

RUC ITEM
#060294

Date: 11/12/09
Regional Utilities Committee

General Fund Transfer



GFT History

- In the summer of 1999, GRU and General Government staff began to meet numerous times to work on a new GFT formula
- Public Financial Management (PFM) was contracted with to perform a study on the GFT formulas for municipal utilities around the country
- A joint presentation was made to the CCOM in January of 2000 to discuss identified interests and recommend a new formula

GFT Formula

- It was decided to adopt a formula for the Electric system that would make the General Fund indifferent to whether GRU was a municipally-owned utility or an IOU that the City theoretically owned outright
- The items that the General Fund would receive if it 100% owned an IOU would be:
 - Dividends (Return on Investment)
 - Franchise Fees
 - Property Taxes

General Fund Transfer Electric System

- Base Amount
 - Set to provide the General Fund with the equivalent of what a private utility would provide by way of return on investment and a franchise fee.
- Growth
 - Increased/decreased to the base amount on the average increase/decrease in GRU's retail kWh delivered for the prior three audited fiscal years
 - If the 3-year average increase of retail kWh delivered is equal to or greater than 0%, the base will be increased 3% a year
 - If the 3-year average retail kWh delivered is below 0, the base will be decreased by the negative percent each year

General Fund Transfer Electric System

- Incentive: One-time amount, based on audited financial results equal to:
 - 3% of Net Interchange Sales, plus
 - $\frac{1}{2}$ of the average increase in retail kWh delivered for the prior three fiscal years that exceeds 3% - this one-half is applied to the current base year
- Other Covenants: Flex rate discounts and solar rebates are deducted from the GFT.

General Fund Transfer Electric System - FY09 Budget

Total Electric Transfer	19,320,099
Growth Rate Applied – 3%	579,603
Adjusted Base	<u>19,899,702</u>
Forecasted Incentive–Interchange	17,730
Forecasted Incentive-Wholesale	127,556
Total Electric GFT	<u><u>20,044,988</u></u>

General Fund Transfer Electric System – FY10 Budget

Total Electric Transfer	19,899,702
Negative Rolling 3 Year Retail Kwh Delivered Decline	(44,890)
Adjusted Base	<u>19,854,812</u>
Forecasted Incentive–Interchange	19,500
Forecasted Incentive-Wholesale	129,635
Total Electric GFT	<u><u>20,003,947</u></u>

GFT Original vs. Revised Growth

Year	Original Base GFT	Projected Base GFT	Difference
2010	20,496,693	19,854,812	(641,881)
2011	21,111,594	19,414,719	(1,696,875)
2012	21,744,942	19,038,698	(2,706,244)
2013	22,397,290	18,866,433	(3,530,856)
2014	23,069,209	19,432,426	(3,636,782)

General Fund Transfer Water System

- Water - 14.65% of the difference between the second preceding audited fiscal year's:
 - Gross revenues less
 - University of Florida revenues
 - Surcharges
 - Plus current year's surcharges (and surcharge on connection fees) collected from customers.

GFT Water System

Calculation of Water GFT – FY 2010 Budget

2008 Total Revenue	27,125,459
Less 2008 University of Florida Revenues	(1,216,708)
Less 2008 Utility Surcharge	<u>(2,215,407)</u>
Adjusted 2008 Total Revenue	<u>23,693,344</u>
Times 14.65%	3,471,075
Plus 2010 Surcharge	2,267,465
Plus 2010 Surcharge on Connections	132,451
Total Projected 2010 Transfer	<u>5,870,991</u>

General Fund Transfer Wastewater System

- Wastewater - 14.65% of the difference between the second preceding audited fiscal year's:
 - Gross revenues less surcharges
 - Plus current year's surcharges (and surcharge on connection fees) collected from customers.

GFT Wastewater System

Calculation of Wastewater GFT – FY 2010 Budget

2008 Total Revenue	31,797,289
Less 2008 Utility Surcharge	(2,986,742)
Adjusted 2008 Total Revenue	<u>28,810,547</u>
Times 14.65%	4,220,745
Plus 2010 Surcharge	2,523,671
Plus 2010 Surcharge on Connections	<u>139,388</u>
Total Projected 2010 Transfer	6,883,804

