

SUMMARY OF RECOMMENDATIONS

City of Gainesville – External Investigative Review of Gainesville Regional Utilities (GRU) Summary of Recommendations

The following is a summary of the key recommendations included in Navigant’s report from the Investigative Review of the Gainesville Regional Utilities (GRU) with specific reference to areas within the report where the recommendations are discussed, as well as related findings and observations highlighting the bases for such recommendations.

| No. | Recommendation | Report Section | Responsible Party |
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| 1 | Reconsider a Prepayment Arrangement | Section I. Executive Summary, Subsection L – Item 1, p. 30; Section VI. Assessment of the PPA with GREC, Subsection E – Item 1, pp. 120-121 | GRU General Manager |
| 2 | Convert PPA to a Tolling Agreement (GRU Purchases Fuel Handling Facilities) | Section I. Executive Summary, Subsection L – Item 2, p. 31; Section VI. Assessment of the PPA with GREC, Subsection E – pp. 121-122 | GRU General Manager |
| 3 | Reduce Minimum Dispatch in PPA to 55 MW | Section I. Executive Summary, Subsection L – Item 3, p. 31; Section VI. Assessment of the PPA with GREC, Subsection E – Item 3, p. 122 | GRU General Manager |
| 4 | Shift Payment Terms in the PPA | Section I. Executive Summary, Subsection L – Item 4; Section VI. Assessment of the PPA with GREC, Subsection E – Item 4, pp. 122-123 | GRU General Manager |
| 5 | Continue to Seek Third Parties to Take a Portion of the GREC Output | Section VI. Assessment of the PPA with GREC, Subsection E – Item 5, p. 123 | GRU General Manager |

SUMMARY OF RECOMMENDATIONS

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| 6 | Continue to Seek Third Parties to Take Available MWs from the Deerhaven Coal Generation Facility | Section VI. Assessment of the PPA with GREC, Subsection E – Item 5, p. 123 | GRU General Manager |
| 7 | Consider Pooling Generation Assets with other Municipality Generators within the State | Section VI. Assessment of the PPA with GREC, Subsection E, Item 5, p. 123 | GRU General Manager |
| 8 | Consider Exchanging Generation Assets and GREC PPA Rights for a Long-Term PPA | Section VI. Assessment of the PPA with GREC, Subsection E, Item 5, pp. 123-124 | GRU General Manager |
| 9 | Evaluate the current GRU Rate Structure and Consider offering a “Green Choice” Option | Section VI. Assessment of the PPA with GREC, Subsection E, Item 5, p. 124 | GRU General Manager |
| 10 | Communication between GRU and the City Commission should be more formalized through the development of a standardized format and content of information provided to the City Commission | Section I. Executive Summary, Subsection M – Item 3, p. 33; Section VIII. City and GRU Internal Controls, pp. 166-168 | City Commission |
| 11 | Evaluation of the potential benefits and drawbacks of using a “Steering Committee” on complex projects or contract negotiations to review overall status, provide broad oversight, and to interface with the City Commission | Section I. Executive Summary, Subsection M – Item 3, p. 33; Section VIII. City and GRU Internal Controls, pp. 166-168 | GRU General Manager |
| 12 | The City Commission should consider revising its governance structure through the creation of an Independent Board | Section I. Executive Summary, Subsection M – Item 3, p. 34 and Section VIII. City and GRU Controls, p. 158, and Item 7, pp. 170-177 | City Commission |
| 13 | As an interim step, the City Commission should consider augmenting its governance structure through the use of a more robust advisory committee (e.g., similar to the original intent of the Gainesville Energy Advisory Committee ‘GEAC’). | Section I. Executive Summary, Subsection M – Item 4, p. 34 and Section VIII. City and GRU Controls, p. 158 and pp. 170-177 | City Commission |

