\$ 76,695,092	\$ 74,057,304	\$ 78,465,085	\$ 78,074,334

	<u>Revised 2017</u>	<u>Original 2018</u>	<u>Revised 2018</u>
Full Time Equivalent (FTE)			
Managerial	76.00	69.00	73.00
Professional	187.00	196.00	195.00
CWA	614.75	615.75	618.25
Overfills	21.00	14.00	17.00
Total FTEs Authorized	898.75	894.75	903.25
Total Positions Filled	792.25		
Total FTEs Vacant	106.50		

Annual Operating Budget

Labor

New Positions

The fiscal year 2018 budget recommends the addition of 9.50 positions for the upcoming fiscal year. Seven and one-half of the recommended positions are for administrative areas and two of them are for operational areas. One of the positions is converting from an overfill position into a permanent full time equivalent (FTE) position.

<u>Department</u>	<u>FTE</u>	<u>Position Title</u>	<u>Title Code</u>
105 OneSAP	1.00	Business Systems Analyst, Senior	4065
119 Communications	1.00	Communications Specialist, Senior	2123
140 Customer Operations	2.00	Business Systems Analyst II	4064
140 Customer Operations	1.00	Technical Systems Coordinator	4074
174 Accounting	2.00	Accountant II	3021
175 Accounts Payable	0.50	Account Clerk, Senior	3015
380 Power Systems Operations	1.00	Power Systems Coordinator II	6173
550 Electric Systems Control	1.00	Operational Technology Network Analyst	4076
Total	9.50		

One Business Systems Analyst, Senior is necessary to develop overall training strategy and implement strategy for all System Applications Products (SAP) - includes Financial Management Information System (FMIS), Customer Care System (CCS), Enterprise Asset Management (EAM), Advanced Metering Infrastructure (AMI), and Open Text projects. This position will be part of the Center of Excellence (COE) and work closely with Organizational Change Management (OCM) to facilitate continuous improvement. There is no budget impact as it was already included in the proposed budget request. A permanent position is required to hire a person with needed expertise.

One Communications Specialist, Senior is necessary as a position and the incumbent was reorganized to support the COE. In an effort to maintain goals of the communications department, we are requesting a replacement FTE. This position is a member of our 24/7 on-call team for media and emergency events for 13 weeks each year. This position oversees the content for the monthly GRU bill insert/newsletter that goes to all 95,000 customers. Some months have more than one bill insert, so we create 12 to 15 bill inserts each year. This position writes at least 30 press releases, which are distributed to the local media, as well writes and proofs 35 letters to the editor/editorials each year. This position is also the liaison with our external advertising agency for public education campaigns on GRU's environmental stewardship and eBill. Environmental campaigns have resulted in an increase in our web traffic for environmental stewardship with 196,934 impressions and 218 clicks. Customer education campaigns for eBill encourage our customers to pay and receive their bills electronically instead of by mail or face-to-face, each of which is more expensive and less efficient than eBill. This position handles eBill email campaigns, which have demonstrated a 26 percent open rate that typically translates into a five percent increase in new customer signups for eBill.

Two Business Systems Analyst II's are needed to meet goals associated with providing best in-class service and improving customer experience by implementing innovative technology, including CCS, Interactive Voice Response (IVR), Web portal, and other utility billing, customer service, and payment enhancements. One Technical Systems Coordinator is needed to supervise the Business Systems Analysts. These positions will work closely with Customer Operations, COE, Information Systems, and vendors to facilitate continuous improvement and enable technology advancements. The Coordinator will work closely with management.

Two additional Accountant II positions are necessary to maintain timely and accurate period closings while implementing the new methodologies associated with SAP best business practices. This additional staff will also allow Accounting to support the SAP merge of the CCS and EAM as subsidiary ledgers.

Annual Operating Budget

Labor

Accounts Payable recommends adding one-half Account Clerk, Senior to ensure best business practices with vendor relationships, internal communications, and timely payments, which leads to improved discount opportunities for the Utility. This half position will also help support the SAP merge of CCS and EAM.

One Power Systems Coordinator II overfill position will be converted to a regular position. This overfill was part of the combined Energy Supply and Energy Delivery organizational change where Energy Supply took on the responsibility of Transmission Operations and Switching, which required additional personnel to perform this system function. Transmission switching also requires North American Electric Reliability Corporation (NERC) certified operators. Currently Energy Supply has six operators but only five FTEs. The job duties performed require all six NERC certified operators; therefore, converting the Overfill to a regular position is necessary. Additionally, NERC requirements continue to change requiring full-time dual system NERC certified operators when switching occurs.

One Operational Technology Network Analyst is needed for Patch Management related to requirements for BES Cyber Systems (BCS). This matching must be performed in a manner that will allow the operators and the Emergency Management System (EMS) to function 24/7. All tasks assigned must meet the NERC Critical Infrastructure Protection (CIP) requirements, so this is a critical solution to prevent potential violations related to security and compliance. This full-time employee will eliminate the need for related contractors.

Deleted Positions

The fiscal year 2018 budget recommends the deletion of one FTE position for the upcoming fiscal year.

<u>Department</u>	<u>FTE</u>	<u>Position Title</u>	<u>Title Code</u>
651 GRUCom	-1.00	Analyst, Senior	1241
Total	-1.00		

New and Continuing Overfill Positions

The fiscal year 2018 budget recommends 17 overfill positions in both operational and administrative areas. Ten of these FTEs are needed for attrition planning due to retirements and resignations of current incumbents; seven are for special projects related to SAP implementation, plant maintenance, or reorganization planning.

Annual Operating Budget

Labor

<u>Department</u>	<u>FTE</u>	<u>Position Title</u>	<u>Title Code</u>
122 IT Infrastructure Services	1.00	IT Infrastructure Designer and Administrator, Lead	4060
123 IT Application Development	1.00	Computer Systems Analyst	4013
141 Energy and Business Services	1.00	Residential Efficiency Program Coordinator 3	2107
156 Customer Service	1.00	Customer Service Manager	3051
173 Rates and Forecasting	1.00	Enterprise Architect	4002
174 Accounting	1.00	Accountant II	3021
240 Water/ Wastewater Engineering	1.00	Engineer IV	6067
330 Deerhaven Plant	1.00	Process Plant Operator 2	6357
330 Deerhaven Plant	1.00	Account Clerk, Senior	3015
330 Deerhaven Plant	4.00	Accelerated Production Operator 3	6299
340 Major Maintenance Group	1.00	Power Plant Mechanic	6337
340 Outage and Major Maintenance	1.00	Major Maintenance Leader	6336
570 Field Services	1.00	Utilities Location Technician	6101
910 General Manager	1.00	Advisor to the GM for Utilities	1044
Total	17.00		

The following overfill FTEs pertain to attrition planning:

One Infrastructure Designer and Administrator, Lead is needed in anticipation of a pending retirement. This overfill allows the Information Technology (IT) Technical Management area to begin an intense knowledge transfer process that includes the transition of knowledge for software systems (specifically SAP) as well as business process knowledge. This is a lead position for which orderly succession is required for stability and continuity of SAP service delivery.

One Computer Systems Analyst is needed in anticipation of a pending retirement. This overfill allows the IT Application Management area to begin an intense knowledge transfer process that includes the transition of knowledge for software system (specifically Open Text) as well as business process knowledge. The transition will better position IT to sustain a healthy support and growth environment for GRU's enterprise systems.

One Process Plant Operator 2 must continue for succession planning due to upcoming retirement. Energy Supply has hired at the trainee level to allow for adequate training time and knowledge transfer. This will reduce overtime and Process Water costs at Deerhaven.

One Account Clerk, Senior must continue because the current highly trained incumbent has entered the Deferred Retirement Option Program (DROP) and expected retirement date is March 2018. Current duties need significant training that cannot be covered by written procedures/instructions, especially due to the process and account structure changes related to SAP. The overfill is requested to maintain the accuracy and timeliness of the operations and maintenance (O&M) and capital payables for production and major maintenance, which includes all outages at Deerhaven. This position is instrumental in our purchasing, requisition, and payables processes. This overfill allows for adequate training time with year-end processes and outages at Kelly and Deerhaven Generating Stations.

Four Accelerated Production Operator 3 positions are required because there are 19 personnel with 18 plus years of seniority, and they could leave at any time. The department must be proactive in succession planning because several of these positions are high level and require years of preparation. Energy Supply

production is responsible for South Energy Center (SEC), Innovation Energy Center (IEC), and multiple generation facilities. Additionally, environmental regulatory tasks requirements have increased over the past two years. The positions will be filled at the trainee level to allow for adequate advanced training and knowledge transfer.

One Utilities Location Technician must continue because of planned retirements. An overfill position was added in fiscal year 2014 in order to prepare for the retirement of one of the locators in March 2016. Since the retirement has recently occurred, and through the process of attrition, the overfill position is now vacant. Looking to the future, there is a need to hire a new overfill position in preparation of another scheduled retirement, which will occur in August 2018. In order to prepare and plan for sustainability, a new overfill should be hired immediately, due to the three-year Progression Through Training Progression (PTTP) durations.

One Advisor to the General Manager must continue as a long-tenured employee will be retiring and has been moved into an advisory role for the purpose of working on special projects and knowledge transfer.

