

## **Section C – Revenues**

# Annual Operating Budget

## Revenues

### Electric System

	Budget 2015	Projection 2015	Original Budget 2016	Revised Budget 2016
Revenues:				
Residential Revenue	\$ 51,082,677	\$ 45,421,584	\$ 51,501,267	\$ 45,700,464
Residential Rate Change Revenue	(4,342,028)	-	(2,576,596)	-
Non-Residential Revenue	70,117,503	62,937,739	71,271,641	64,518,143
Non-Residential Rate Change Revenue	(5,959,988)	-	(3,209,647)	-
Sales for Resale	3,602,203	3,677,663	3,887,203	3,934,461
South Energy Center Revenue	10,999,922	10,820,055	12,676,989	10,845,560
Innovation Square Revenue	287,269	170,246	637,517	182,378
Fuel Adjustment Revenue	160,325,212	161,312,853	167,021,962	158,305,701
Surcharge Revenue	3,208,419	2,979,152	3,357,960	3,010,596
Interchange Revenue	600,000	-	600,000	-
Other Revenue	6,838,684	7,294,910	7,272,353	14,692,706
Interest Income	939,900	1,119,075	810,613	973,365
Rate Stabilization (to)/from	5,171,490	1,352,600	1,737,708	(2,785,973)
<b>Total</b>	<b>\$ 302,871,263</b>	<b>\$ 297,085,877</b>	<b>\$ 314,988,969</b>	<b>\$ 299,377,400</b>

### 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.
- 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.
- Innovation Square is a research and business development effort of the University of Florida and is served by the Electric System.
- Fuel adjustment revenues collect the fuel and purchased power costs for retail and firm contract unit electricity sales.
- Surcharge revenues are a 10 percent charge applied to the non-fuel portion of retail rates for customers outside incorporated Gainesville.
- Interchange revenues are from non-firm wholesale sales, typically made on an hourly or day-ahead basis, based on market prices, and include fuel and variable O&M production costs. Due to uncertainty of the marketability of excess power from the system, no revenues were budgeted in this area for FY15 or FY16.
- Other Revenue includes late fees and other miscellaneous service charges. Interest Income is generated from the investments 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) financial reserve accounts.

### *Budget Highlights*

- Projected Residential and Non-Residential sales revenues for FY15 are 2.8 percent and 1.9 percent lower than originally budgeted. Projected Residential and Non-Residential sales revenues for FY16 are 6.6 percent and 5.2 percent lower than originally budgeted, respectively. Retail sales are expected to increase 0.9 percent per year over the next ten years.
- Sales for Resale include energy sales to the City of Alachua, transmission service to Seminole Electric Cooperative, Inc., and firm sales to the City of Winter Park.
- In Other Revenue, one-time revenue from the CR3 Settlement of approximately \$10 million has increased the Revised Budget for FY16. Any excess revenue will move into the Rate Stabilization Fund for use in FY17 as applicable.
- Interest Income projections for FY15 have been increased by 16.0 percent, compared to original budget. This is due primarily to having higher than anticipated funds available for investment.
- The Electric System is projected to make a smaller withdrawal from its Rate Stabilization reserves in FY15 than originally budgeted. The original FY15 budget provided for a \$5.2 million withdrawal, while revised projections show a withdrawal of \$1.4 million.

# Annual Operating Budget

## Revenues

### Water System

	Budget 2015	Projection 2015	Original Budget 2016	Revised Budget 2016
Revenues:				
Sales of Water	\$ 26,983,625	\$ 26,413,951	\$ 27,243,624	\$ 27,028,011
Rate Change Revenue	1,077,762	-	2,175,522	1,013,550
UF Revenue	1,756,700	1,749,139	1,757,900	1,791,331
South Energy Center Revenue	33,019	33,019	34,670	34,670
Innovation Square Revenue	25,019	-	29,305	-
Surcharge Revenue	2,270,448	2,197,234	2,287,128	2,360,858
Connection Revenue	889,259	889,259	896,835	896,835
Other Revenue	2,525,645	1,428,890	2,177,593	1,025,952
Surcharge on Connections	-	-	73,989	-
Interest Income	113,319	110,427	165,317	65,101
Rate Stabilization (to)/from	(2,079,904)	(1,472,557)	(2,405,994)	(1,182,023)
<b>Total</b>	<b>\$ 33,594,892</b>	<b>\$ 31,349,362</b>	<b>\$ 34,435,890</b>	<b>\$ 33,034,286</b>

### 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.
- The South Energy Center listed above is a generation facility that became operational in 2009, and is served by the Water System.
- Innovation Square listed above is a research and business development effort of UF and is also served by the Water System.
- A surcharge of 25 percent is collected outside incorporated Gainesville.
- Connection fees are collected to recover the costs of water supply, treatment and distribution required for each new customer. There is a 25 percent surcharge on connection fees for customers outside of incorporated Gainesville. In 2015, by direction of the City Commission, the fee was not collected, but will be reinstated for FY16 and directly passed through to General Government to fund the Connect Free program. Since it is a direct pass through, it is not shown in the revenue table above.
- Interest Income is generated from the investments 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) our financial reserve accounts.

