

# FY 2020 Baseline O&M and Capital Budget

Item #180887

April 3, 2019

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## *Key Drivers*

Employee FTE count stands at 808

Approved FTEs: 892

2% employee raise pool

No change in service levels, except TRS

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## *Key Drivers*

Increased service level in Trunking Radio System (TRS)

Next phase of ERP not included

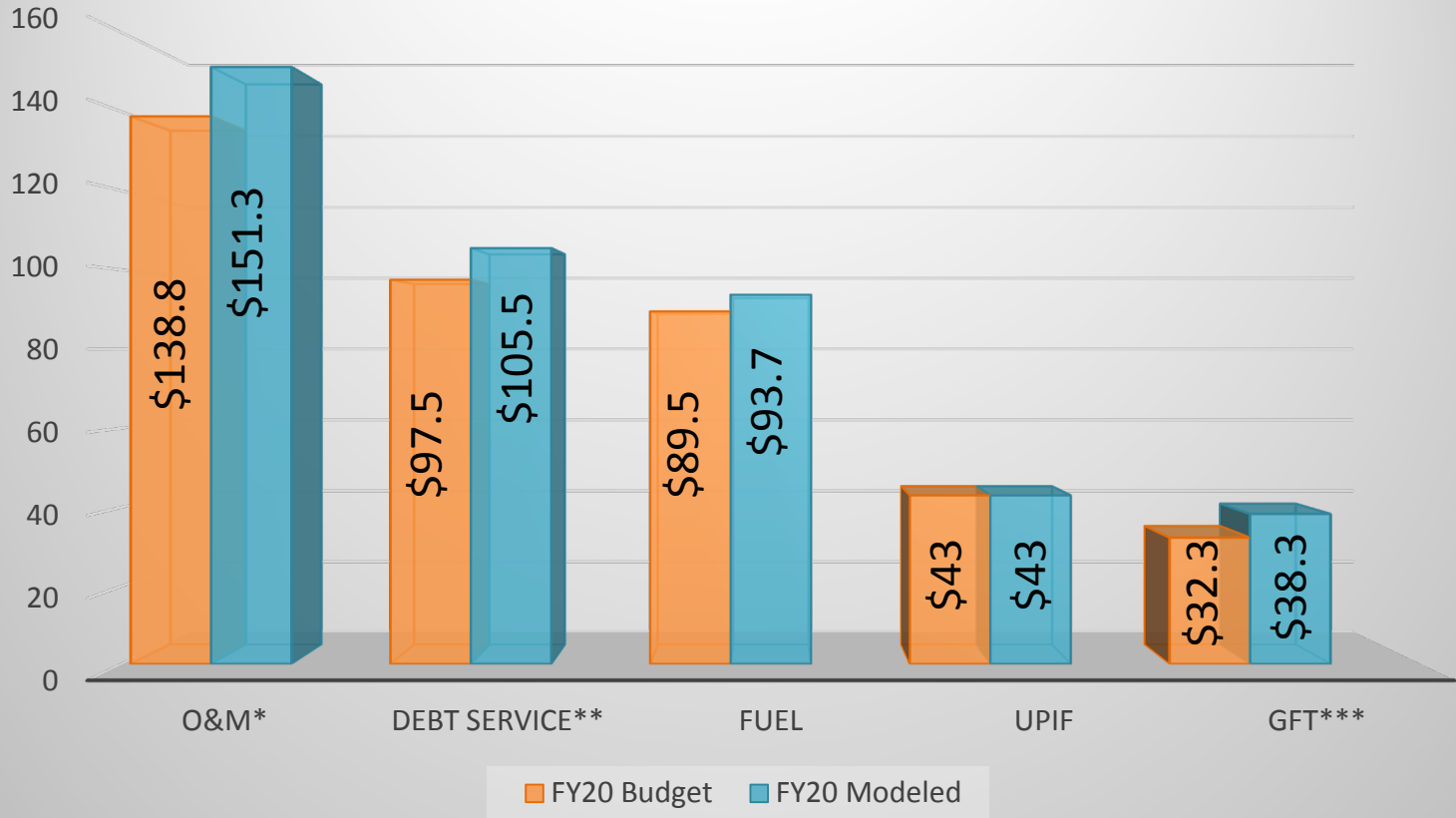
AMI not included

Capital expenditures (CAPEX) are associated with safety, reliability & revenue or contract requirements