The following overfill FTEs pertain to special projects:

One Residential Efficiency Program Coordinator 3 must continue as the Energy and Business Services Department continues to reorganize to meet customers' changing needs which include improving performance and increasing the efficiency of services provided to our customers. A current position held in this department was selected to the SAP Project. This leaves a long-term shortage of staff. This overfill assists with researching and reviewing of accounts, responding to charge disputes, correcting billing and account errors, facilitating turn-ons and turn-offs, addressing past due accounts, investigating and establishing rental light charges, monitoring dunning, etc.

One Customer Service Manager must continue as the Customer Operations department continues to reorganize to meet customers' changing needs, which includes the implementation of a Customer Experience Manager and increased knowledge in customer services regarding field services. The Energy & Business Services Department initially maintained three Account Representative Sr. positions to oversee approximately 100 key customers with well over 500 accounts. In 2016 the positions were decreased to two, but the number of key customers along with their accounts did not, leaving a void in providing continuous quality service. One Utility Billing and Customer Solutions Specialist is needed to improve performance and efficiency by assisting the Senior Account Representative with researching and reviewing accounts, responding to charge disputes, correcting billing and account errors, facilitating turn ons and offs, addressing past due accounts, investigating and establishing rental light charges, monitoring dunning, etc. This overfill position would be needed for a minimum of two years or until which time the current incumbent's special assignment is vacated.

One Enterprise Architect is requested because the current incumbent of this position was selected to lead the SAP CCS Implementation Project. This leaves a long term/ indefinite shortage of staff in the Budget, Finance, and Accounting Department. If approved, this overfill will allow us to maintain staffing and manage workloads while this staff member focuses on the SAP project.

One Accountant II overfill is needed in order to maintain timely and accurate period closings while implementing the new methodologies associated with SAP best business practices. While current staff is focused on SAP best practice implementations, this overfill will ensure adequate staffing coverage of day-to-day operations required for timely period closings and audit.

Annual Operating Budget

Labor

One Engineer IV must continue due to current incumbent commitments to the SAP implementation project. The Water/ Wastewater Engineering Department relies on this engineer to manage utility relocations and piping infrastructure on construction projects. This overfill will continue until the current incumbent is reassigned.

One Power Plant Mechanic must continue due to the additional field equipment needing routine preventive maintenance since the Deerhaven Unit 2 Air Quality Control System (AQCS) became operational in 2009. Initially two Power Plant Mechanic overfill positions were added to meet the expected additional workload. Since then, Energy Supply reduced to one overfill position. In a continuous effort to reduce costs, Energy Supply has moved towards using internal resources to perform work traditionally performed by contractors. Further evaluation will be performed in fiscal year 2018 to determine if the Power Plant Mechanic overfill will be converted into a regular position, or if it could be deleted.

One Major Maintenance Leader is necessary because Energy Supply's Major Maintenance Leader is serving on the SAP EAM Project. The incumbent has been retained full time by the project as the EAM Project Coordinator effective February 2017. The duration of the assignment is unknown at this time.

Annual Operating Budget

Labor

Energy Supply

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Operation & Maintenance				
Wages & Fringes	\$ 13,334,398	\$ 13,025,713	\$ 13,883,254	\$ 13,438,085
Overtime Pay	1,022,954	1,084,882	1,043,358	1,079,176
Temporary Staffing	110,097	177,577	66,868	132,840
Other Pay	398,316	402,119	406,263	420,694
Total Operation & Maintenance Labor	14,865,765	14,690,291	15,399,743	15,070,795
Capital Projects				
Wages & Fringes	235,038	770,376	248,774	317,897
Overtime Pay	925	97,316	925	870
Temporary Staffing	-	96,821	-	-
Other Pay	637	2,844	644	605
Total Capital Projects Labor	236,600	967,357	250,343	319,372
Wages & Fringes	13,569,436	13,796,089	14,132,028	13,755,982
Overtime Pay	1,023,879	1,182,198	1,044,283	1,080,046
Temporary Staffing	110,097	274,398	66,868	132,840
Other Pay	398,953	404,963	406,907	421,299
Total Labor	\$ 15,102,365	\$ 15,657,648	\$ 15,650,086	\$ 15,390,167

	<u>Revised 2017</u>	<u>Original 2018</u>	<u>Revised 2018</u>
FTE Positions			
Managerial	14.00	13.00	13.00
Professional	24.00	25.00	20.00
CWA	116.00	116.00	117.00
Overfills	5.00	4.00	8.00
Total FTE Positions	159.00	158.00	158.00

Annual Operating Budget

Labor

District Energy

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Operation & Maintenance				
Wages & Fringes	\$ 762,768	\$ 672,703	\$ 775,075	\$ 964,893
Overtime Pay	75,000	74,442	75,000	105,752
Temporary Staffing	-	32,637	-	9,600
Other Pay	53,090	41,259	34,312	62,900
Total Operation & Maintenance Labor	890,858	821,041	884,387	1,143,145
Capital Projects				
Wages & Fringes	223,509	244,641	226,627	36,978
Overtime Pay	-	9,682	-	-
Temporary Staffing	-	32,926	-	-
Other Pay	18,650	14,585	9,278	-
Total Capital Projects Labor	242,159	301,834	235,905	36,978
Wages & Fringes	986,277	917,344	1,001,702	1,001,871
Overtime Pay	75,000	84,124	75,000	105,752
Temporary Staffing	-	65,563	-	9,600
Other Pay	71,740	55,844	43,590	62,900
Total Labor	\$ 1,133,017	\$ 1,122,875	\$ 1,120,292	\$ 1,180,123

	<u>Revised 2017</u>	<u>Original 2018</u>	<u>Revised 2018</u>
FTE Positions			
Managerial	2.00	2.00	2.00
Professional	2.00	1.00	1.00
CWA	6.00	7.00	7.00
Overfills	1.00	1.00	0.00
Total FTE Positions	11.00	11.00	10.00

Annual Operating Budget

Labor

Energy Delivery

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Operation & Maintenance				
Wages & Fringes	\$ 11,478,865	\$ 10,671,752	\$ 11,789,202	\$ 11,073,343
Overtime Pay	419,491	685,869	425,019	469,927
Temporary Staffing	178,526	252,995	75,347	206,404
Other Pay	394,469	451,716	373,503	278,027
Total Operation & Maintenance Labor	12,471,351	12,062,332	12,663,071	12,027,701
Capital Projects				
Wages & Fringes	8,911,464	8,062,698	9,160,666	9,509,183
Overtime Pay	229,910	221,977	233,416	160,557
Temporary Staffing	69,612	53,003	70,647	59,058
Other Pay	188,729	266,814	168,652	160,846
Total Capital Projects Labor	9,399,715	8,604,492	9,633,381	9,889,644
Wages & Fringes	20,390,329	18,734,450	20,949,868	20,582,526
Overtime Pay	649,401	907,846	658,435	630,484
Temporary Staffing	248,138	305,998	145,994	265,462
Other Pay	583,198	718,530	542,155	438,873
Total Labor	\$ 21,871,066	\$ 20,666,824	\$ 22,296,452	\$ 21,917,345

	<u>Revised 2017</u>	<u>Original 2018</u>	<u>Revised 2018</u>
FTE Positions			
Managerial	15.00	15.00	14.00
Professional	35.00	35.00	36.00
CWA	215.00	216.00	216.00
Overfills	7.00	2.00	1.00
Total FTE Positions	272.00	268.00	267.00

Annual Operating Budget

Labor

Water

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Operation & Maintenance				
Wages & Fringes	\$ 3,134,818	\$ 3,365,343	\$ 3,313,574	\$ 3,238,705
Overtime Pay	602,148	348,050	627,448	473,725
Temporary Staffing	82,279	111,960	85,120	109,100
Other Pay	261,204	231,357	281,125	250,010
Total Operation & Maintenance Labor	4,080,449	4,056,710	4,307,267	4,071,540
Capital Projects				
Wages & Fringes	2,230,716	2,582,643	2,276,470	2,002,576
Overtime Pay	339,866	200,930	346,566	249,775
Temporary Staffing	-	19,101	-	20,000
Other Pay	20,851	46,130	24,348	14,440
Total Capital Projects Labor	2,591,433	2,848,804	2,647,384	2,286,791
Wages & Fringes	5,365,534	5,947,986	5,590,044	5,241,281
Overtime Pay	942,014	548,980	974,014	723,500
Temporary Staffing	82,279	131,061	85,120	129,100
Other Pay	282,055	277,487	305,473	264,450
Total Labor	\$ 6,671,882	\$ 6,905,514	\$ 6,954,651	\$ 6,358,331

	<u>Revised 2017</u>	<u>Original 2018</u>	<u>Revised 2018</u>
FTE Positions			
Managerial	5.00	5.50	5.00
Professional	9.00	8.00	8.50
CWA	55.50	56.50	55.50
Overfills	2.00	1.00	0.50
Total FTE Positions	71.50	71.00	69.50

