

**INTER-OFFICE COMMUNICATIONS
GENERAL MANAGER**

DATE: January 10, 2000
TO: Honorable Mayor and
Members of the City Commission
FROM: Michael L. Kurtz, General Manager
SUBJECT: Authorizing a discount in electric rates applicable to Bear Archery.

RECOMMENDATION:

The City Commission authorize the General Manager for Utilities to:

- 1) Execute an agreement with Bear Archery, LLC, substantially in the form attached, to engage in an exclusive long term energy supply relationship with the City in exchange for electric rate discounts that will be granted over a forty-eight month period, and
- 2) Execute an agreement substantially in the form attached, that obligates Bear Archery, LLC to annex the site of its Gainesville facility into the City once the site meets the prevailing criteria for annexation under the laws of Florida.

EXPLANATION:

Upon learning of the possibility that a significant local employer, Bear Archery, could be ceasing operations in the Gainesville area, on November 2, 1999 the City Commission authorized the General Manager to negotiate electric rate discounts in exchange for GRU being established as the firm's exclusive area power supplier for the next 10 years. The General Manager was also directed to determine if Bear Archery would consider voluntarily annexing into the City once its property became contiguous to the City limits. Finally, the General Manager was asked to provide further documentation that all the requirements of the City's Retained, Expanded, or Attracted Load Ordinance (960498) had been met. At stake are approximately 150 industrial jobs.

As a consequence of negotiations and other deliberations, Bear Archery has agreed to the prospective annexation and is willing to engage in the long-term power supply relationship with GRU. The value of discounts agreed to is approximately \$15,000 annually for four years, which is roughly 75% of the maximum allowed under the City's Ordinance. Bear Archery also agreed to voluntarily annex its site into the City whenever its site is lawfully eligible.

The Ordinance requires that retention of this customer must also be in the best interest of the City. The criteria for this determination are threefold: 1) the discount must be demonstratively necessary to retain the load; 2) revenue forgone by the City, under the Rider, and any other financial incentives offered by the City shall not outweigh the long term quantitative and qualitative benefits to the City's taxpayers and utility ratepayers; and 3) the business activity is consistent with the City's goals, objectives and policies regarding: Land Use and Zoning,

Need Utility Analyst to review

Environmental Impacts, Economic Development Objectives and Transportation Infrastructure. A report entitled "Evaluation of the Consistency of the Bear Archery Manufacturing Site with Goals and Objectives of the City of Gainesville" has been prepared which summarizes the evaluation of these criteria with documentation from appropriate local agencies and staff's fiscal impact analysis to assess criteria "2".

Staff concludes that criteria "1" is met in that the availability of the discount will be necessary to retain the customer. Staff performed a fiscal impact analysis, performed using the model developed for this purpose by Dr. Hank Fishkind. The analysis indicates that, even with the provision of the estimated maximum discount available (approximately \$20,000 per year for four years) retaining Bear Archery in Gainesville, with its high prospect for additional industrial expansion, results in approximately \$200,000 of net present benefit to the City over the next 10 years.


To determine the extent to which the business activity is consistent with the City's goals, objectives and policies regarding: Land Use and Zoning, Environmental Impacts, Economic Development Objectives and Transportation Infrastructure, the Economic and Community Development departments were consulted. The Economic Development department noted that the project is consistent with countywide economic development goals. Since the project is currently outside of the City limits, the Community Development department consulted with pertinent County departments including: the Department of Growth Management, the Public Works department and the Environmental Protection department.

For these reasons, staff recommends that the City Commission determine that retention of Bear Archery in the area is in the best interest of the City and authorize the General Manager to execute agreements with Bear Archery, LLC to extend the discounts under the terms contemplated herein and provide for voluntary annexation into the City Corporate Limits whenever appropriate.


FISCAL IMPACT

~~The City~~ will forgo approximately \$15,000 of General Fund Transfer per year for four years, but will retain \$200,000 of net present value benefit that would be lost if Bear Archery were to relocate out of the Gainesville Urban Area.


Prepared by:


Berdell Knowles
Managing Utility Analyst

Reviewed by:


Raymond O. Manasco, Jr.
Utilities Attorney

Submitted by:


Michael L. Kurtz
General Manager

Attachments