

Gainesville Regional Utilities

Budget to Actual Comparison

For the Period Ended December 31, 2019



**Gainesville Regional Utilities
Budget to Actual Comparison
For the Period Ended December 31, 2019**

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Overview and Basis of Accounting

Gainesville Regional Utilities Budget to Actual Comparison For the Period Ended December 31, 2019

Overview

Gainesville Regional Utilities (GRU or the Utility) is a combined municipal utility system operating electric, water, wastewater, natural gas, and telecommunications (GRUCom) systems. GRU is a utility enterprise of the City of Gainesville, Florida (City) and is reported as an enterprise fund in the comprehensive annual financial report of the City.

We offer readers this analysis of the budget to actual activities of GRU for the period ended December 31, 2019.

Basis of Accounting

GRU is required to follow the provisions in the Second Amended and Restated Utilities System Revenue Bond Resolution (Resolution) adopted by the City on September 21, 2017. GRU's electric and gas accounts are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC), as required by the Resolution, and in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting, including the application of regulatory accounting as described in Governmental Accounting Standards Board (GASB) Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GRU prepares its financial statements in accordance with GASB Statement No. 62, *paragraphs 476-500, Regulated Operations*, and records various regulatory assets and liabilities. For a government to report under GASB Statement No. 62, its rates must be designed to recover its costs of providing services, and the utility must be able to collect those rates from customers. If it were determined, whether due to regulatory action or competition, that these standards no longer applied, GRU could be required to expense its regulatory assets and liabilities. Management believes that GRU currently meets the criteria for continued application of GASB Statement No. 62, but will continue to evaluate significant changes in the regulatory and competitive environment to assess continuing applicability of the criteria.

The Resolution specifies the flow of funds from revenues and the requirements for the use of certain restricted and unrestricted assets. Under the Resolution, rates are designed to cover operation and maintenance expenses, rate stabilization, debt service requirements, utility plant improvement fund contributions and for any other lawful purpose. The flow of funds excludes depreciation expense and other noncash revenue and expense items. This method of rate setting results in costs being included in the determination of rates in different periods than when these costs are recognized for financial statement purposes. The effects of these differences are recognized in the determination of operating income in the period that they occur, in accordance with GRU's accounting policies.

Management's Discussion and Analysis

Gainesville Regional Utilities Budget to Actual Comparison For the Period Ended December 31, 2019

Management's Discussion and Analysis

We offer readers of GRU's Budget to Actual Comparison this management's discussion and analysis of the budget variances of GRU for the period ended December 31, 2019. It should be read in conjunction with the Budget to Actual Comparison that follows this section.

Budget Highlights

Combined Systems

- Based on results of operations through December, it is estimated that \$3.9 million will be withdrawn from the combined systems.

Electric System

- Total sales in first quarter 2020 were slightly below budget, with residential sales down 1.4% and non-residential down 1.9%
- Fuel adjustment revenue and corresponding fuel expenses are \$1.1 million or 5.7% below budget through the first quarter of fiscal year 2020. Fuel revenues match fuel expenses as a pass-through to customers.
- Other income is coming in higher than budget due to income recorded from GRU's investment in TEA, gain from sale on investments and miscellaneous non-utility revenue.
- Power production costs are less than expected because of lower contract/outside service costs through December.
- Administrative and general expenses are greater than budgeted through December. Due primarily to expenses that were previously recorded in the other revenue/other expense category.

Water System

- Total sales of water through December 2019 were slightly above budget by 1.2%
- Other revenue is under budget by \$332,000 due to water connection charges coming in below budget for first quarter.

**Gainesville Regional Utilities
Budget to Actual Comparison
For the Period Ended December 31, 2019**

- Total expenses are below budget by approximately \$774,000 due in part to lower contractual and outside services costs.

Wastewater System

- Total billed wastewater sales came in very close to budget during the first quarter at 0.1% below planned amount.
- Total expenses are below budget through December due in part to sludge disposal fees, contractual and professional services fees, and chemical costs coming in below budget.

Gas System

- Residential and non-residential gas sales are both up through December. Retail therms sold were up 8.4% compared to budget during the period.
- Operation and maintenance expenses are higher due to the Manufactured Gas Plant cost recovery expenses recorded through December. These expenses are offset with matching revenue recovery.