Annual Operating Budget

Labor

Wastewater

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Operation & Maintenance				
Wages & Fringes	\$ 4,518,729	\$ 4,469,195	\$ 4,702,919	\$ 4,652,597
Overtime Pay	445,395	439,231	463,223	485,550
Temporary Staffing	80,055	86,739	87,240	101,000
Other Pay	398,290	319,333	416,166	313,010
Total Operation & Maintenance Labor	5,442,469	5,314,498	5,669,548	5,552,157
Capital Projects				
Wages & Fringes	2,548,531	2,275,304	2,632,710	2,518,564
Overtime Pay	249,619	142,029	256,791	108,450
Temporary Staffing	-	19,101	-	20,000
Other Pay	26,751	58,801	27,307	16,940
Total Capital Projects Labor	2,824,901	2,495,235	2,916,808	2,663,954
Wages & Fringes	7,067,260	6,744,499	7,335,629	7,171,161
Overtime Pay	695,014	581,260	720,014	594,000
Temporary Staffing	80,055	105,840	87,240	121,000
Other Pay	425,041	378,134	443,473	329,950
Total Labor	\$ 8,267,370	\$ 7,809,733	\$ 8,586,356	\$ 8,216,111

	<u>Revised 2017</u>	<u>Original 2018</u>	<u>Revised 2018</u>
FTE Positions			
Managerial	4.00	4.50	4.00
Professional	9.00	8.00	8.50
CWA	86.50	86.50	86.50
Overfills	3.00	2.00	0.50
Total FTE Positions	102.50	101.00	99.50

Annual Operating Budget

Labor

GRUCom

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Operation & Maintenance				
Wages & Fringes	\$ 2,213,186	\$ 1,951,168	\$ 2,251,098	\$ 1,991,980
Overtime Pay	52,500	63,861	52,500	52,500
Temporary Staffing	45,000	14,318	11,250	52,500
Other Pay	70,486	64,082	65,995	55,725
Total Operation & Maintenance Labor	2,381,172	2,093,429	2,380,843	2,152,705
Capital Projects				
Wages & Fringes	737,729	764,282	750,366	663,993
Overtime Pay	17,500	35,386	17,500	17,500
Temporary Staffing	15,000	1,497	3,750	17,500
Other Pay	23,495	17,120	21,998	18,575
Total Capital Projects Labor	793,724	818,285	793,614	717,568
Wages & Fringes	2,950,915	2,715,450	3,001,464	2,655,973
Overtime Pay	70,000	99,247	70,000	70,000
Temporary Staffing	60,000	15,815	15,000	70,000
Other Pay	93,981	81,202	87,993	74,300
Total Labor	\$ 3,174,896	\$ 2,911,714	\$ 3,174,457	\$ 2,870,273

	<u>Revised 2017</u>	<u>Original 2018</u>	<u>Revised 2018</u>
FTE Positions			
Managerial	4.00	3.00	3.00
Professional	8.00	9.00	8.00
CWA	27.00	27.00	27.00
Overfills	0.00	0.00	0.00
Total FTE Positions	39.00	39.00	38.00

Annual Operating Budget

Labor

Administration

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Operation & Maintenance				
Wages & Fringes	\$ 1,467,620	\$ 1,314,693	\$ 1,495,145	\$ 2,853,113
Overtime Pay	4,164	-	4,201	-
Temporary Staffing	-	76,028	-	12,480
Other Pay	60,666	34,288	48,671	43,202
Total Operation & Maintenance Labor	1,532,450	1,425,009	1,548,017	2,908,795
Capital Projects				
Wages & Fringes	327,005	314,107	333,527	249,622
Overtime Pay	38	-	50	-
Temporary Staffing	-	26,712	-	-
Other Pay	11,156	13,901	11,175	5,282
Total Capital Projects Labor	338,199	354,720	344,752	254,904
Wages & Fringes	1,794,625	1,628,800	1,828,672	3,102,735
Overtime Pay	4,201	-	4,251	-
Temporary Staffing	-	102,739	-	12,480
Other Pay	71,822	48,189	59,845	48,483
Total Labor	\$ 1,870,649	\$ 1,779,728	\$ 1,892,769	\$ 3,163,698

	<u>Revised 2017</u>	<u>Original 2018</u>	<u>Revised 2018</u>
FTE Positions			
Managerial	6.00	5.00	7.00
Professional	7.00	5.00	15.00
CWA	3.00	2.00	3.00
Overfills	1.00	1.00	1.00
Total FTE Positions	17.00	13.00	26.00

Annual Operating Budget

Labor

Customer Support Services

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Operation & Maintenance				
Wages & Fringes	\$ 7,351,257	\$ 6,562,703	\$ 7,534,970	\$ 7,588,309
Overtime Pay	78,083	109,865	63,099	70,200
Temporary Staffing	89,720	84,189	90,360	76,040
Other Pay	123,461	192,695	88,832	185,940
Total Operation & Maintenance Labor	7,642,521	6,949,452	7,777,261	7,920,489
Capital Projects				
Wages & Fringes	1,497,049	1,444,211	1,482,320	1,444,257
Overtime Pay	2,112	2,339	2,146	800
Temporary Staffing	-	-	-	-
Other Pay	36,550	37,044	23,774	18,626
Total Capital Projects Labor	1,535,711	1,483,594	1,508,240	1,463,683
Wages & Fringes	8,848,305	8,006,914	9,017,290	9,032,566
Overtime Pay	80,195	112,204	65,245	71,000
Temporary Staffing	89,720	84,189	90,360	76,040
Other Pay	160,011	229,739	112,605	204,566
Total Labor	\$ 9,178,232	\$ 8,433,045	\$ 9,285,500	\$ 9,384,172

	<u>Revised 2017</u>	<u>Original 2018</u>	<u>Revised 2018</u>
FTE Positions			
Managerial	13.00	12.00	13.00
Professional	31.00	35.00	33.00
CWA	88.25	86.25	88.25
Overfills	1.00	2.00	2.00
Total FTE Positions	133.25	135.25	136.25

Annual Operating Budget

Labor

Information Technology

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Operation & Maintenance				
Wages & Fringes	\$ 5,818,152	\$ 4,519,268	\$ 5,840,416	\$ 5,679,527
Overtime Pay	5,896	9,249	5,896	9,416
Temporary Staffing	143,035	61,022	143,035	154,779
Other Pay	82,009	137,822	84,992	104,279
Total Operation & Maintenance Labor	6,049,092	4,727,361	6,074,339	5,948,001
Capital Projects				
Wages & Fringes	793,384	1,381,307	796,420	774,481
Overtime Pay	804	1,190	804	1,284
Temporary Staffing	19,505	8,021	19,505	21,106
Other Pay	11,183	18,796	11,590	14,220
Total Capital Projects Labor	824,876	1,409,314	828,319	811,091
Wages & Fringes	6,611,536	5,900,575	6,636,836	6,454,008
Overtime Pay	6,700	10,440	6,700	10,700
Temporary Staffing	162,540	69,043	162,540	175,885
Other Pay	93,192	156,618	96,582	118,499
Total Labor	\$ 6,873,968	\$ 6,136,676	\$ 6,902,658	\$ 6,759,092

	<u>Revised 2017</u>	<u>Original 2018</u>	<u>Revised 2018</u>
FTE Positions			
Managerial	7.00	5.00	6.00
Professional	44.00	52.00	45.00
CWA	12.00	12.00	12.00
Overfills	1.00	1.00	2.00
Total FTE Positions	64.00	70.00	65.00

Annual Operating Budget

Labor

Budget, Finance, and Accounting

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Operation & Maintenance				
Wages & Fringes	\$ 1,863,260	\$ 1,796,145	\$ 1,900,522	\$ 1,947,161
Overtime Pay	3,500	3,485	3,500	3,490
Temporary Staffing	7,500	17,094	7,500	8,460
Other Pay	26,000	35,271	26,188	26,380
Total Operation & Maintenance Labor	1,900,260	1,851,995	1,937,710	1,985,491
Capital Projects				
Wages & Fringes	635,637	745,367	648,340	811,551
Overtime Pay	1,500	1,549	1,500	1,550
Temporary Staffing	7,500	17,094	7,500	19,740
Other Pay	6,750	17,540	6,813	16,691
Total Capital Projects Labor	651,387	781,550	664,153	849,532
Wages & Fringes	2,498,896	2,541,512	2,548,862	2,758,711
Overtime Pay	5,000	5,034	5,000	5,040
Temporary Staffing	15,000	34,188	15,000	28,200
Other Pay	32,750	52,812	33,000	43,070
Total Labor	\$ 2,551,646	\$ 2,633,546	\$ 2,601,862	\$ 2,835,021

