

City of Gainesville

*City Hall
200 East University Avenue
Gainesville, Florida 32601*



Minutes

Tuesday, January 21, 2014

3:00 PM

City Hall, Roberta Lisle Kline Conference Room

Regional Utilities Committee

*Commissioner Todd Chase, Chair
Mayor Ed Braddy, Member
Commissioner Lauren Poe, Member*

Persons with disabilities who require assistance to participate in this meeting are requested to notify the Equal Opportunity Department at 334-5051 or call the TDD phone line at 334-2069 at least two business days in advance.

CALL TO ORDER

The meeting was called to order at 3:36 p.m.

ADOPTION OF THE AGENDA

The agenda was adopted as drafted.

APPROVAL OF MINUTES

[130623.](#) RUC December 17, 2013 Meeting Minutes (B)

Attachments: [130623 RUC 12-17-13 Meeting Minutes 20140109](#)

RECOMMENDATION *Approve the minutes of the December 17, 2013 RUC meeting as drafted.*

The minutes of the December 17, 2013 RUC meeting were approved as drafted.

CURRENT ACTION ITEMS

[130585.](#) Gainesville Chamber Energy Competitiveness Report (B)

Attachments: [130585 Competiveness Report A 20131219 .pdf](#)
[130585 Competitiveness Report B 20131219.pdf](#)
[130585 Competitiveness Report C 20131219.pdf](#)

RECOMMENDATION *Review and discuss the recommendations made by the Gainesville Chamber in its Energy Competitiveness Report.*

Commissioner Chase explained that the purpose of the meeting was to discuss the Chamber's energy report, and suggested that the committee focus on the Chamber's four stated goals. The committee agreed to the format. He also mentioned that today's meeting would not focus on governance. Last week the commission voted to have a workshop on governance with the full commission and that February 4th and 11th are tentative dates.

Kathy Viehe opened the discussion with an update from last week's city commission meeting regarding the fuel adjustment and outlined the changes to the ordinance recommended by staff. There will be two ordinance readings before they are enacted. Attorney McNeill stated the readings will likely take place at the end of March or early in April. These changes address some of the suggestions made in the Chamber's Energy Report.

Kathy Viehe began the discussion on GFT and Russ Blackburn gave a summary of its history. He and Kathy Viehe have met on the topic and have a recommendation that will go to the city commission next week when general government presents their 5-year plan in a workshop. The impacts from the recommendation will be covered in that workshop. Mr. Blackburn noted that he expected the recommendation to fall within the suggestions by the chamber report. Kathy Viehe added that we all (GRU and GG) will likely need to reduce

expenses based on the recommendation – general government will have less GFT and GRU has rate issues. Poe noted that he has supported the property tax the city would receive from GREC be reflected in a reduction to the GFT. County Commissioner Pinkosen said the GFT is subsidized by county residents because the funds are used for city services that may not benefit customers outside the city, or some more than others.

Commissioner Poe said that most people outside the city come into the city to work and shop and that they benefit from city services. He said that there is no way to distinguish which customers benefit from which city services in order to have them help pay for the services individually.

Commissioner Chase agreed that Commissioner Pinkosen's concern is legitimate and warrants further study and discussion.

Commissioner Poe asked for a history of surcharge and GFT and information on what others do and mentioned the Rusk report, and Commissioner Bottcher mentioned that it was available as backup from the last annexation meeting if anyone needed a copy. Commissioner Chase pointed out that if the GFT goes down, helping all county customers, the millage rate [property tax] goes up for city residents. Mayor Braddy suggested staff identify city services used by county residents and quantify these.

Mayor Braddy asked what comes next? Growth assumption of 1.5% is built into staff's recommendation on the GFT. He would like to see growth of GRU sales before automatically adopting an escalator. Generally, he is very supportive of the dialogue between the Interim General Manager and the City Manager and the seriousness all are taking on the topic. Mr. Blackburn said that there are assumptions built into the 5-year plan including those for the GFT. It was noted that the commissioners' received the plan in their mailboxes the day of the meeting.

