

2015 Business Plan Overview

Gainesville Regional Utilities, known as GRU, is a multi-service utility owned by the City of Gainesville. As the fifth largest municipal electric utility in Florida, our combined services make us the most comprehensive utility in the state, serving approximately 93,000 retail and wholesale customers in Gainesville and surrounding areas and offering:

- Electric
- Natural gas
- Water
- Wastewater
- Telecommunications

We are financially sound, maintaining a "AA" bond rating and a high level of reliability across all systems. Not unlike other utilities, GRU is facing significant challenges in the electric system with high electric rates trending even higher due to declining sales, slow customer growth, customer conservation, distributed generation, the integration of new generation and a soft wholesale market for all of our electric generation resources.

Customer expectations are also on the rise to provide choice and a high level of responsiveness to their individual needs. Communication with customers continues to expand across many channels as they have become accustomed to conducting business from anywhere at any time.

The workforce is also changing. Both current and potential employees have diverse expectations, and one-size-fits-all compensation, recruitment and retention efforts are becoming less common. In addition, GRU's workforce has little depth and there are greater expectations to do more with less.

Although we are well positioned with a diverse generation mix, an uncertain regulatory environment for electric and water make long term planning more difficult. As a community-owned utility, GRU's board, the Gainesville City Commission, experiences change on almost a yearly basis, making long-term decision making and planning more challenging.

All of the factors outlined above highlight the need for a strategic plan to bring direction and consensus to stakeholders and help employees to know the priorities. Through feedback from customers, employees and the City Commission, GRU has identified three areas of focus, or Business Drivers:

- Maintain Financial Strength
- Deliver Excellent Service
- Develop Engaged and Proficient Employees

To address performance in these areas, we have established priorities, assigned objectives and identified measures and targets to ensure focus and resources are employed to move the organization toward the stated goals.

GRU's strategic plan lays a foundation for making the best decisions for our customers, and is a further step toward accountability and transparency. The following report provides context and explains the process.

Introduction

Why Have a Strategic Plan?

A strategic plan spells out where an organization is going and how to get there. It is a tool that translates the mission and values into measurable actions that help an organization do a better job. Since business conditions and other factors constantly evolve, it is necessary that leadership revisit GRU's plan regularly to manage the organization and serve the Gainesville community.

One of the first orders of business under the Interim General Manager was to determine the status of the current organizational strategy. Through interviews and surveys of departments, we found that one of our biggest challenges was the lack of a strategic plan to drive actions to meet the GRU mission to *provide safe, reliable, competitively priced utility services in an environmentally responsible manner to enhance the quality of life in our community.*

One organization can only dedicate resources and time to so many obligations and still be effective. There is an increasing urgency to address our fundamental responsibility to our customers through the GRU mission. A strategic plan that reflects a consensus of direction among stakeholders provides the platform for managing both human and capital resources effectively to meet stakeholders' needs. It is critical that these groups understand and support the strategic planning process and execution.

Scope of the Plan

This is a high-level plan for the future of the organization as a whole. Typically an organization would develop a three to five year plan, but we are starting with a 12 to 18 month Business Plan. This shorter term plan enables GRU to be assertive in addressing

our most immediate needs, while still allowing a longer term plan to be developed over the coming year.

GRU has hundreds of measures in place to indicate how well it performs. The conditions reflected in those measures, defined as Business Drivers in the plan, tell us where improvement is needed and generally funnel into three areas: GRU's financial performance, level of service and workforce effectiveness. As measures or conditions indicate that improvement is needed in a Business Driver, priority is assigned and objectives are set to ensure resources are focused on improvement in that area.

Components of the plan, detailed below, cascade from a broader sense of purpose as noted in the vision and mission, to further connected and more specific action items that are assigned and executed as support for achieving the utility's mission.

Vision Statement - Expresses what the organization intends to become and to achieve in the future.

Mission Statement - Describes why the organization exists. It is a declaration of the general objectives and principles of operation of the organization.

Business Drivers - A resource, process or condition that is vital for the continued success and growth of a business. There are a number of key performance indicators and measures that determine progress and performance of the organization.

Priorities - Overarching priorities the organization is focusing on for a given time period. Priorities have defined measures of success and are supported by Objectives.

Objectives - Corporate Objectives on which the highest priority and most emphasis are placed. The key steps, stages or deliverables to reach a priority. There may be only one or two Objectives necessary to reach a priority or there may be dozens. They are cross-functional in nature and supported by department plans and budgetary funding, and are rarely displaced or postponed for other projects.

Department Plans - Department team members develop their departmental strategy, plan, and objectives in alignment with the corporate strategic priorities and objectives.

Performance Objectives - Individual performance objectives support corporate and departmental priorities and objectives through GRU's performance management process.

This plan includes GRU’s mission, business drivers, priorities, objectives and metrics to measure progress. The leadership team meets early in January to validate the strategic direction and formulate the plan. Next, the plan is presented to the City Commission and public to seek input, then budgets and departmental plans are developed, and performance objectives for leadership and employees are set to accomplish action items entering the new fiscal year.

Priorities FY2015

These priorities are designed as a framework to guide the actions of GRU’s board, leadership and employees to deliver results that are most important to our customers and organization. Leadership and employees are responsible for seeing that priorities are managed through the strategic process and for meeting the metrics associated with each objective.

Maintaining Financial Strength -

GRU electric rates are higher than others in Florida and trending higher due to declining sales across all systems, slow customer growth, customer conservation, distributed generation, the integration of new generation and a soft wholesale market for all of our electric generation resources.