Telecommunications System

- Total telecommunication sales of services are up by 7.1% due to tower leasing revenue coming in higher than budgeted through December.
- Operation and maintenance expenses are below budget for the period due to voice mail maintenance cost and transport/telecommunication fees being lower than planned for the first quarter.
- Administrative and general expenses are higher than budget due to capital spend coming in lower than budget through December, resulting in more labor cost moving into O & M.

Budget to Actual Statements

**Gainesville Regional Utilities
Combined Systems
Budget to Actual Comparison
For the Year Ended December 31, 2019**

	Budget	Actual	Actual Over/(<Under> Budget	% Variance	FY20 Budget	YTD Actual as % of FY20 Budget
REVENUES:						
Electric system:						
Sales of electricity	\$ 46,339,455	\$ 44,941,953	\$ (1,397,502)	(3.0)	\$ 193,645,861	23.2
Fuel adjustment	18,412,504	17,354,940	(1,057,564)	(5.7)	80,934,082	21.4
Sales for resale	591,982	1,067,738	475,756	80.4	2,604,638	41.0
Transfer from/(to) rate stabilization	(306,863)	(627,027)	(320,164)	104.3	(1,227,450)	51.1
Other revenue	1,564,962	915,557	(649,405)	(41.5)	6,259,848	14.6
Other income	142,656	1,206,826	1,064,170	746.0	570,625	211.5
Build America Bonds	706,852	709,113	2,261	0.3	2,827,407	25.1
Total electric system revenues	67,451,548	65,569,100	(1,882,448)	(2.8)	285,615,011	23.0
Water system:						
Sales of water	8,872,930	8,983,104	110,174	1.2	35,860,839	25.0
Transfer from/(to) rate stabilization	(589,397)	(598,195)	(8,798)	1.5	(2,357,587)	25.4
Other revenue	805,000	472,985	(332,015)	(41.2)	3,220,000	14.7
Other income	108,448	197,869	89,421	82.5	433,792	45.6
Build America Bonds	200,320	200,961	641	0.3	801,281	25.1
Total water system revenues	9,397,301	9,256,724	(140,577)	(1.5)	37,958,325	24.4
Wastewater system:						
Sales of wastewater	10,192,061	10,181,768	(10,293)	(0.1)	41,655,149	24.4
Transfer from/(to) rate stabilization	(232,207)	(319,439)	(87,232)	37.6	(928,828)	34.4
Other revenue	1,255,867	885,435	(370,432)	(29.5)	5,023,466	17.6
Other income	71,290	190,230	118,940	166.8	285,158	66.7
Build America Bonds	229,313	230,046	733	0.3	917,251	25.1
Total wastewater system revenues	11,516,324	11,168,040	(348,284)	(3.0)	46,952,196	23.8
Gas system:						
Sales of gas	3,654,499	4,321,717	667,218	18.3	15,767,699	27.4
Fuel adjustment	1,951,081	1,730,471	(220,610)	(11.3)	8,601,893	20.1
Transfer from/(to) rate stabilization	142,650	162,102	19,452	13.6	570,600	28.4
Other revenue	439,552	84,422	(355,130)	(80.8)	1,758,209	4.8
Other income	29,948	157,368	127,420	425.5	119,792	131.4
Build America Bonds	148,133	148,607	474	0.3	592,533	25.1
Total gas system revenues	6,365,863	6,604,687	238,824	3.8	27,410,726	24.1
Telecommunications system:						
Sales of services	2,836,914	3,038,452	201,538	7.1	11,347,652	26.8
Transfer from/(to) rate stabilization	690,615	-	(690,615)	(100.0)	2,762,459	-
Other revenue	8,750	9,652	902	10.3	35,000	27.6
Other income	2,215	36,644	34,429	1,554.4	8,860	413.6
Total telecommunications system revenues	3,538,494	3,084,748	(453,746)	(12.8)	14,153,971	21.8
TOTAL REVENUES	98,269,530	95,683,299	(2,586,231)	(2.6)	412,090,229	23.2