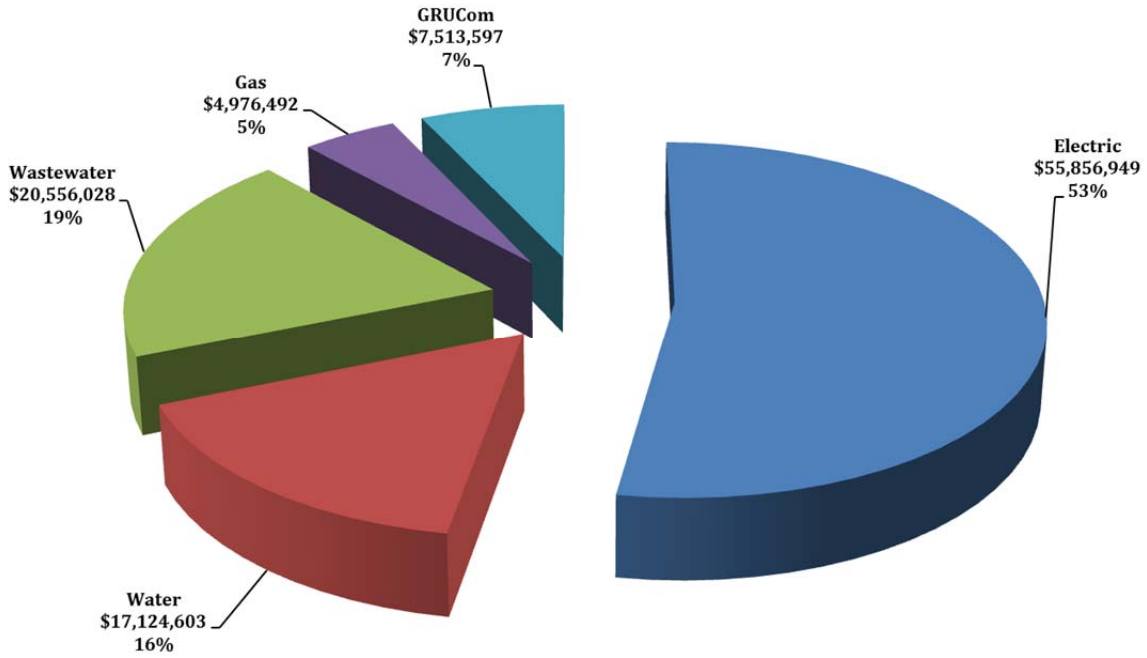
	<u>Revised 2017</u>	<u>Original 2018</u>	<u>Revised 2018</u>
FTE Positions			
Managerial	6.00	4.00	6.00
Professional	18.00	18.00	20.00
CWA	5.50	6.50	6.00
Overfills	0.00	0.00	2.00
Total FTE Positions	29.50	28.50	34.00

Section F – Capital Projects

Annual Operating Budget

Capital Projects

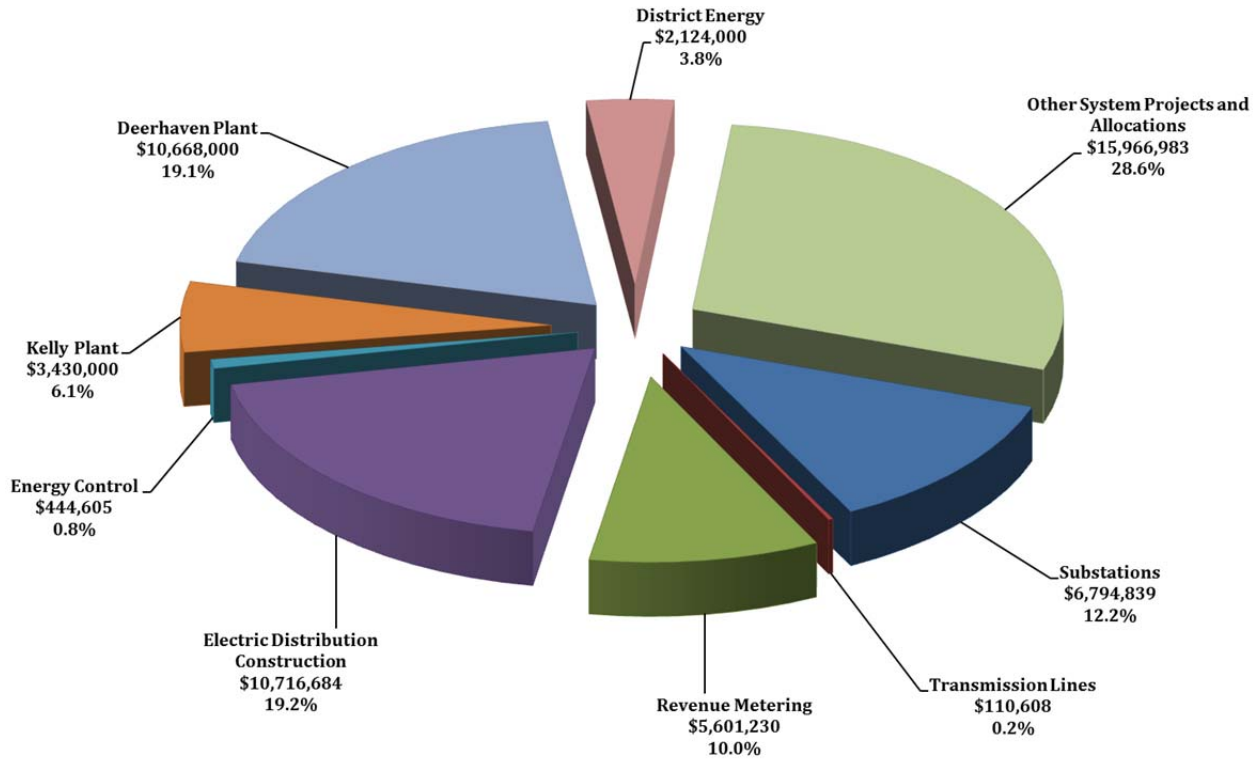
Combined Systems Fiscal Year 2018 Budget



Combined Systems

Electric	\$ 55,856,949
Water	17,124,603
Wastewater	20,556,028
Gas	4,976,492
GRUCom	7,513,597
Total Projects	\$ 106,027,669

**Electric System
Fiscal Year 2018 Budget**



Electric Projects

Substations	\$ 6,794,839
Transmission Lines	110,608
Revenue Metering	5,601,230
Electric Distribution Construction	10,716,684
Energy Control	444,605
Kelly Plant	3,430,000
Deerhaven Plant	10,668,000
District Energy	2,124,000
Other System Projects and Allocations	15,966,983
Total Projects	\$ 55,856,949

Electric System

Energy Supply Major Projects

- Energy Supply's capital budget for Fiscal Year 2018 represents a total investment of \$14.1 million of which \$10.7 million is allocated to the Deerhaven Generating Station account and \$3.4 million allocated to the JRK Generating Station account. The drivers for the majority of the investments are for reliability (including life cycle management and electrical safety), regulatory requirements and capital improvements that yield savings.
- In order to meet increasing cyber security requirements for NERC, \$350,000 will be used across Deerhaven and the JRK plants to meet these increased requirements.

JRK Generating Station Major Projects

- Electrical life cycle replacement and controls are the largest focus for the generating units at JRK for a total of \$1.95 million. This includes a project for life cycle replacement of Combustion Turbine 4 controls system at \$650,000. \$600,000 will be spent on 4160 V switchgear replacement and motor control center replacements.
 - Also for Gas Turbine 4, there is \$325,000 for investment in the critical spare parts such as fuel nozzles, combustion liners and transition pieces, which will need to be completed for the planned combustion inspection in Fiscal Year 2019. This is for reliability of the unit and is required periodically due to the high temperatures and thermal cycles the metal is exposed to in a combustion turbine service.

Deerhaven Generating Station Major Projects

- Deerhaven Unit 2 has the majority of the capital needs for Fiscal Year 2018 at \$4.5 million:
 - The largest single project of \$1 million is a capital improvement for booster fan conversion to variable frequency drives that has a savings with 3.5 year payback.
 - Replacement of two high pressure feedwater heaters will cost \$540,000 and will prevent degradation of DH2's efficiency
 - The digital control system life cycle management continues this year replacing hardware for \$400,000.
- Gas Turbine 3 has an investment of \$3.6 million:
 - \$2.8 million will be for turbine components needed for the major inspection in the Spring.
 - \$800,000 is for a generator field rewind to address insulation migration issues that have been identified by the original equipment manufacturer. This will ensure reliability of the generator.

District Energy Major Projects

- The South Energy Center (SEC) is adding electrical generation and chilled water capacity to support the new UF Health Heart & Vascular and Neuromedicine hospitals currently under construction. GRU is investing in capital assets including a reciprocating natural gas-fired engine, a backup diesel generator, a chiller, cooling towers, transformers, circuit breakers, and other ancillary equipment. The total budget for the project is \$28.5 million, of which \$2.1 million is budgeted in Fiscal Year 2018.
- Construction on the SEC Phase II began in Fiscal Year 2016. GRU will continue to purchase, install and commission equipment at the SEC in a phased approach through early Fiscal Year 2018. The new hospital will open in December 2017.
- Capital investments in the SEC are recovered from UF Health in accordance with GRU’s contract with UF Health. Net revenues from the SEC flow back to GRU’s electric fund, helping to provide rate relief to all GRU electric customers.
- Funds for the investment in the SEC were approved during the November 6, 2014 City Commission meeting.