### *Budget Highlights*

- Revenues from sales of water for FY15 are projected to be 5.9 percent lower than originally budgeted, and revenues from sales of water for FY16 are projected to be 4.7 percent lower than originally budgeted.
- UF Revenues are projected to be 0.4 percent lower than originally budgeted for FY15, and 1.9 percent higher than originally budgeted for FY16.
- South Energy Center revenues are expected to meet original budget for FY15.
- Innovation Square revenues are not expected to meet original budget for FY15 due to less than anticipated development in that area.
- Utility Surcharge revenues are projected to be 3.2 percent lower than originally budgeted for FY15, and 3.2 percent higher than originally budgeted for FY16.
- Due to a combination of lower than forecast sales and certain expense increases, the Water System is projected to make a deposit to the Rate Stabilization Fund for FY15 of \$1,472,557 instead of the \$2,079,904 deposit originally budgeted.

# Annual Operating Budget

## Revenues

### Wastewater System

	Budget 2015	Projection 2015	Original Budget 2016	Revised Budget 2016
Revenues:				
Wastewater Charges	\$ 33,330,330	\$ 34,164,300	\$ 33,596,272	\$ 34,727,627
Rate Change Revenue	1,616,521	-	3,258,838	1,672,746
South Energy Center Revenue	91,770	91,770	91,770	91,770
Innovation Square Revenue	9,856	-	11,544	-
Biosolids Revenue	312,000	292,496	312,000	300,000
Surcharge Revenue	2,549,806	2,546,169	2,567,089	2,725,361
Connection Revenue	1,965,581	1,965,581	1,976,058	1,976,058
Other Revenue	921,806	551,826	1,009,440	70,669
Surcharge on Connections	-	-	163,025	-
Interest Income	195,796	135,779	240,784	157,558
Rate Stabilization (to)/from	(1,799,511)	(1,713,996)	(1,355,725)	(688,436)
<b>Total</b>	<b>\$ 39,193,955</b>	<b>\$ 38,033,923</b>	<b>\$ 41,871,095</b>	<b>\$ 41,033,351</b>

### 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, reuse and disposal system.
- Cumulative increases in retail revenues from proposed rate changes are shown.
- 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 South Energy Center is a generation facility that became operational in 2009 and is served by the Wastewater System.
- Innovation Square is a research and business development effort of UF and is also 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 incorporated 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 incorporated Gainesville. In 2015, by direction of the City Commission, the fee was not collected, but will be reinstated for FY16 and directly passed through to General Government to fund the Connect Free program. Since it is a direct pass through, it is not shown in the revenue table above.
- Interest Income is generated from the investments earnings for the Operating Fund, Rate Stabilization Fund, and Utility Plant Improvement Fund for each System.

- Rate Stabilization revenues are withdrawals (if positive) or deposits (if negative) from our financial reserve accounts.

### *Budget Highlights*

- Revenues from wastewater billings are projected to be 2.2 percent lower than originally budgeted for FY15 and 1.2 percent lower than originally budgeted for FY16.
- South Energy Center revenues are expected to meet original budget for FY15.
- Innovation Square revenues are not expected to be on target for original budget in FY15 due to less development than anticipated in that area.
- Utility Surcharge revenues are projected to be 0.1 percent lower than originally budgeted for FY15 and 6.2 percent higher than originally budgeted for FY16.
- Interest Income is expected to be less than originally budgeted for FY15 by 30.6 percent. This is due primarily to lower than anticipated return on investments as well as fewer reserve funds available for investment in the Wastewater System.
- The Wastewater System is projected to make a contribution to the Rate Stabilization Fund for FY15 of \$1,713,996 compared to the original FY15 budget amount of \$1,799,511, due largely to lower than anticipated revenues. The FY16 proposed budget calls for a deposit of \$688,436 to the Rate Stabilization Fund.

# Annual Operating Budget

## Revenues

### Gas System

	Budget 2015	Projection 2015	Original Budget 2016	Revised Budget 2016
Revenues:				
Residential Revenue	\$ 7,017,503	\$ 7,423,079	\$ 7,043,629	\$ 7,119,375
Residential Rate Change Revenue	298,244	-	598,836	338,170
Non-Residential Revenue	3,696,331	4,299,811	3,729,584	4,363,621
Non-Residential Rate Change Revenue	157,094	-	317,082	207,272
MGPCRF Revenue	1,158,290	1,201,454	1,171,590	1,192,663
Purchased Gas Adjustment Revenue	11,324,698	10,229,009	10,745,099	8,407,472
Surcharge Revenue	403,657	473,060	405,950	471,177
Other Revenue	1,868,392	1,658,380	1,976,652	995,596
Interest Income	165,620	147,506	173,153	90,255
Rate Stabilization (to)/from	(301,332)	(1,324,802)	304,484	784,319
<b>Total</b>	<b>\$ 25,788,497</b>	<b>\$ 24,107,496</b>	<b>\$ 26,466,058</b>	<b>\$ 23,969,920</b>

### 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.
- 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 \$27 million when complete.
- Purchased Gas Adjustment (PGA) revenue collects for the natural gas fuel distributed to customers.
- A 10 percent surcharge is collected from customers outside incorporated Gainesville.
- Other Revenue typically includes late fees, service charges, and sales revenue from liquid propane distribution system customers.
- Interest Income is generated from the investments 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 (if negative) to financial reserve accounts.