GRU is not alone in this regard. As covered in a Wall Street Journal article, electric consumption in U.S. homes has fallen to the lowest levels since 2001, with power usage on track to decline nationally for the third year in a row. Reasons for this decline include better homes and building codes along with more efficient appliances. The message here is that utilities can expect flat sales for the foreseeable future.

As most everyone realizes, our electric rates are already high and increasing rates will only make things more difficult for our customers. We need to act now to try to mitigate this upward pressure on rates. There are two ways to do this: either by increasing revenue, which is generally a longer term effort, or by decreasing expenses through cutting costs or improving efficiency.

Maintain Financial Strength	Priorities & Objectives	Target
Debt Expense/Revenue UPIF (Equity) RSF Risk Management Base Rates Fuel Adjustment/PGA	Reduce Electric System Revenue Requirements	
	<ul style="list-style-type: none"> – Manage combined expenses and reserves at or lower than actual revenue – Lower Fuel Expenses 	<ul style="list-style-type: none"> – ≤ 1.0 (by fund) Expenses YTD ÷ Revenues YTD – ≥ \$1 million
	Grow Revenues	
	<ul style="list-style-type: none"> – Increase net revenues 	<ul style="list-style-type: none"> – ≥ \$1 million New

		wholesale electric sales – ≥ \$200,000 New non-electric sales and revenue sources – ≥ \$1.4 million Sale or lease of unneeded system assets
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Deliver Excellent Service -

Although GRU’s overall value rating has remained steady at 7.5 as measured by the customer value survey, management trust scores have steadily declined over the past few years. There has been a great deal of criticism of GRU and the Gainesville City Commission. This has focused more attention on GRU than normal and means that every action we take is scrutinized. .

Across the industry, customers are demanding more choices in how they do business with utilities. They want flexibility, value and convenience on their terms. Our customers are becoming accustomed to using technology anytime and anywhere to do business with us.

Right or wrong, there has been a perception that GRU lacks transparency and that some decisions and direction may not be made in the customer’s best interests. It is GRU’s intent to reverse this trend by making information timely, accessible and complete.

Deliver Excellent Service	Priorities & Objectives	Target
Corporate Integrity Bill Quality Customer Service Service Quality Bill Amount/Rates	Improve Customer Perception of Trust – Improve Corporate Integrity Score	– ≥ 7.0 FY15 corporate integrity score
	Adapt to Customer’s Changing Needs – Evaluate future energy needs – Power 2020 draft of recommendations to meet future needs – Develop new products/ services/rates	– On or before 9-30-15 report submitted for review and comment to GM – On or before 2-28-15 New products identified and prioritized for implementation

Develop Engaged and Proficient Employees -

Although GRU has five separate systems with diverse needs and business conditions, the utility operates cross functionally on a number of levels. Each system and its employees are impacted by conditions in the other utilities, and corporate initiatives must reach a diverse group of employees.

The seniority of current staff and the lack of depth in some areas is a concern along with lower employee morale. Finding long term solutions to attract, retain, develop and engage talent will be significant factors in GRU's ability to continue meeting the needs of stakeholders.

The success of strategic planning and other corporate initiatives is dependent on meaningful communication, effective leadership, teamwork and individual contributions from all levels of the organization. Senior leadership recognizes the critical need to improve the utility's performance in these areas in order to better manage the organization and provide opportunities for employees to develop to their full potential.

Develop Engaged and Proficient Employees	Priorities & Objectives	Target
Safety Productivity Inclusion Compensation Professionalism Opportunity	Improve Employee Engagement <ul style="list-style-type: none"> - Develop and implement a continuous succession planning process to address GRU's current and future talent needs - Hold quarterly updates for employees - Increase diversity in qualified applicant and referred pools for positions with affirmative action goals 	<ul style="list-style-type: none"> - On or before 3-31-15 Process approved by GM and implemented - < 15 weeks - time between meetings - Increase Minority referrals by 10% - Increase Female referrals by 10%
	Improve Senior Leadership Team Effectiveness <ul style="list-style-type: none"> - Foster trust and teamwork among senior leadership 	<ul style="list-style-type: none"> - Improve trust assessment score by 2.5%
	Promote a Safe Workplace <ul style="list-style-type: none"> - Reduce recordable injuries and accidents - Reduce motor vehicle collisions 	<ul style="list-style-type: none"> - < 4.1 Recordable injury incident rate per 200,000 Man Hrs. - < 3.95 preventable vehicle collisions per million miles - < 8.23 all vehicle collisions per million miles

Conclusion

We have listened carefully to our stakeholders and consistently hear the desire to deliver on our mission to provide safe, reliable, competitively priced utility services in an environmentally responsible manner. GRU's broader groups of stakeholders are customers, employees, the Gainesville City Commission, and the community at large.

Introduction of the GRU strategic planning process represents an important step in providing clarity and prioritization and confidence in the direction our community's utility is headed. The 2015 business plan takes a step forward in advancing accountability and transparency, and begins a cycle of continuous improvement in striving for organizational excellence.

Now, more than ever, current and projected economic and business challenges require that the Utility's limited resources be focused on activities that mitigate and overcome obstacles to achieve the GRU Mission and meeting our customers' needs. By adopting and adhering to the strategic planning process, we have an opportunity to make meaningful commitments to the long range health of our utility and move to more competitive rates, be a utility trusted to make good decisions on behalf of customers and to better our community's economic and environmental security.