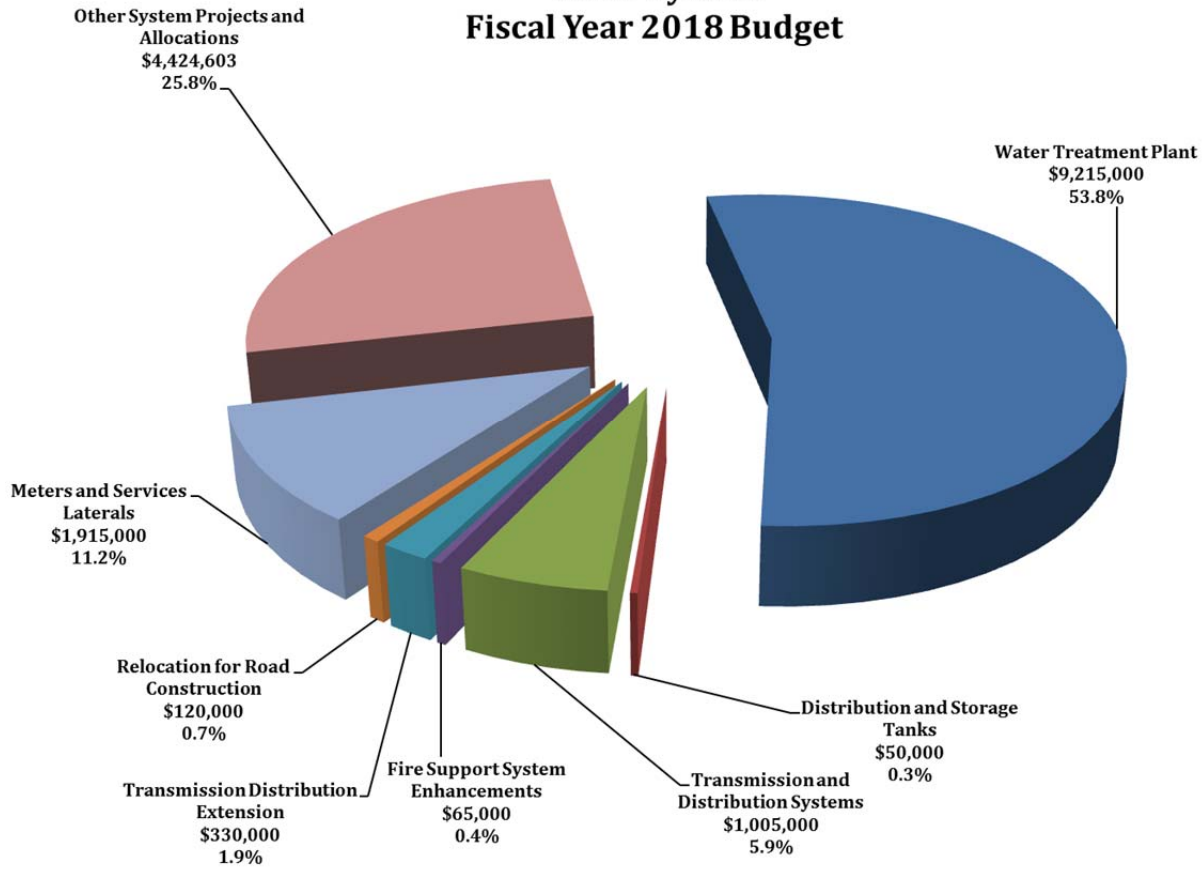
Energy Delivery Major Projects

- In substations and relay will focus on upgrading distribution and transmission equipment for system reliability. The McMichen High Side upgrade (\$378,810) includes transmission switches, bus work and relays. We are replacing aging transmission oil breakers (\$465,890) throughout our system, power transformer tap changer upgrades (\$209,272), power transformer oil pump replacements (\$194,000) and 40+ year-old problematic insulators (\$304,862) at the Kelly Substation. Additionally, we are working towards adding a third transformer at Parker substation (\$3,846,200) in order to improve system reliability.
- Revenue Metering - The AMI metering infrastructure is continuing to grow with installation at apartment complexes (\$822,197.50). New growth within the electric service territory includes meeting metering requirements for new residential construction projects (\$218,545). Regarding electric metering requirements for commercial, there is a continuing focus on transformer rated metering CT jobs (\$115,875) and self-contained meter change outs (\$119,399).
- In addition to GRU Electric Energy Delivery’s normal construction workload GRU encounters what we call “Force Relocation.” The City of Gainesville DOT, Alachua County DOT and the CRA all have projects that require an estimated \$2.4 million of GRU Electric construction efforts. Of these projects GRU estimates a CIAC (Contribution in Aid of Construction) of \$2.25 million. The CIAC is in accordance with the City of Gainesville Code of Ordinances.

	Project	Project Estimate	CIAC Estimate	Remarks
1.)	SW 4th Ave	\$ 90,000	\$ 90,000	COG/DPW and John Fleming
2.)	S Main St	1,300,000	1,300,000	CRA
3.)	SW 8th Ave	850,000	850,000	Alachua County / DPW
4.)	NW 1st Ave	10,000	10,000	CRA
5.)	SE 4th Ave	150,000	0	No CIAC as of 6/9/2017
	Totals	<u>\$ 2,400,000</u>	<u>\$ 2,250,000</u>	

- Another large project is the replacement of HID (High Intensity Discharge) lights with LED (Light Emitting Diode) lights over a 5-year period. There are 27,360 lights both street light and rental. The annual cost of this program is an estimated \$2,113,977.
- Additions to GRU “backbone” transmission and distribution are required periodically to accommodate added load as well as large customers. Examples of such customers are “The Standard,” “Butler North and Town Center,” Celebration Point and the I-Hub District. The Fiscal Year 2018 Budget for this category is \$525,000.
- Associated with residential and commercial developments are individual customers, stores, restaurants and outlets that require GRU construction to connect them to our “backbone” system. The Fiscal Year 2018 budget for this category is \$1,725,000.
- GRU is no different than any other electric utility in the country. To the extent that there are proven industry wide capital investment programs (reliability programs) that either extend the life of existing infrastructure or replace facilities that reach the end of its useful life. Examples of industry wide Remove & Replace programs are infrared inspection of strategic equipment, pole inspection and treatment program, underground cable injection of 1986 and older cables to extend their life, replacement of underground cables that cannot be injected, electrical clearance improvements (Basic Insulation Level – BIL), segmentation and additional fusing to lessen the effects of power interruptions, and group replacement of aging underground secondary connectors. Fiscal Year 2018 budget for this category is \$1,800,000.
- Associated with the 750 +/- electric interruptions GRU crews respond to each year are certain capital expenditures. Examples of these are the replacement of poles and conductor from “Acts of God” or vehicle accidents, replacement of transformers or replacement of house services. Fiscal Year 2018 budget for this category is \$925,000.
- In Fiscal Year 2017 GRU Electric T&D removed the last of the 72, 30-35 year-old sub-surface switchgears that were failing and causing large interruptions particularly in the downtown area.
- GRU has received the final audit of express from Federal Emergency Management Agency and is expected to be authorized to receive in excess of \$600,000 (out of approximately \$800,000 total expenses) for expenses encountered in Hurricane Hermine in September 2016.

**Water System
Fiscal Year 2018 Budget**



Water Projects

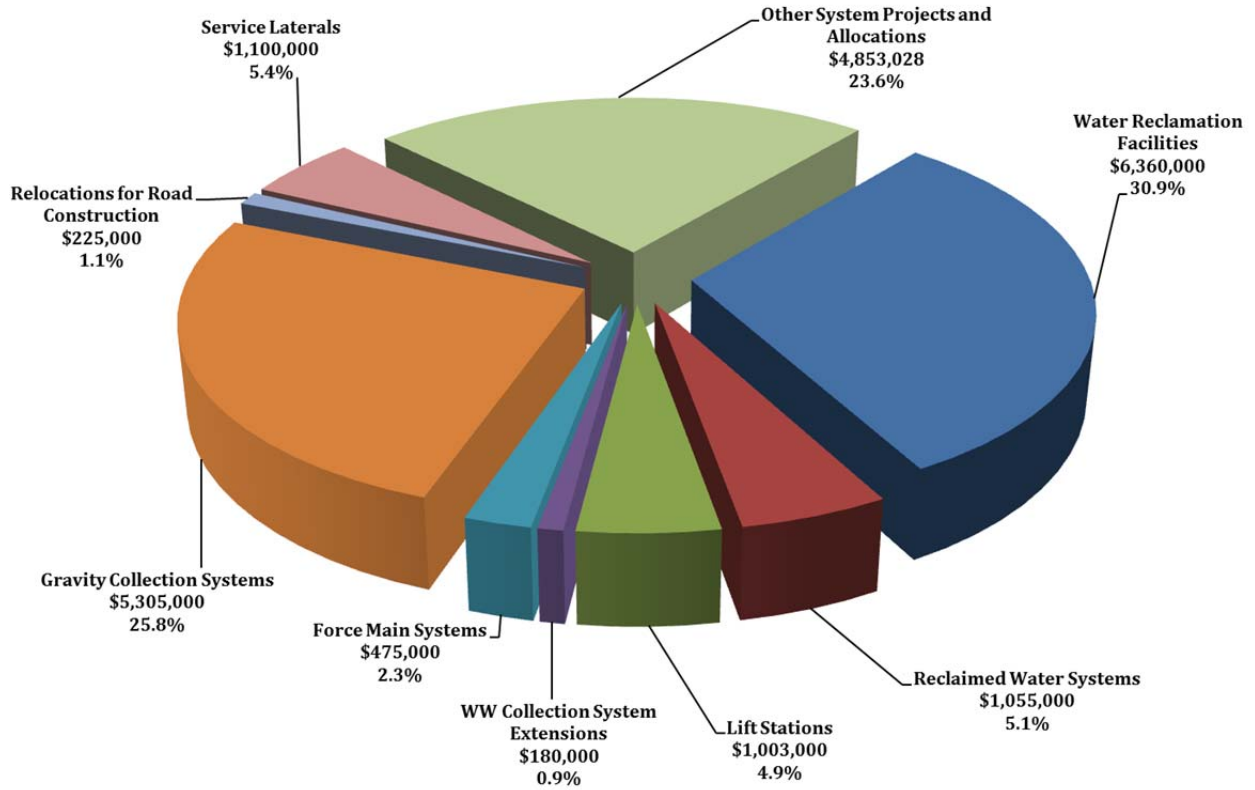
Water Treatment Plant	\$ 9,215,000
Distribution and Storage Tanks	50,000
Transmission and Distribution Systems	1,005,000
Fire Support System Enhancements	65,000
Transmission Distribution Extension	330,000
Relocation for Road Construction	120,000
Meters and Services Laterals	1,915,000
Other System Projects and Allocations	4,424,603
Total Projects	\$ 17,124,603