# FY2020 Baseline O&M and Capital Budget

## First Blush at FY20

### Expenditures by the Numbers (millions)



\* Exceeds Scorecard goal

\*\* Meets Scorecard goal

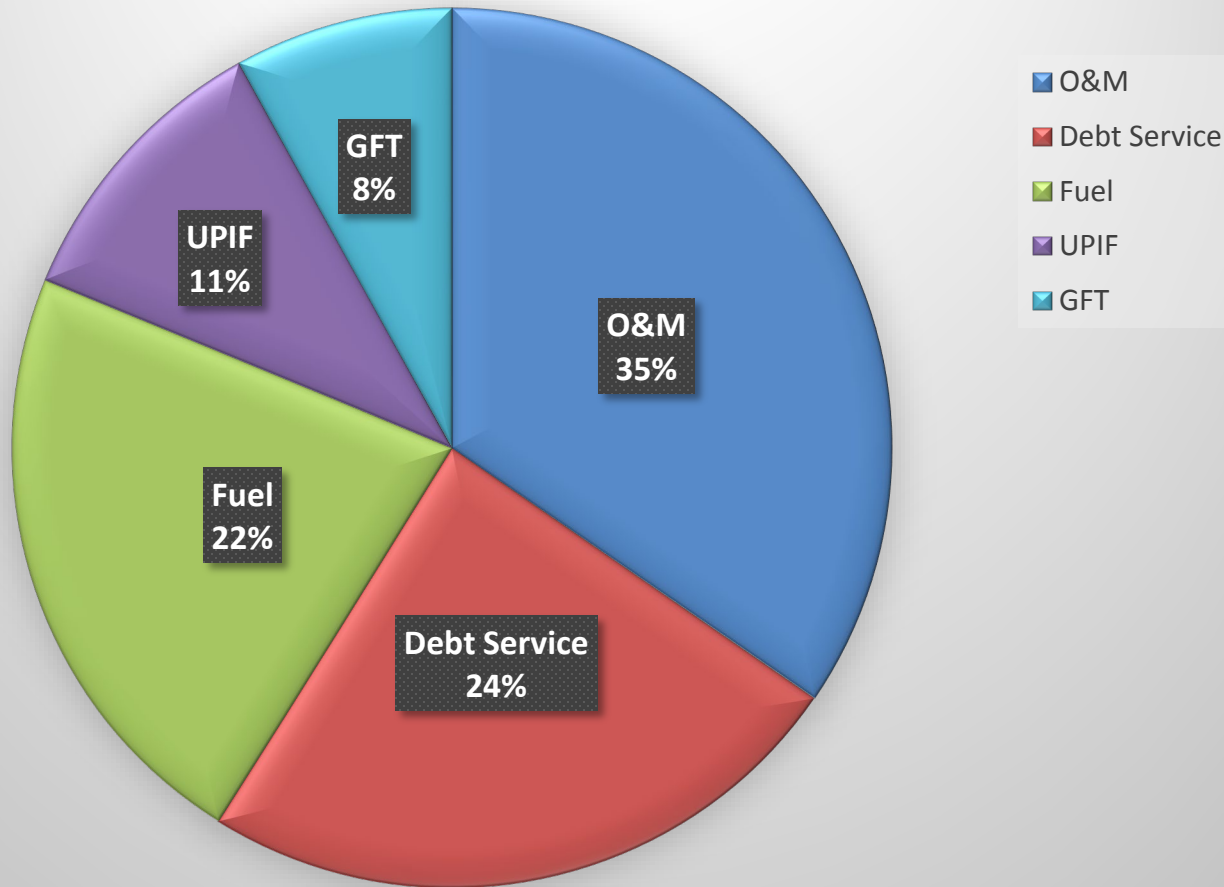
\*\*\* In discussion with GG about reduction in GFT