General Fund Transfer Gas and GRUCom Systems

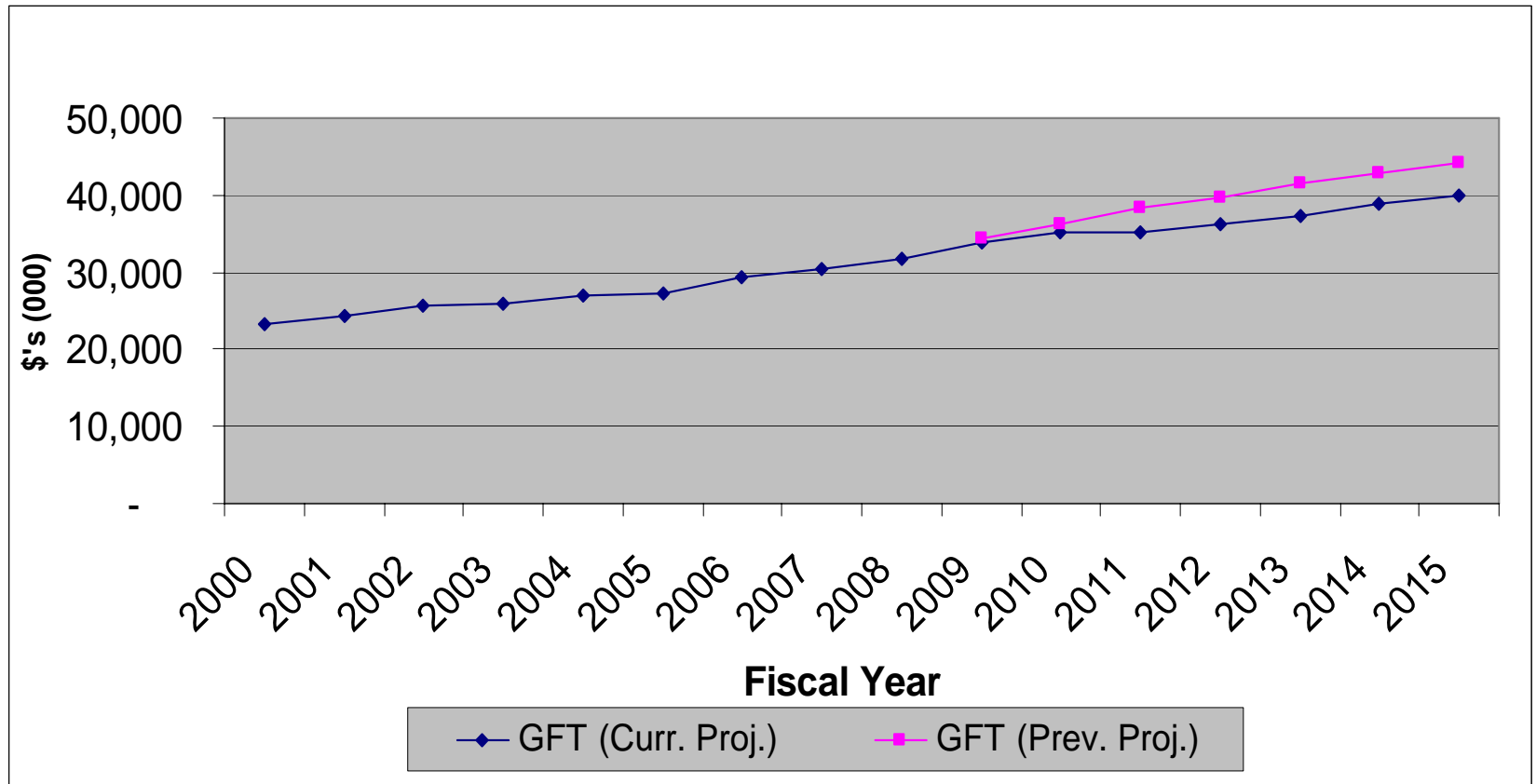
- Gas - 14.65% of the second preceding fiscal year's audited:
 - Gross revenues less fuel expense and surcharges
 - Plus current year's surcharges collected from customers.
- GRUCom - \$354,896 for FY10

GFT Gas System

Calculation of Gas GFT – FY 2010 Budget

2008 Total Revenue	32,402,306
Less 2008 Fuel Expense & MGCRF	(20,772,751)
Less 2008 Surcharge	<u>(245,781)</u>
Adjusted 2008 Total Revenue	<u>11,383,774</u>
Times 14.65%	1,667,723
Plus 2010 Surcharge	<u>359,308</u>
Total Projected 2010 Transfer	2,027,031

GFT Original vs. Revised Growth



Identified Interests

General Government

- Predictable
- Verifiable
- Stable
- Has growth built in
- Discourages changes
- Encourages annexation
- Secures a part of revenues from the county residents

Gainesville Regional Utilities

- Predictable
- Verifiable
- Stable/Consistent
- Supports Competitive Position
- Discourages changes
- Viewed upon favorably by Rating Agencies
- Can be variable from system to system
- Takes into account changes to sales
- Deals with surcharges

Information to be Provided at Future RUC Meetings

- Historical and projected GFT numbers
- Comparison of GFT vs other FL cities
- Comparison of GFT vs similarly rated utilities
- Percent of non-fuel revenue due to GFT by each systems and corresponding rate impact
- Split of GFT within city boundaries vs outside
- Comparison of the GFT vs a privately owned utility tax and franchise payments
- Millage impact of changes in the GFT
- List of pros and cons to existing formula and proposed new formulas
- Alternative methods of calculating GFT

Alternatives

- Direct GG and GRU staff to work together to provide additional information to the CCOM and present alternatives to the current GFT formulas during Fall 2010; or
- Have RUC review the data submitted and after review consider whether it is appropriate or not to direct GG and GRU staff to negotiate changes to the transfer