Water System

Major Projects

- **Electrical System Upgrade:** The primary goal of this project is to address process reliability of the Murphree Water Treatment Plant (MWTP). The project will address replacement of large electrical equipment and conductors that are original to MWTP (1975). A new electrical building with new motor control centers (MCC), conductors and duct banks to process related equipment will be constructed along with a 1,000 kW plant engine generator set. This project will provide the reliability needed to continue to operate Gainesville's only water treatment plant for the next 40 years.
- **Water Main Renewal and Replacement:** GRU is continuing to invest in replacing galvanized and cast iron water mains throughout the service area. These efforts are designed to upgrade and rehabilitate the water system and improve water pressure. The specific areas are selected by analyzing water pressures, known pressure issues, and areas where repair work has been conducted to determine the most cost-effective improvement projects.
- **Water Service Renewal and Replacement:** GRU is continuing to invest in replacing water service throughout the service area. These efforts are designed to replace water services at which there are significant leaks thereby conserving water, reducing customer interruptions, and extending the life of the water system. The specific areas for replacements are targeted based on analysis of work orders and leaks to determine the most cost-effective replacement projects.
- **Water Meter Change out Program:** The water meter change out program is designed to identify large and small meters with reduced accuracy or known issues to be replaced with new meters. This program more accurately measures customer water usage, therefore correcting and increasing water revenue.
- **Utility roadway relocation projects:** There are numerous projects that require water distribution lines to be located because they are impacted by roadway work within the public right-of-way. Projects projected in FY18 include two County Public Works projects (1) SW 8th Avenue extension to SW 143rd Street and (2) SW 63rd Blvd/SW 20th Avenue.

**Wastewater System
Fiscal Year 2018 Budget**



Wastewater Projects

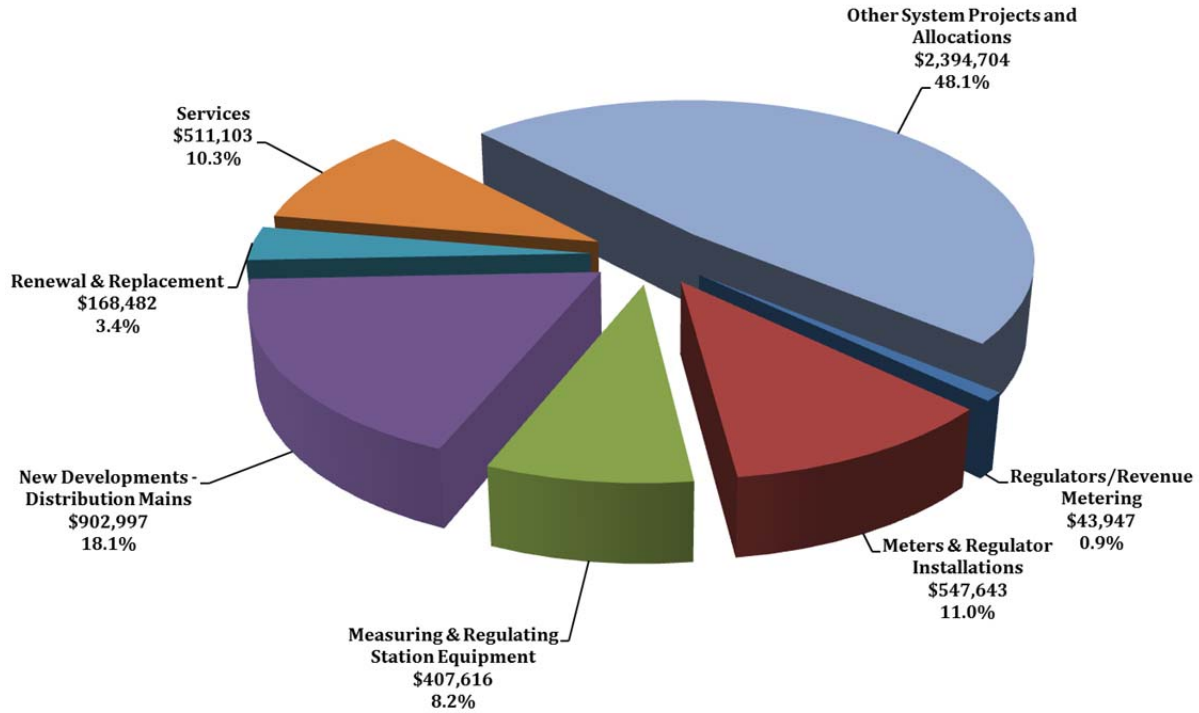
Water Reclamation Facilities	\$ 6,360,000
Reclaimed Water Systems	1,055,000
Lift Stations	1,003,000
WW Collection System Extensions	180,000
Force Main Systems	475,000
Gravity Collection Systems	5,305,000
Relocations for Road Construction	225,000
Service Laterals	1,100,000
Other System Projects and Allocations	4,853,028
Total Projects	\$ 20,556,028

Wastewater System

Major Projects

- MSWRF Headworks Replacement – Multi-year project to construct a new headworks structure including the installation of new fine band screen, influent flow meter, flow transfer station, grit removal system, flow control structure, electric gear, odor control system and PLC panel. The existing MSWRF headworks facility was constructed in the 1980's. The existing equipment is past its useful life and needs to be replaced. In addition, the new centrifuge equipment installed for the Dewatering Project require finer screening facilities than currently installed to prevent maintenance issues and extend the useful life of the centrifuges.
- Main Street Water Reclamation Facility (MSWRF) East Train Rehab – The project consists of major rehabilitation work on the east train of the MSWRF including the replacement of the clarifier mechanism, electrical gear, control panel, PLC, upgrades to pump station, and repairs and lining of the concrete structures. The east train is the oldest treatment train at the MSWRF, originally installed in the 1960's. The east clarifier has significant signs of deterioration to its mechanical components. In August 2015, one of the mechanical components of the clarifier failed in normal operation and an emergency temporary repair was made to place the basin back into service. The east clarifier has been deemed the “workhorse” of all of the clarifiers.
- Continue to invest in rehabilitating aging infrastructure in the wastewater collection system through trenchless technology including cured in place pipe (CIPP) often referred to as slip lining. This technology allows GRU to improve the existing deteriorated pipe by installing a new pipe liner inside the existing pipe. This technique reduces the cost and disruption of opening a roadway to conduct repairs or replacements on existing sanitary sewer gravity collection mains. These investments extend the life of the pipe, restores capacity, and reduce inflow and infiltration.
- Infiltration and Inflow - These projects consist of identifying areas of the gravity collection system that stormwater is entering and reinforcing the collection system to eliminate the inflow or infiltration. The identification of priority areas will include a system-wide assessment to focus improvement efforts in the most effective areas. Rehabilitation includes lining gravity sewer mains, gravity manholes, lining sewer laterals and identifying and eliminating sources of inflow through smoke testing or other techniques. By identifying and eliminating these sources of inflow we will increase available treatment capacity at the water reclamation facilities, reduce treatment costs, increase available capacity in the collection system and extend the life of collection system infrastructure.

**Gas System
Fiscal Year 2018 Budget**



Gas Projects

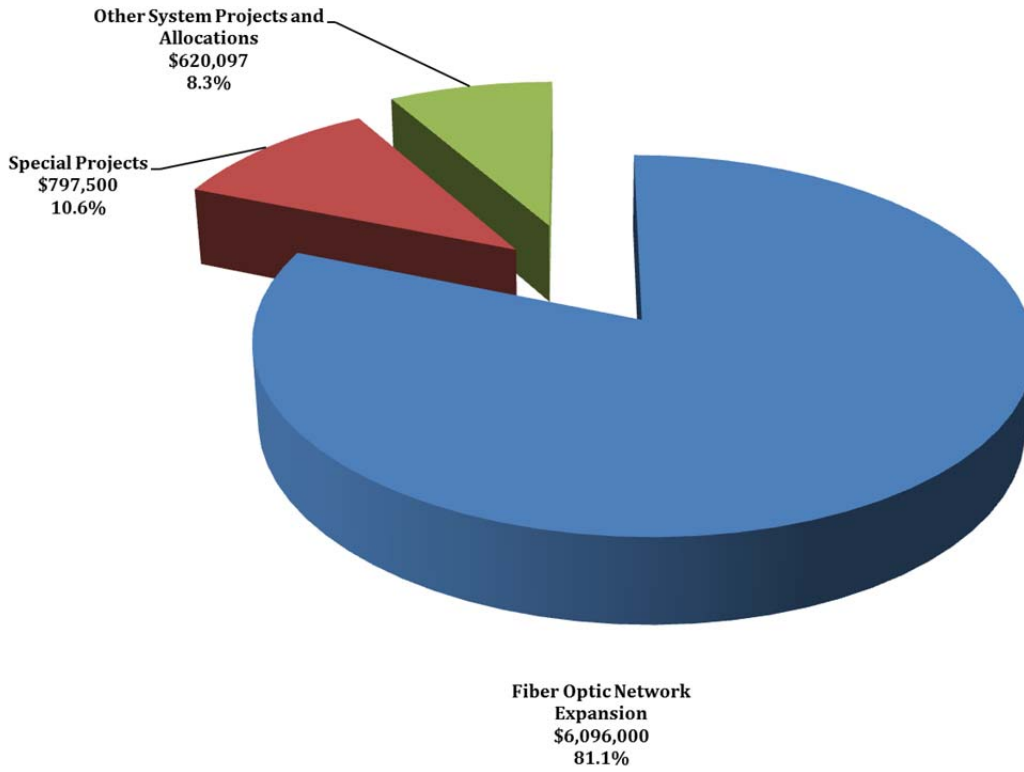
Regulators/Revenue Metering	\$	43,947
Meters & Regulator Installations		547,643
Measuring & Regulating Station Equipment		407,616
New Developments - Distribution Mains		902,997
Renewal & Replacement		168,482
Services		511,103
Other System Projects and Allocations		2,394,704
Total Projects	\$	4,976,492