### Budget Highlights

- Residential revenues are projected to be 1.5 percent higher than originally budgeted and non-residential revenues are projected to be 10.9 percent higher than originally budgeted, for FY15. Residential revenues are projected to be 2.4 percent lower than originally budgeted, while non-residential revenues are projected to be 13 percent higher than originally budgeted, for FY16.
- Surcharge revenue is projected to be 17 percent higher than originally budgeted for FY15 and 16 percent higher than originally budgeted for FY16.
- Interest Income is expected to be approximately \$18,000 less than originally budgeted for FY15.



- The Gas System was originally budgeted to make a contribution to the Rate Stabilization Fund of \$301,332 in FY15; however, a deposit of \$1,324,802 is now projected for FY15. The FY16 budget projects withdrawal of \$784,319 from the Rate Stabilization Fund.

# Annual Operating Budget

## Revenues

### GRUCom

	Budget 2015	Projection 2015	Original Budget 2016	Revised Budget 2016
Revenues:				
Telecommunications Revenue	\$ 8,061,590	\$ 7,506,944	\$ 9,068,880	\$ 7,547,844
Public Safety Radio Revenue	1,859,146	1,783,817	1,887,033	1,801,655
Tower Lease Rental Revenue	1,892,849	1,680,811	1,944,902	1,731,236
Other Income	-	164,343	-	-
Interest Income	111,054	92,997	107,034	34,024
Rate Stabilization (to)/from	160,826	(237,241)	(1,492,308)	(952,193)
<b>Total</b>	<b>\$ 12,085,465</b>	<b>\$ 10,991,670</b>	<b>\$ 11,515,541</b>	<b>\$ 10,162,566</b>

### Description

- GRUCom Telecommunication revenues are based on historical growth rates for fiber transport services and Internet access sales, anticipated price changes and market demand estimates. Projections have been adjusted to reflect additional services in Wireless Carriers for 4G/LTE services as well as the loss of the remaining traditional TDM services.
- Public Safety Radio revenue projections are based on the historical growth rate of radios deployed. These revenues have been adjusted to reflect the new contract that has been put into place extending the service through 2020.
- Tower Lease Rental services are primarily tower space leases with Personal Wireless Communications Services (PCS) providers and co-location space leases in the GRUCom Central Office. Revenues from new leases executed in recent months have been included in the forecast. The tower space leases mandate annual CPI increases, which have also been included.
- Interest Income is generated from the investments 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) from financial reserve accounts.

### Budget Highlights

GRUCom fiber transport and data services continue to be in high demand by PCS providers, other carriers and local businesses. Wireless Carriers are continuing to increase their data services as customer demand dictates. The Network upgrades and additions to the Wireless Towers in Alachua County have us well positioned to meet bandwidth requirements as the Carriers add bandwidth to handle increased customer demand.

- GRUCom continues to receive requests from existing apartment complexes for GATOR NET services. Revenues from these new contracts are included in projections.
- Demand for co-location space at the GRUCom Central Office continues to grow at a steady pace as more companies and agencies seek to take advantage of the security, reliability and network access benefits available there. GRUCom has completed the retrofit of the existing Co-location space, allowing for additional revenue, and is evaluating additional space needs. GRUCom has initiated a project to upgrade the electrical service to the facility and in the facility to improve reliability.

- GRUCom Internet access product sales and customer bandwidth are projected to increase. GRUCom has upgraded its transport circuit to the major carrier co-location facility in Atlanta, known as Telex and to the major carrier co-location facility in Miami known as Terremark . The increased capacity and service diversity allows GRUCom to purchase low cost Internet access in large quantities with service assurance and shorter provisioning periods. Additionally, GRUCom continues to increase peering arrangements with organizations located in both facilities, which will provide a higher level of performance for GRUCom customers.
- GRUCom is working with a cellular carrier to design and install a small cell system in the local area. This system will provide revenue opportunities for GRUCom and the Electric department.
- GRUCom is delivering 1 Gigabit service to Gator Net locations. It is expected that this service offering will be expanded during the next year.
- Interest Income is expected to be less than originally budgeted for FY15 by \$18,057.
- GRUCom is projected to make a deposit to the Rate Stabilization Fund for FY15 of \$237,241 instead of the \$160,826 withdrawal originally budgeted. The FY16 budget projects a contribution of \$952,193 to the Rate Stabilization Fund.

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