**Gainesville Regional Utilities
Combined Systems
Budget to Actual Comparison
For the Year Ended December 31, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over/<Under> Budget</u>	<u>% Variance</u>	<u>FY20 Budget</u>	<u>YTD Actual as % of FY20 Budget</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:						
Electric system:						
Fuel expenses	18,412,504	17,354,940	(1,057,564)	(5.7)	80,934,082	21.4
Operation and maintenance	15,936,233	15,599,761	(336,472)	(2.1)	63,744,930	24.5
Administrative and general	5,269,515	7,546,009	2,276,494	43.2	21,078,058	35.8
Total Electric System Expenses	39,618,252	40,500,710	882,458	2.2	165,757,070	24.4
Water system:						
Operation and maintenance	3,012,957	2,364,110	(648,847)	(21.5)	12,051,828	19.6
Administrative and general	1,640,547	1,515,430	(125,117)	(7.6)	6,562,188	23.1
Total Water System Expenses	4,653,504	3,879,540	(773,964)	(16.6)	18,614,016	20.8
Wastewater system:						
Operation and maintenance	3,886,727	3,095,042	(791,685)	(20.4)	15,546,909	19.9
Administrative and general	1,857,625	1,729,406	(128,219)	(6.9)	7,430,499	23.3
Total Wastewater System Expenses	5,744,352	4,824,448	(919,904)	(16.0)	22,977,408	21.0
Gas system:						
Fuel expense and purchased gas	1,951,081	1,730,471	(220,610)	(11.3)	8,601,893	20.1
Operation and maintenance	410,542	1,003,436	592,894	144.4	1,642,166	61.1
Administrative and general	969,747	764,451	(205,296)	(21.2)	3,878,988	19.7
Total Gas System Expenses	3,331,370	3,498,358	166,988	5.0	14,123,047	24.8
Telecommunications system:						
Operation and maintenance	2,143,577	1,601,789	(541,788)	(25.3)	8,574,309	18.7
Administrative and general	197,072	316,681	119,609	60.7	788,287	40.2
Total Telecommunications System Expenses	2,340,649	1,918,470	(422,179)	(18.0)	9,362,596	20.5
TOTAL EXPENSES	55,688,127	54,621,526	(1,066,601)	(1.9)	230,834,137	23.7
NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION:						
Total electric system	27,833,296	25,068,390	(2,764,906)	(9.9)	119,857,941	20.9
Total water system	4,743,797	5,377,184	633,387	13.4	19,344,309	27.8
Total wastewater system	5,771,972	6,343,592	571,620	9.9	23,974,788	26.5
Total gas system	3,034,493	3,106,329	71,836	2.4	13,287,679	23.4
Total telecommunications system	1,197,845	1,166,278	(31,567)	(2.6)	4,791,375	24.3
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	42,581,403	41,061,773	(1,519,630)	(3.6)	181,256,092	22.7
LESS:						
Debt service	24,778,457	24,382,867	(395,590)	(1.6)	99,113,821	24.6
UPIF contributions	10,964,319	10,964,319	-	-	43,857,271	25.0
Transfer to City of Gainesville General Fund	9,571,251	9,571,251	-	-	38,285,000	25.0
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ (2,732,624)	\$ (3,856,664)	\$ (1,124,040)	41.1	\$ -	-

Gainesville Regional Utilities
Electric System
Budget to Actual Comparison
For the Year Ended December 31, 2019

	Budget	Actual	Actual Over/<Under> Budget	% Variance	FY20 Budget	YTD Actual as % of FY20 Budget
REVENUES:						
Residential	\$ 17,608,613	\$ 17,364,949	\$ (243,664)	(1.4)	\$ 77,400,495	22.4
Non-residential	22,188,861	21,772,069	(416,792)	(1.9)	89,858,911	24.2
Fuel adjustment	18,412,504	17,354,940	(1,057,564)	(5.7)	80,934,082	21.4
Sales for resale	591,982	1,067,738	475,756	80.4	2,604,638	41.0
Utility surcharge	1,068,579	1,017,539	(51,040)	(4.8)	4,492,848	22.6
Other electric sales	5,473,402	4,787,396	(686,006)	(12.5)	21,893,607	21.9
Total Sales of Electricity	65,343,941	63,364,631	(1,979,310)	(3.0)	277,184,581	22.9
Transfer from/(to) rate stabilization	(306,863)	(627,027)	(320,164)	104.3	(1,227,450)	51.1
Other revenue	1,564,962	915,557	(649,405)	(41.5)	6,259,848	14.6
Other income	142,656	1,206,826	1,064,170	746.0	570,625	211.5
Build America Bonds	706,852	709,113	2,261	0.3	2,827,407	25.1
Total Revenues	67,451,548	65,569,100	(1,882,448)	(2.8)	285,615,011	23.0
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:						
Fuel expenses	18,412,504	17,354,940	(1,057,564)	(5.7)	80,934,082	21.4
Power production	11,819,977	10,789,553	(1,030,424)	(8.7)	47,279,908	22.8
Transmission and distribution	4,116,256	4,810,208	693,952	16.9	16,465,022	29.2
Administrative and general	5,269,515	7,546,009	2,276,494	43.2	21,078,058	35.8
Total Operation, Maintenance and Administrative Expenses	39,618,252	40,500,710	882,458	2.2	165,757,070	24.4
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	27,833,296	25,068,390	(2,764,906)	(9.9)	119,857,941	20.92
LESS:						
Debt service	19,065,675	18,781,924	(283,751)	(1.5)	76,262,698	24.6
UPIF contributions	5,294,844	5,294,844	-	-	21,179,375	25.0
Transfer to City of Gainesville General Fund	5,603,967	5,603,967	-	-	22,415,868	25.0
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ (2,131,190)	\$ (4,612,345)	\$ (2,481,155)	116.4	\$ -	-