**Total = \$401.1**

# FY2020 Baseline O&M and Capital Budget

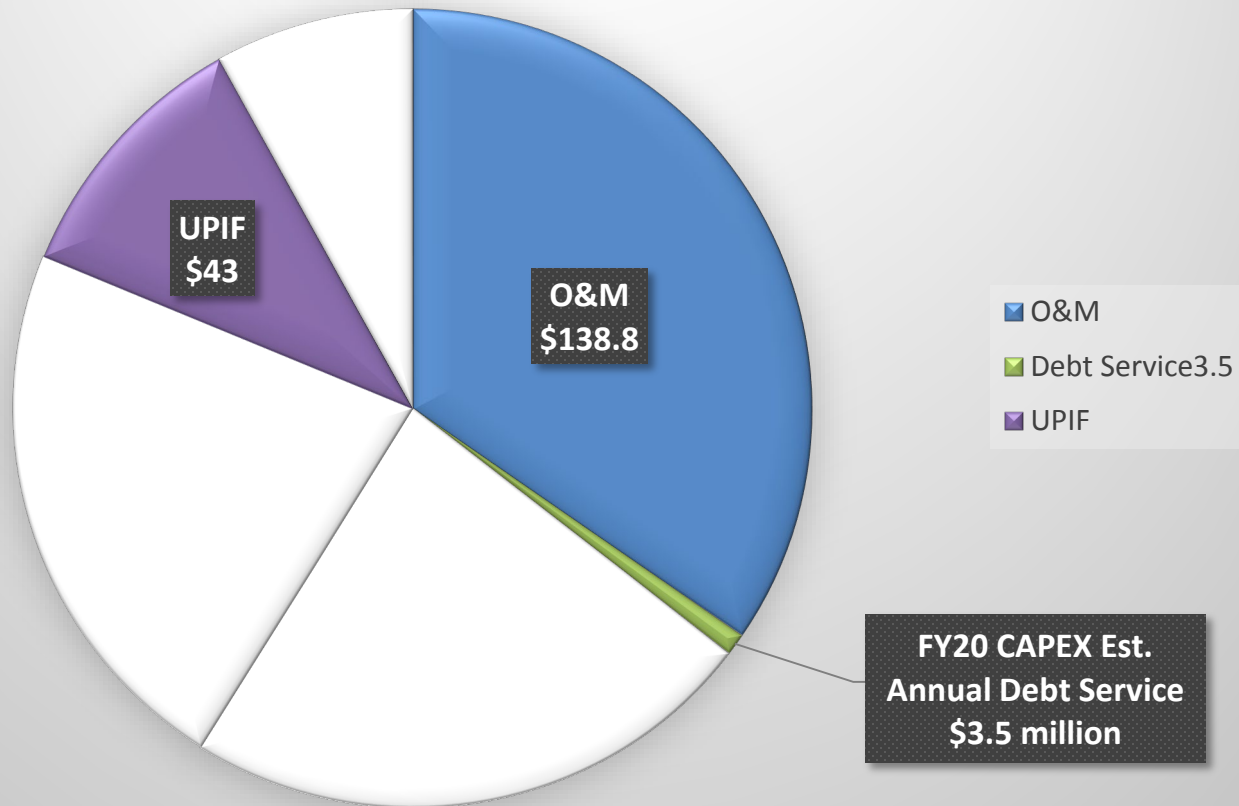
*First Blush at FY20*

## Expenditures by Percentage of Budget



# FY2020 Baseline O&M and Capital Budget

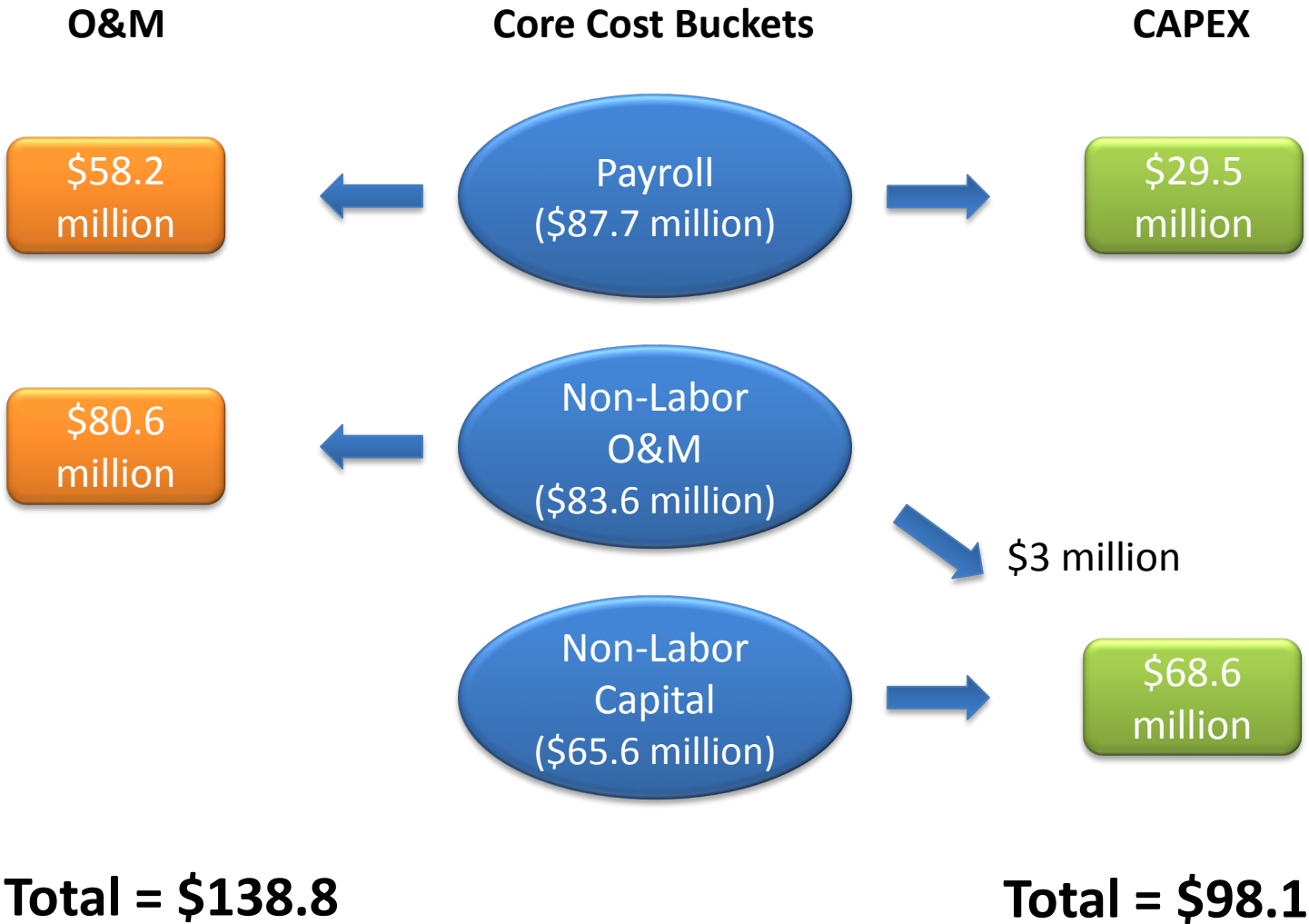
Focus on three cost buckets that drive O&M and change in Debt Service and UPIF



Debt Service is an estimate; the actual funding cost and split is not yet finalized

# FY2020 Baseline O&M and Capital Budget

*How the core cost buckets end up in O&M and CAPEX*



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## *O&M and Capital to Change Revenue Requirement for Rates*

*To decrease the revenue requirement by 1%, O&M or Capital would need to decrease by:*

System	Electric	Gas	Water	Wastewater
O&M	\$1.6 million	\$144,000	\$338,000	\$407,000
Capital	\$29 million	\$2.6 million	\$6.2 million	\$7.4 million

**Bottom line:** O&M has a greater impact on current customer rates.



# FY2020 Baseline O&M and Capital Budget

## *Payroll and Non-Labor O&M Cost Buckets Comparison*

	FY20 Baseline	FY20 Modeled	FY19 Budget
Payroll	\$87.7 million	\$85 million	\$81.7 million
O&M	\$83.5 million	\$88.1 million	\$78.8 million
<b>Total</b>	<b>\$171.2 million</b>	<b>\$173.1 million</b>	<b>\$170.5 million</b>

**Bottom line:** \$1.9 million reduction from FY20 modeled to Baseline. Overall impact to O&M is greater because GRU is strategically using more internal labor to complete capital projects.

