

Date: 10/20/08

Regional Utilities Committee #060294

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

Calculation of Electric GFT – FY 2009 Budget

Total Electric Transfer	19,320,099
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Growth Rate Applied – 3%	579,603
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Adjusted Base	19,899,702
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Forecasted Incentive–Interchange	17,730
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Forecasted Incentive-Wholesale	127,556
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Total Electric GFT	20,044,988
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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 2009 Budget

2007 Total Revenue	23,643,991
Less 2007 University of Florida Revenues	(951,324)
Less 2007 Utility Surcharge	<u>(2,103,739)</u>
Adjusted 2007 Total Revenue	<u>20,588,928</u>
Times 14.65%	3,016,278
Plus 2009 Surcharge	2,555,265
Plus 2009 Surcharge on Connections	202,528
Total Projected 2009 Transfer	<u>5,774,071</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 2009 Budget

2007 Total Revenue	27,380,430
Less 2007 Utility Surcharge	(2,054,114)
Adjusted 2007 Total Revenue	<u>25,326,316</u>
Times 14.65%	3,710,305
Plus 2009 Surcharge	2,327,963
Plus 2009 Surcharge on Connections	279,446
Total Projected 2009 Transfer	<u>6,317,714</u>

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 - \$344,559 for FY09

GFT Gas System

Calculation of Gas GFT – FY 2009 Budget

2007 Total Revenue	29,328,090
Less 2007 Fuel Expense	(18,514,704)
Less 2007 Surcharge	<u>(281,000)</u>
Adjusted 2007 Total Revenue	<u>10,532,386</u>
Times 14.65%	1,542,995
Plus 2009 Surcharge	<u>276,300</u>
Total Projected 2009 Transfer	1,819,295

Identified Interests

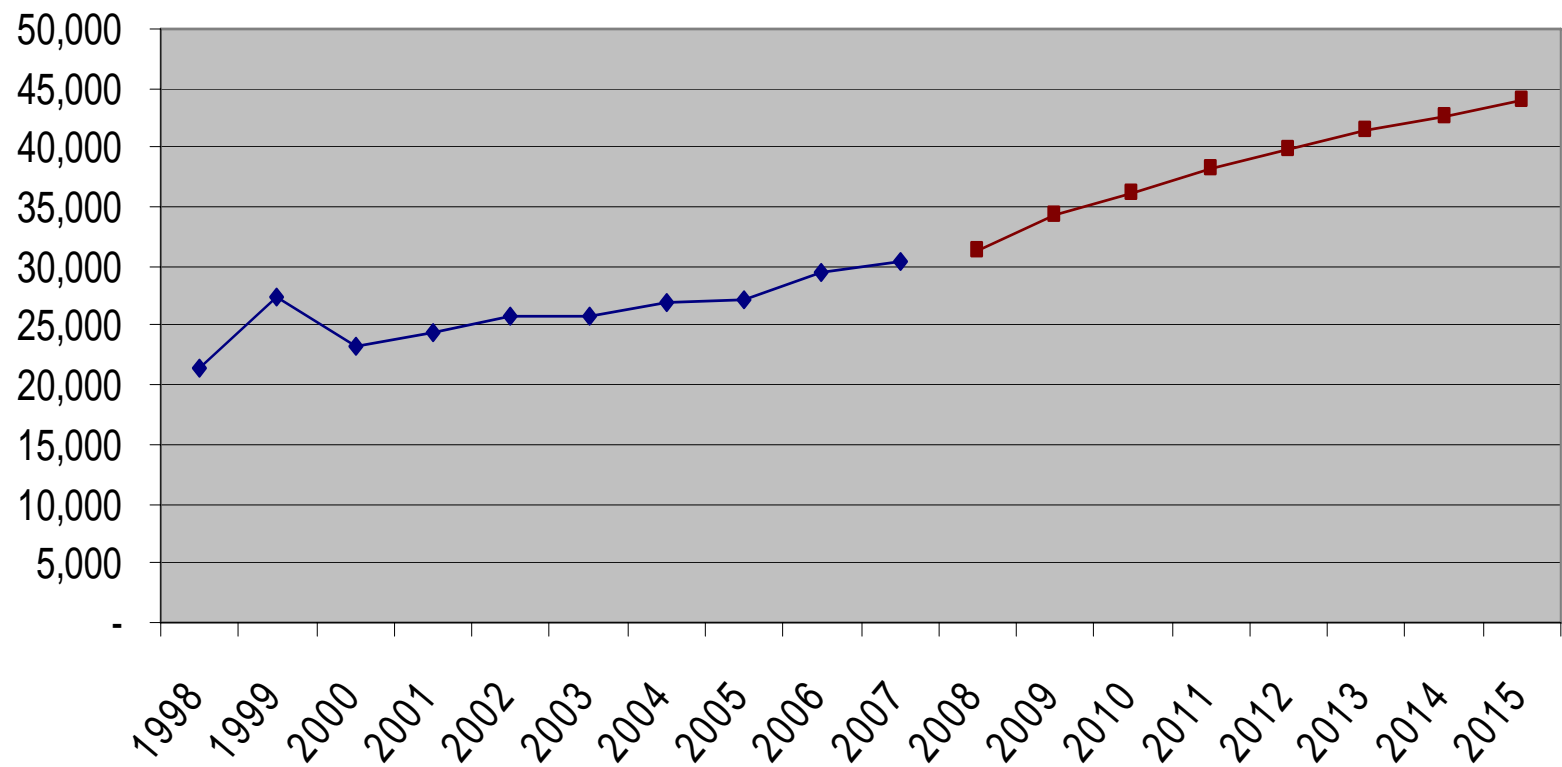
General Government

- 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

Historical and Projected GFT



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

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 Spring 2009; 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