Gas System

Major Projects

- Updates and improvements to the transfer (gate) and pressure regulating stations are required to continue to meet the increased demands of the overall gas system and regulatory requirements. The Fiscal Year 2018 budget for this category is \$238,138.
- Continued system main line extensions and improvement projects are necessary to deliver service to new or existing developments, such as with subdivisions like Oakmont Phase 2, Gloria's Way and Town of Tioga. The Fiscal Year 2018 budget for this category is \$902,997.
- System renewal and replacement of aging pipe are planned for continued reliability, safety improvements and customer satisfaction. The planned work methodically progresses to replace black plastic and aged steel piping, which extends throughout the core of GRU's service area. The Fiscal Year 2018 budget for this category is \$168,482.
- Service lines and associated equipment are necessary to deliver service to new customers. Aging service pipes are also systematically and proactively renewed or replaced to improve system reliability, as well as to maintain safety standards, quality of service and customer satisfaction. The Fiscal Year 2018 budget for this category is \$511,103.

**GRUCom
Fiscal Year 2018 Budget**



Telecommunications Projects

Fiber Optic Network Expansion	\$ 6,096,000
Special Projects	797,500
Other System Projects and Allocations	620,097
Total Projects	\$ 7,513,597

GRUCom System

Major Projects

- GRUCom will continue to build fiber optic systems to new and/or existing tower locations and install the infrastructure required to support the growth in cellular carrier data transport. Funds for this initiative are included in the Network Expansion capital budget.
- GRUCom will continue to extend availability of residential Gigabit Internet service through expansion of the GATOR NET product line. Funds for this initiative are included in the Network Expansion capital budget.
- GRUCom is currently in negotiations with subscribers to update and expand coverage of the Trunked Radio System. Funds for this initiative are included in the Network Expansion capital budget.
- GRUCom is currently evaluating new billing software to prepare for introduction of a new product line in Fiscal Year 2018. Funds for this initiative are included in the Network Expansion capital budget.
- GRUCom plans introduction of a new competitive product line in Fiscal Year 2018. Funds for this initiative are included in the Network Expansion capital budget. GRUCom will upgrade electrical equipment to support all functions and reliability of the central office, which houses equipment to interconnect to the internet, public telephone system and other large telecommunications providers. Funds for this initiative are included in the Network Expansion capital budget.
- GRUCom will continue to invest in infrastructure within the Innovation District and other related areas throughout the community. Timing of new facilities will depend on private industry construction plans. The installation of the facilities will prepare GRUCom to provide leading-edge technology services in a timely and cost-effective manner. Funds for this project are included in the Fiscal Year 2018 Network Expansion capital budget.

Section G – Financial Ratios

Annual Operating Budget

Financial Reserves and Ratios

Reserve Requirements

	Budget 2017	Projection 2017	Original Budget 2018	Revised Budget 2018
Reserve Requirements:				
Electric	\$ 32,422,958	\$ 32,751,661	\$ 33,102,695	\$ 33,957,064
Water	9,188,274	9,207,665	9,524,923	9,572,448
Wastewater	10,460,004	10,466,208	10,766,936	10,883,388
Gas	3,903,673	3,833,969	3,864,044	3,878,545
GRUCom	3,164,962	3,119,258	3,307,133	3,430,251
Total Reserve Requirements	59,139,871	59,378,761	60,565,731	61,721,696
Reserve Funded:				
Rate Stabilization Fund	61,868,040	70,678,452	55,296,573	62,346,835
Operating Cash (60 days)	8,413,557	8,413,557	8,413,557	8,413,557
Utility Plant Improvement Fund	25,594,354	30,260,606	17,810,447	23,381,159
Total Reserve Funded	95,875,951	109,352,615	81,520,577	94,141,551
Amount Over/(Under Funded)	\$ 36,736,080	\$ 49,973,854	\$ 20,954,846	\$ 32,419,855

Description

Risk is the quantifiable likelihood of loss or less-than-expected returns. Risk management is the process of analyzing exposure to risk and determining how best to handle such exposure. Staff has identified the Utility's financial risk and risk mitigators and established a framework for setting reserve fund levels where other mitigators are not present.

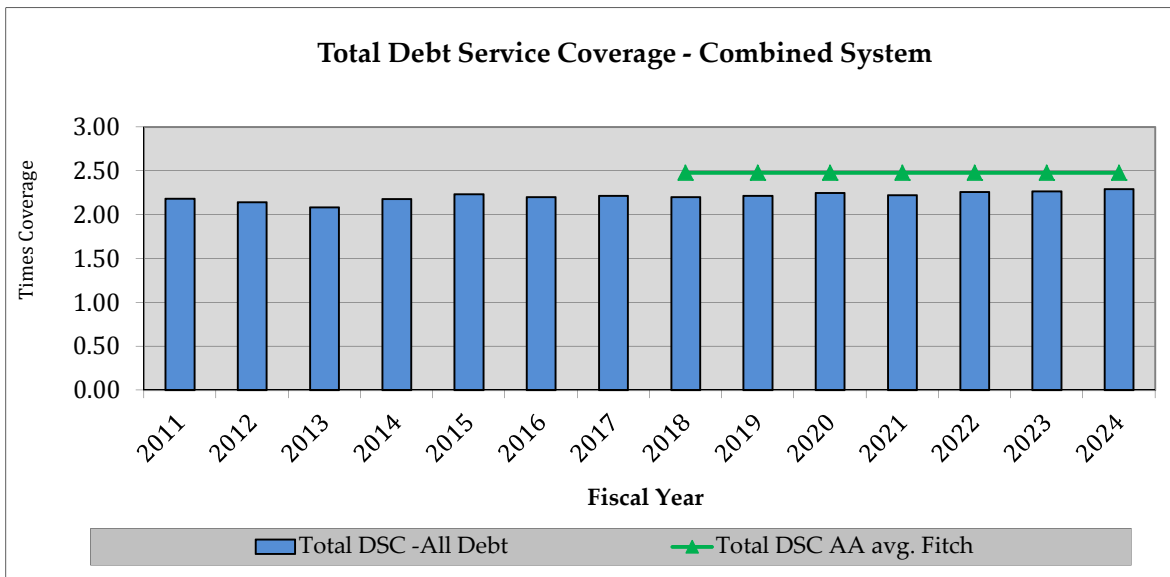
The Utility is exposed to two major categories of risk: operating cash flow and catastrophic event exposure that can result in both uninsured property loss and the need for operating cash to recover from the event when billing and revenue collection may not be possible for a period of time. A reserve fund level that is formula-driven by the primary indicators of risk is necessary as the levels of risk can vary markedly through time. There are two funds established within the Bond Resolution that can be used to provide financial reserves: the Rate Stabilization Fund and the Utility Plant Improvement Fund.

These reserve funds can provide financial insurance to allow the utility to reliably meet its financial obligations under adverse circumstances and can also serve as a means by which to mitigate required rate changes (particularly rate increases). Maintaining minimum financial reserves contributes to financial strength.

Budget Highlights

The methodology for establishing reserves funded was modified for the fiscal year 2018 budget. Prior to the fiscal year 2018 budget process, funded reserves were limited to the Rate Stabilization Fund and UPIF dollars equal to 75 percent of uninsured property exposure.

Beginning with the fiscal year 2018 budget, the following resources are included in the definition of resources available to fund reserves: Rate Stabilization Fund, Unrestricted UPIF funds (UPIF balances net of UPIF designated for debt service and construction projects), 60 days of operating cash, 60 days of authorized but unissued commercial paper.