**Gainesville Regional Utilities
Water System
Budget to Actual Comparison
For the Year Ended December 31, 2019**

	Budget	Actual	Actual Over/<Under> Budget	% Variance	FY20 Budget	YTD Actual as % of FY20 Budget
REVENUES:						
Residential	\$ 5,432,743	\$ 5,411,113	\$ (21,630)	(0.4)	\$ 22,132,905	24.4
Non-residential	2,797,232	2,916,927	119,695	4.3	11,129,717	26.2
Utility surcharge	642,955	655,064	12,109	1.9	2,598,217	25.2
Total Sales of Water	8,872,930	8,983,104	110,174	1.2	35,860,839	25.0
Transfer from/(to) rate stabilization	(589,397)	(598,195)	(8,798)	1.5	(2,357,587)	25.4
Other revenue	805,000	472,985	(332,015)	(41.2)	3,220,000	14.7
Other income	108,448	197,869	89,421	82.5	433,792	45.6
Build America Bonds	200,320	200,961	641	0.3	801,281	25.1
Total Revenues	9,397,301	9,256,724	(140,577)	(1.5)	37,958,325	24.4
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:						
Transmission and distribution	943,825	708,452	(235,373)	(24.9)	3,775,300	18.8
Treatment	2,069,132	1,655,658	(413,474)	(20.0)	8,276,528	20.0
Administrative and general	1,640,547	1,515,430	(125,117)	(7.6)	6,562,188	23.1
Total Operation, Maintenance and Administrative Expenses	4,653,504	3,879,540	(773,964)	(16.6)	18,614,016	20.8
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	4,743,797	5,377,184	633,387	13.4	19,344,309	27.8
LESS:						
Debt service	1,798,499	1,769,808	(28,691)	(1.6)	7,193,996	24.6
UPIF contributions	1,698,561	1,698,561	-	-	6,794,242	25.0
Transfer to City of Gainesville General Fund	1,339,018	1,339,018	-	-	5,356,071	25.0
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ (92,281)	\$ 569,797	\$ 662,078	(717.5)	\$ -	-

**Gainesville Regional Utilities
Wastewater System
Budget to Actual Comparison
For the Year Ended December 31, 2019**

	Budget	Actual	Actual Over/<Under> Budget	% Variance	FY20 Budget	YTD Actual as % of FY20 Budget
REVENUES:						
Residential	\$ 6,702,172	\$ 6,752,407	\$ 50,235	0.7	\$ 27,744,223	24.3
Non-residential	2,768,229	2,696,074	(72,155)	(2.6)	10,960,679	24.6
Utility surcharge	721,660	733,287	11,627	1.6	2,950,247	24.9
Total Sales of Services	10,192,061	10,181,768	(10,293)	(0.1)	41,655,149	24.4
Transfer from/(to) rate stabilization	(232,207)	(319,439)	(87,232)	37.6	(928,828)	34.4
Other revenue	1,255,867	885,435	(370,432)	(29.5)	5,023,466	17.6
Other income	71,290	190,230	118,940	166.8	285,158	66.7
Build America Bonds	229,313	230,046	733	0.3	917,251	25.1
Total Revenues	11,516,324	11,168,040	(348,284)	(3.0)	46,952,196	23.8
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:						
Collection	1,768,015	1,456,106	(311,909)	(17.6)	7,072,061	20.6
Treatment	2,118,712	1,638,936	(479,776)	(22.6)	8,474,848	19.3
Administrative and general	1,857,625	1,729,406	(128,219)	(6.9)	7,430,499	23.3
Total Operation, Maintenance and Administrative Expenses	5,744,352	4,824,448	(919,904)	(16.0)	22,977,408	21.0
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	5,771,972	6,343,592	571,620	9.9	23,974,788	26.5
LESS:						
Debt service	2,192,675	2,158,924	(33,751)	(1.5)	8,770,700	24.6
UPIF contributions	2,085,854	2,085,854	-	-	8,343,416	25.0
Transfer to City of Gainesville General Fund	1,715,168	1,715,168	-	-	6,860,672	25.0
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ (221,725)	\$ 383,646	\$ 605,371	(273.0)	\$ -	-