# FY2020 Baseline O&M and Capital Budget

## *CAPEX Cost Bucket Comparison*

	FY20 Baseline	FY20 Modeled	FY19 Budget
Non-Labor CAPEX	\$65.6 million	\$77.8 million	\$69.2 million

**Bottom line:** \$12.2 million reduction from FY20 modeled to Baseline

# FY2020 Baseline O&M and Capital Budget

## Non-Labor Capital (millions)

Systems	FY20 Budget	FY19 Budget	Variance	Notes
Energy Delivery	\$13.3	\$12.9	\$0.4	-
Energy Supply	22.8	12.8	10.0	Kelly Steam Turbine \$8.1
GRUCom	1.5	2.2	(0.7)	Voice Switch capital in FY19
IT	0.7	18.9	(18.2)	Deferral of ERP
Water	6.8	6.9	(0.1)	-
Wastewater	17.4	12.4	5.0	East Train at Kanapaha \$3.0
Gas	2.5	2.0	0.5	Expansion of pipeline to Newberry/development
Admin	0.6	1.1	(0.5)	Warehouse equipment
<b>Total</b>	<b>\$65.6</b>	<b>\$69.2</b>	<b>(\$3.6)</b>	

# FY2020 Baseline O&M and Capital Budget

## *Key Points*



GRU uses its in-house employees to perform work on capital projects, which reduces non-labor capital costs and more effectively utilizes internal talent.



Capital projects are healthier for the utility because they typically increase safety and reliability and result in lower annual O&M costs.



Eliminating capital expenditures can have a negative financial impact by leaving more payroll and non-labor O&M in O&M Expenses, which causes upward rate pressure.

# FY2020 Baseline O&M and Capital Budget

## *Key Points*



Baseline budget exceeds O&M cost-reduction goal of \$2 million by assigning more internal staff to capital projects (fixed costs) and further reducing overall O&M costs.



Reduces CAPEX from FY20 model of \$77.8 million to \$65.6 million, or \$12.2 million.



Budget fulfills vision of scorecard by reduction in O&M, reduction in debt service and reduction in GFT.

*The Beginning ... of GRU  
Sustainability*



# FY2020 Baseline O&M and Capital Budget

## FY20 Payroll & Non-Labor O&M (Exhibit 1)

	All payroll	Non-Labor Costs	FY20 Budget Total	FY20 Modeled Total	Delta
<b>Profit Centers</b>					
Energy Supply	19,342,399	23,884,878	43,227,277	43,770,474	(1.24%)
Energy Delivery	21,539,460	6,194,015	27,733,475	27,041,424	2.56%
Water	6,781,795	6,548,008	13,329,803	13,260,587	0.52%
Wastewater	8,469,447	7,282,844	15,752,291	16,019,198	(1.67%)
Gas	3,221,561	620,343	3,841,904	3,878,707	(0.95%)
GRUCom	3,785,685	4,242,268	8,027,953	6,383,153	25.77% (1)
<b>Total Profit Center</b>	<b>\$63,140,347</b>	<b>\$48,772,356</b>	<b>\$111,912,703</b>	<b>\$110,353,543</b>	<b>1.41%</b>
<b>Cost Centers</b>					
Administration	4,387,553	2,177,376	6,564,929	6,762,209	(2.92%)
BFA	3,705,668	503,442	4,209,110	4,351,000	(3.26%)
Customer Service	8,411,018	6,172,036	14,583,054	14,687,458	(0.71%)
IT	7,032,870	4,931,059	11,963,929	11,591,179	3.22%
System Expenditures	-	18,209,156	18,209,156	18,306,005	(0.53%)
ERP	993,641	2,797,645	3,791,286	7,056,655	(46.27%) (2)
<b>Total Cost Center</b>	<b>\$24,530,750</b>	<b>\$34,790,714</b>	<b>\$59,321,464</b>	<b>\$62,754,306</b>	<b>(5.47%)</b>
<b>Total</b>	<b>\$87,671,097</b>	<b>\$83,563,070</b>	<b>\$171,234,167</b>	<b>\$173,107,849</b>	<b>(1.08%)</b>

(1) Support costs for new Motorola system increased \$900,000 compared to out-of-support older system; will be part of new TRS agreement with city.

(2) Recognizes deferral of ERP project.