SUMMARY OF RECOMMENDATIONS

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| 14 | Authorize the General Manager to only negotiate a contract with a selected vendor, and require that the negotiated contract be brought back to the City Commission for ultimate approval | Section I. Executive Summary, p. 32 and Section VIII. City and GRU Internal Controls, Subsection D—Item 3, pp. 163-167 | City Commission |
| 15 | Require the City Attorney’s approval of a complex contract before it is executed | Section I. Executive Summary, p. 32 and Section VIII. City and GRU Internal Controls, Subsection D—Item 3, pp. 163-167 | City Commission |
| 16 | Require the General Manager to provide updates to the City Commission if there are issues that arise during the negotiation in relation to certain pre-determined key terms (e.g., pricing) | Section I. Executive Summary, p. 32 and Section VIII. City and GRU Internal Controls, Subsection D—Item 3, pp. 163-167 | City Commission |
| 17 | Record contract negotiation sessions with a selected vendor, which would provide a record of what was discussed and negotiated, as well as satisfy open records requirements upon execution of the contract | Section I. Executive Summary, p. 32 and Section VIII. City and GRU Internal Controls, Subsection D—Item 3, pp. 163-167 | City Commission |
| Other Recommendations | | | |
| 18 | Establish reporting metrics and a reporting format to continually evaluate the relative cost/benefit of long-term contracts, such as the PPA, over the term of the agreement | Section I. Executive Summary, Subsection H – Item 2, p. 21, Subsection I – Item 10, p. 27; Section VI. Assessment of the PPA with GREC, p. 108 | GRU General Manager |
| 19 | Develop a more formal risk management process for identifying, evaluating and quantifying the potential impact of key business and contract risks including more standardized processes for recording and communicating relevant information to management and the City Commission | Section I. Executive Summary, Subsection I – Item 10, p. 27, Subsection M – Item 4, p. 34; Section VII. Financial Impact of the PPA and Outlook for Biomass, p. 128; and Section VIII. City and | GRU General Manager |

SUMMARY OF RECOMMENDATIONS

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| | | GRU Internal Controls, pp. 168-169 | |
| 20 | Require that ratepayer impact be evaluated as one of the key drivers in City/GRU decision-making and be included as an evaluation criteria in the ranking process for vendor selection | Section V. Review of Decision-Making – RFP to Equitable Adjustment, Subsection D – Evaluation, Analysis and Observations, Item 4.d), p. 91; Section VIII. City and GRU Internal Controls, p. 159 | GRU General Manager |
| 21 | Develop standards for future RFI/RFP competitive bidding processes including vendor sourcing and qualification, competitive pricing, purchase orders, vendor contracts and vendor assessments, among others. Institute requirements for: <ul style="list-style-type: none"> ▪ The inclusion of draft or preferred form contracts in RFPs and associated responses; ▪ Establishment of firm pricing in responses to RFPs up to set dates; and ▪ Include ratepayer impact as a key evaluation criteria in proposal/vendor ranking and selection processes. | Section I. Executive Summary, Subsection M – Item 2, pp. 32-33; Section V. Review of Decision-Making – RFP to Equitable Adjustment, Subsection C – Summary Findings and Observations, p. 84; Section VIII. City and GRU Internal Controls, p. 165 | GRU General Manager |
| 22 | Establish a policy to require termination of negotiations with top ranking parties if terms under the bidder’s “binding proposal” are materially changed; and if agreement cannot be reached with successive bidders on City/GRU terms, to rebid or abandon the project | Section I. Executive Summary, Subsection H – Item 4, pp. 21; Section VI. Assessment of the PPA with GREC, Subsection D – Evaluation, Analysis and Observations, p. 114-115 | City Commission |
| 23 | Evaluate other corporate policies that may provide more instructive controls over the purchasing function including: <ul style="list-style-type: none"> ▪ <i>Delegation of Authority</i> – to establish delegated signature authority for signing contracts, authorizing purchases, authorizing projects and approving disbursement of funds. | Section I. Executive Summary, Subsection M, Item 2, pp. 32-33; Section VIII. City and GRU Internal Controls, Subsection D – Item 3, p. 165 | City Commission |

SUMMARY OF RECOMMENDATIONS

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| | <ul style="list-style-type: none"> ▪ <i>Contract Approval Forms</i> – to authorize the acquisition of goods or services, and which include relevant information related to the good or service including service descriptions, contract start and end dates, estimated hours and rates, and not-to-exceed amounts, as well as the required approval signatures of the designated individuals. | | |
| 24 | Establish guidelines for the retention of, and responsibility for, third-party experts and/or advisors providing independent reviews, as well as guidelines for reporting observations, findings and/or recommendations to the City Commission | Section I. Executive Summary, Subsection J – Item 6, p. 29; Section VIII. City and GRU Internal Controls, Subsection D – Item 5, pp. 167-168 | City Commission |
| 25 | Establish guidelines and procedures for audits of key contracts by the City Auditor to ensure contracts are being administered in accordance with contract terms and that applicable procurement, contract management, and risk management practices are being followed. | Section I. Executive Summary, Subsection J – Item 6, p. 29; Section VIII. City and GRU Internal Controls, Subsection D – Item 5, p. 168 | City Commission |
| 26 | Develop a more formal change control and impact assessment process to ensure effective, and timely, evaluation and analysis of contract or project changes | Section VIII. City and GRU Internal Controls, Subsection D – Item 9, p. 179 | GRU General Manager |
| 27 | Task the GRU CFO (or other staff from the Finance and Accounting Department) with the financial evaluation and management of significant contracts and involve them in reporting/communication to the City Commission | Section VIII. City and GRU Internal Controls, Subsection D – Item 4, p. 165, Item – 5, p. 166-167 | GRU General Manager |