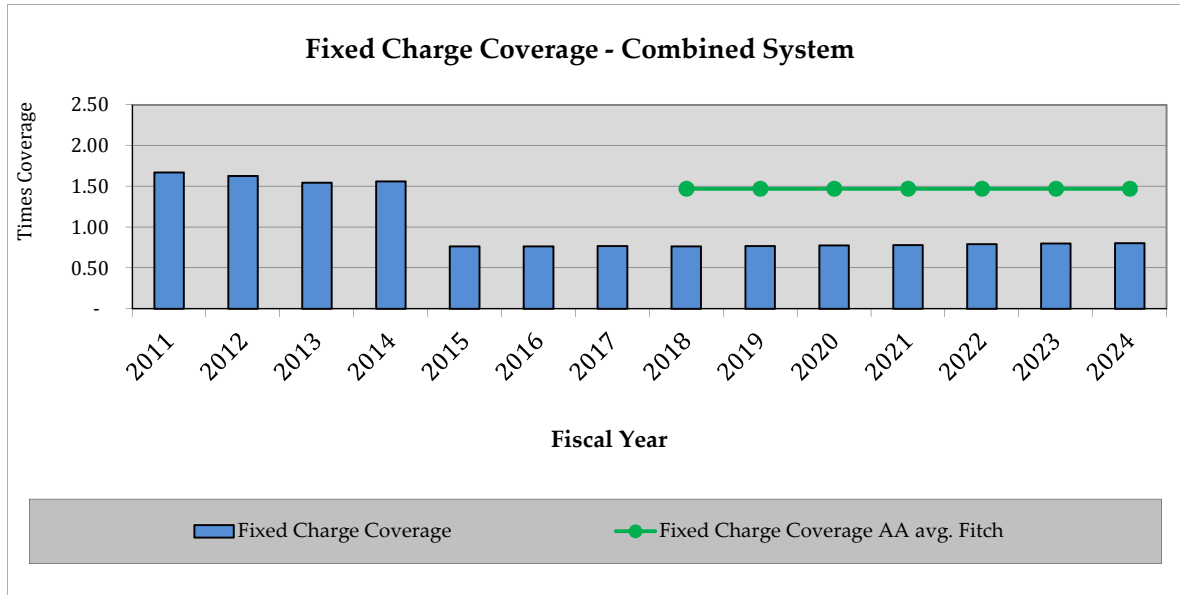


Total Debt Service Coverage: Number of times total debt service payments are covered by net revenues

Calculation: Net revenues divided by principal and interest of all debts (senior lien and subordinated)

This ratio indicates the amount of cash flow available to meet payments due for all debt. The ratings agencies refer to this ratio as an indication of financial strength and a measure of a company's ability to weather unexpected events. A ratio of less than 1 indicates that there are insufficient cash flows to cover the debt. The coverage ratio can be improved through increased revenues or a decrease in debt payments.

The Utility's Bond Resolution states ' as such Net Revenues are estimated by the City in accordance with Section 205 hereof, shall be at least equal to 1.25 times the Aggregate Debt Service for each such fiscal year, as estimated by the City in accordance with Section 205 hereof.

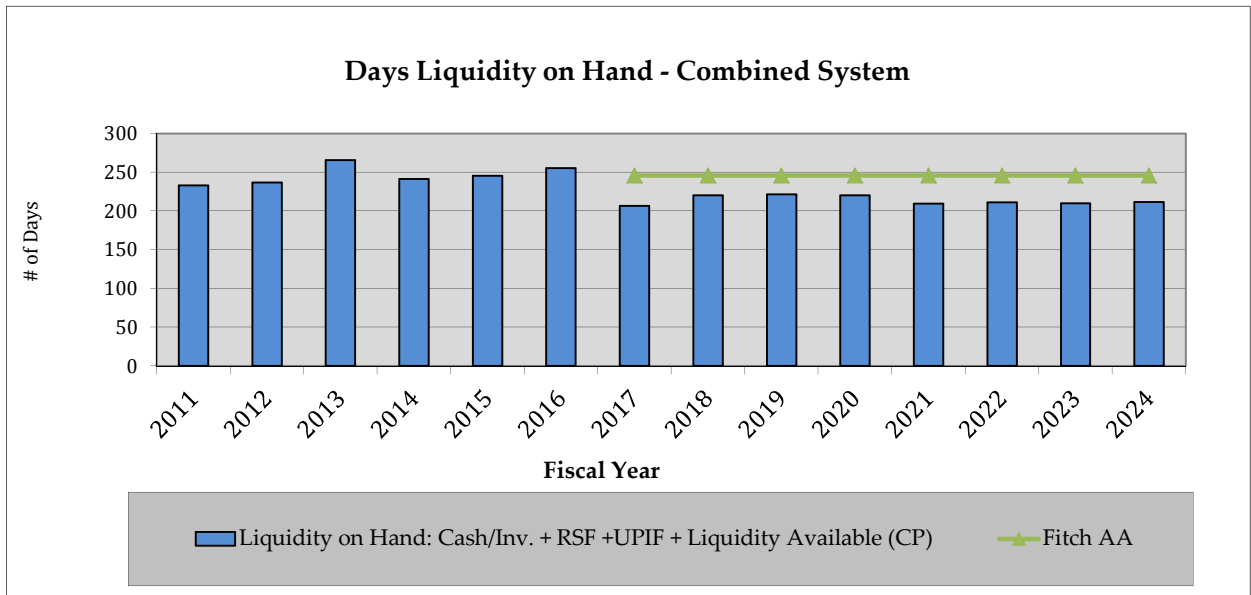


Fixed Charge Coverage: Number of times total fixed charges are covered by net revenues

Calculation: Net revenues less General Fund Transfer (GFT) divided by principal and interest of all debts including senior lien and subordinated as well as the fixed portion of the GREC PPA.

This traditional ratio indicates the amount of cash flow available to meet payments due for all debt after the GFT payment. Fixed charge indicates a payment other than operating expenses that is required and static. The ratings agencies refer to this ratio as an indication of a company's financial strength and general ability to weather unexpected events. A ratio of less than 1 indicates that there are insufficient cash flows to cover operating expenses, debt service and the GFT payment. This coverage ratio can be improved by increasing net revenues or decreasing fixed charges.

The drop in this metric is due to adding the fixed portion of the GREC PPA into the calculation.

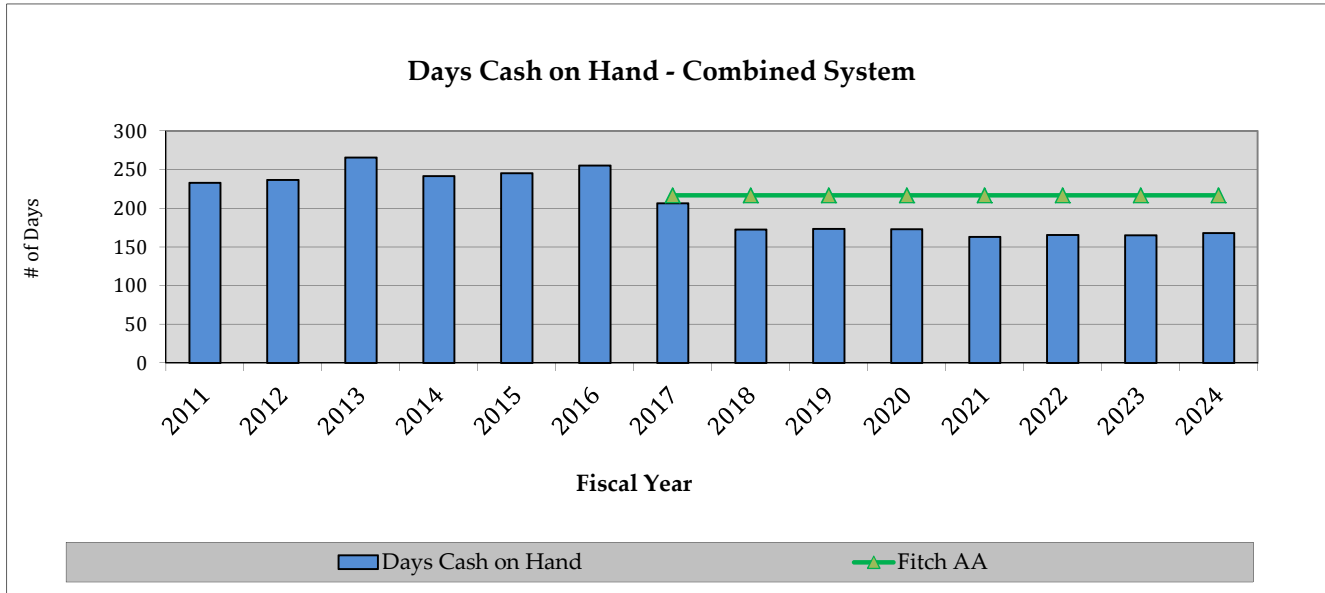


Days Liquidity on Hand: Number of operating days liquidity on hand

Calculation: Short term liquid assets divided by average daily operating expenses

This ratio is used as an indication of a company's liquidity. It shows how many days of operations can be funded from existing cash, investments and available lines of commercial paper. This ratio gives an indication of a company's flexibility and ability to respond to unexpected events. This is sometimes referred to as a company's agility.

In recent years, this metric has been at or above 200 days, which is consistent with GRU's peer ratings. Days Liquidity on Hand is projected to remain above 200 days over the planning horizon if additional commercial paper capacity is acquired.



Days Cash on Hand: Number of operating days cash on hand

Calculation: Cash and cash equivalent assets divided by average daily operating expenses

This ratio is used as an indication of a company's ability to meet current liabilities with available cash measured at fiscal year-end. It shows how many days of operations can be funded from existing cash. This ratio gives an indication of a company's flexibility and ability to respond to unexpected events. This is sometimes referred to as a company's agility.

In recent years, this metric has been near 200 days, which is consistent with GRU's peer ratings.

Projected cash balances are remaining relatively stable while O&M expenses are increasing, resulting in a slight reduction in this metric going forward.