Discussion then began on Peer Utility Cost Comparison and the Chamber's recommendation to benchmark costs to peer mean.

Chamber representative Kamal Latham clarified that they meant we should target our rates to the average of all Florida munis, within ½ standard deviation. Mayor Braddy expressed that he likes that method. Commissioner Poe said it is too simplistic and that Ms. Davenport (Chamber) is trying to bring people in from around the world to establish their businesses here. He feels we need to look at home utility costs as part of the overall considerations. He would also like to look at taxes, wages, quality of education, etc. Competitiveness is just one goal, not the only one.

Commissioner Chase asked Kathy Viehe what direction staff needs from the commission on this topic. Kathy said that GRU's mission statement includes having competitive rates and it is important. Should we continue to use current peer group? Would like to come back to RUC to discuss who our peers should be. She said that staff is developing a strategic plan to review with the City Commission in March and part of that is how to reduce rates. There is a big gap and it is going to take multiple years. Cannot do this in one year.

Commissioner Chase commented that he does not like the current method of comparing a basket of services. In his opinion it is used to mask high electric rates and it also makes it difficult to see the good story of how competitive our gas rates are.

Diane Wilson explained that we use the basket of services comparison because we are unique in the number of services we offer and we try to compare GRU against a range of utilities to be sure we cover each service.

Commissioner Chase agreed that doing comparisons is complex but asked that we move away from the basket of services method.

Discussion moved on to governance. Commissioner Chase recommended that the discussion be tabled in light of an upcoming scheduled workshop and special commission meeting to discuss governance in early February. He said that any discussion held tonight would likely be rehashed at the workshop. The committee agreed but did hear comments from Utilities Attorney Shayla McNeill.

Ms. McNeill handed out a spreadsheet with a list of several Florida municipals with an explanation of their governing structure. The committee agreed that it was good information and would be useful in the workshop. They and some citizens made suggestions for adding additional information and Mrs. McNeill agreed that she would add it and include the table in the back-up for the workshop. Ms. McNeill notes that this still a working draft and a memo from the legal office will be provided in the future.

MEMBER COMMENT

CITIZEN COMMENT

Mr. McEachern had concerns about the circular nature of the GREC property tax being included in the GFT calculation. Commissioner Chase provided some clarification and mentioned that the municipalities will all receive a share of the property tax that GREC pays; only the city's share is part of the calculation. The estimate of what the city will receive is \$1.4 million.

Mr. Washington commented that using gross revenue inclusive of fuel is a high basis for calculating GFT as a percent of revenue. He feels that since there is no profit on fuel, it should not be included in the calculation. Kathy Viehe clarified that the GFT proposal is not based on revenue; it is a fixed number, not based on a formula. Kathy Viehe clarified that GRU has excellent financial metrics and had some dialogue regarding bond ratings.

Ms. Beatty mentioned that the discussion is on businesses but small businesses get lost. Asked that small businesses are not forgotten as you look for large businesses to bring into Gainesville.

Ms. Darin agreed that selecting peers can be challenging and that we need to focus on what other attributes Gainesville has, like a commitment to renewables and that they come at a higher cost. She understands the KUA and Ft. Pierce are all-requirement participants [purchase all power from FMPA]. Conservation is important, SBAC saved \$1.6 million. She was able to lower her bill by \$100 by making changes in home. Feels that gas prices will not remain low after the fracking bubble ends and we will then have stable pricing for the long term. Fracking is producing gas at higher cost than can sell it for; this is not a sustainable model.

Mr. Martinez feels that the move to 69 mills from 71 mills for the fuel adjustment is a waste of time.

Mr. Konish feels that FPL Lobbyists would support the Perry bill so it is likely the utility industry won't stop the bill.

Mr. Grundy asked if the Perry bill is constitutional. Ms. McNeill relayed that the legal memo will be out by the time the governance workshop is held.

NEXT MEETING DATE

February 13, 2013

ADJOURNMENT

The meeting was adjourned at 5:57 p.m.