**Gainesville Regional Utilities
Gas System
Budget to Actual Comparison
For the Year Ended December 31, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over/<Under> Budget</u>	<u>% Variance</u>	<u>FY20 Budget</u>	<u>YTD Actual as % of FY20 Budget</u>
REVENUES:						
Residential	\$ 1,961,521	\$ 2,299,430	\$ 337,909	17.2	\$ 8,647,919	26.6
Non-residential	1,267,165	1,500,166	233,001	18.4	5,374,582	27.9
Fuel adjustment	1,951,081	1,730,471	(220,610)	(11.3)	8,601,893	20.1
Utility surcharge	113,817	154,834	41,017	36.0	497,215	31.1
Other gas sales	311,996	367,287	55,291	17.7	1,247,983	29.4
Total Sales of Gas	5,605,580	6,052,188	446,608	8.0	24,369,592	24.8
Transfer from/(to) rate stabilization	142,650	162,102	19,452	13.6	570,600	28.4
Other revenue	439,552	84,422	(355,130)	(80.8)	1,758,209	4.8
Other income	29,948	157,368	127,420	425.5	119,792	131.4
Build America Bonds	148,133	148,607	474	0.3	592,533	25.1
Total Revenues	6,365,863	6,604,687	238,824	3.8	27,410,726	24.1
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:						
Fuel expense - purchased gas	1,951,081	1,730,471	(220,610)	(11.3)	8,601,893	20.1
Operation and maintenance	410,542	1,003,436	592,894	144.4	1,642,166	61.1
Administrative and general	969,747	764,451	(205,296)	(21.2)	3,878,988	19.7
Total Operation, Maintenance and Administrative Expenses	3,331,370	3,498,358	166,988	5.0	14,123,047	24.8
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	3,034,493	3,106,329	71,836	2.4	13,287,679	23.4
LESS:						
Debt service	1,043,166	1,033,106	(10,060)	(1.0)	4,172,663	24.8
UPIF contributions	1,662,366	1,662,366	-	-	6,649,462	25.0
Transfer to City of Gainesville General Fund	616,389	616,389	-	-	2,465,554	25.0
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ (287,428)	\$ (205,532)	\$ 81,896	(28.5)	\$ -	-

**Gainesville Regional Utilities
Telecommunications System
Budget to Actual Comparison
For the Year Ended December 31, 2019**

	Budget	Actual	Actual Over/<Under> Budget	% Variance	FY20 Budget	YTD Actual as % of FY20 Budget
REVENUES:						
Telecommunications	1,935,978	\$ 1,965,587	\$ 29,609	1.5	\$ 7,743,912	25.4
Trunking radio	444,227	389,444	(54,783)	(12.3)	1,776,906	21.9
Tower leasing	456,709	683,421	226,712	49.6	1,826,834	37.4
Total Sales of Services	2,836,914	3,038,452	201,538	7.1	11,347,652	26.8
Transfer from/(to) rate stabilization	690,615	-	(690,615)	(100.0)	2,762,459	-
Other revenue	8,750	9,652	902	10.3	35,000	27.6
Other income	2,215	36,644	34,429	1,554.4	8,860	413.6
Total Revenues	3,538,494	3,084,748	(453,746)	(12.8)	14,153,971	21.8
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:						
Operation and maintenance	2,143,577	1,601,789	(541,788)	(25.3)	8,574,309	18.7
Administrative and general	197,072	316,681	119,609	60.7	788,287	40.2
Total Operation, Maintenance and Administrative Expenses	2,340,649	1,918,470	(422,179)	(18.0)	9,362,596	20.5
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	1,197,845	1,166,278	(31,567)	(2.6)	4,791,375	24.3
LESS:						
Debt service	678,442	639,105	(39,337)	(5.8)	2,713,764	23.6
UPIF contributions	222,694	222,694	-	-	890,776	25.0
Transfer to City of Gainesville General Fund	296,709	296,709	-	-	1,186,835	25.0
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ -	\$ 7,770	\$ 7,770	-	\$ -	-