

City of Gainesville

City Hall
200 East University Avenue
Gainesville, Florida 32601



Meeting Agenda

October 10, 2019

5:30 PM

City Hall Auditorium

Utility Advisory Board

Mary Alford (Member)
Michael Selvester (Member)
Wendell Porter (Member)
Wes Wheeler (Member)
Barry Jacobson (Member)
Carla Miles (Member)
Theresa Spurling-Wood (Non-Voting Member)
Tim Rockwell (Member)
Don Davis (Non-Voting Member)

Persons with disabilities who require assistance to participate in this meeting are requested to notify the Office of the Equal Opportunity at 334-5051 or call TDD phone line at 334-2069 at least two business days in advance.

CALL TO ORDER**ROLL CALL****ADOPTION OF CONSENT ITEMS**[190502.](#)**Minutes of the September 19, 2019 UAB Meeting (B)**

Explanation: Staff has prepared minutes of the September 19, 2019 UAB meeting.

Fiscal Note: None.

RECOMMENDATION

Approve minutes as drafted.

[190502_UAB_09-19-19_Meeting_Minutes_20191010](#)

[190479.](#)**Energy Supply Electronic Logs (B)**

Explanation: GRU seeks to convert all existing Deerhaven, Deerhaven Renewable, Kelly Plant, and SEC logs into an electronic format to capture data and text for shift notes and turnover and to maintain a daily log.

Logs are based on individual plant requirements and approximately eighty five (85) logs are maintained between the four (4) sites. Data from the log sheets typically is from pressure gauges, temperature gauges, revenue meters and quantities based on inventories. Most of staff's current logs are in an Excel spreadsheet format.

Staff wants to gain operational efficiencies by cutting out this manual process, so on March 26, 2019, GRU's Procurement Department issued a Request for Proposal (RFP) to provide electronic logs for GRU's Energy Supply Department. The RFP process was implemented in compliance with and as required by City of Gainesville policies.

Fiscal Note: Funds in the amount of \$103,800 were budgeted for FY20. Funds in the amount of \$10,660.00 will be budgeted in both FY2021 and FY2022, subject to approval by the City Commission.

RECOMMENDATION

The City Commission authorize the GRU General Manager or designee to execute a multi-year Contract with the top ranked firm, eLogger, Inc., for Electronic Logs, subject to approval by the City Attorney as to form and legality.

[190479 Notice of Intent to Award 20191010](#)

[190479_RFP_ES_Electronic_Logs_20191010](#)

[190471.](#)**Security Force Personnel Services for GRU Facilities (B)**

Explanation: GRU relies upon contractor-supplied security guard services for the purpose of protecting personnel and property. Facilities which require security include the following sites:

- GRU Administration Building
- Eastside Operations Center Compound (Security Post & Patrol Operations)
- Deerhaven Generating Station
- Deerhaven Renewable Generating Station
- Murphree Water Treatment Plant (Security Post & Patrol Operation Sites)
- Main Street Water Reclamation Facility (Patrol Operation Sites)
- Kanapaha Water Reclamation Facility (Patrol Operation Sites)
- Elevated Tank 1 (Patrol Operation Sites)
- Elevated Tank 2 (Patrol Operation Sites)
- Santa Fe Water Re-Pump Facility (Patrol Operation Sites)

Each facility establishes "Post Orders" which specify unique specific requirements of each facility during required coverage times. Considering current security staffing needs, the estimated budgeted amount for these services is approximately \$350,000 (combined) for GRU's Administration Building and Eastside Operations Center, \$280,000 for Water and Wastewater plants and facilities, and \$120,000 for Energy Supply's plant sites.

Typical services provided by this contract include entranceway monitoring (foot traffic, vehicles and deliveries) with sign in/out procedures, monitoring security camera activity, patrolling premises, notifying appropriate authorities of security concerns, completing report logs and reports, accompanying staff as required, and other security related tasks.

In anticipation of GRU's current contract for these services expiring December 30, 2019, an Invitation to Bid (ITB) for security force personnel services was issued on May 30, 2019. Invitations to Bid were sent to 127 prospective security service companies. Of those, 40 are small businesses, eight (8) are African-American owned, three (3) are Asian-American owned, two (2) are Hispanic-American owned, two (2) are veteran-owned and 15 are women-owned. Companies were required to meet minimum qualification criteria including experience, verifiable references, staff availability, operational and staffing plans, and price. Five bids were received, two of which were considered to meet the minimum qualifications. Miller Private, LLC, provided the best evaluated bid.

Although security services is currently not a covered service in the City of Gainesville's Living Wage Ordinance, both bids evaluated reflected pricing in compliance with the City's current Living Wage.

The documentation related to the ITB is included in the back-up.

Fiscal Note: Funds are available in the FY2020 budget and will be requested in subsequent year budgets.

RECOMMENDATION

- 1) Authorize the General Manager, or his designee to execute a five (5) year contract with the availability of two (2) 1-year extensions with the top ranked firm, Miller Private LLC, for GRU Security Force Personnel Services, subject to approval by the City Attorney as to form and legality; and
- 2) Approve the issuance of purchase orders in an initial amount of \$750,000 (combined) for the first year. Subsequent years will allow for price changes not to exceed the Producer's Price Index (PPI) during the previous twelve months. Subject to approval by the City attorney as to form and legality, and the final appropriation of funds for these services in each fiscal year of the agreement.

[190471 Miller Private Response Final 20191010](#)

[190471 Bid Tab Sheet 20191010](#)

[180934.](#)

Selection of Progressive Design-Build Firm for the Main Street Water Reclamation Facility Improvements Program (B)

Explanation: The Main Street Water Reclamation Facility started treating wastewater in the 1920's. This facility has seen upgrades and expansions over its 100 years of service. The last major plant upgrade was in the early 1990s and the plant is in need of significant upgrades over the next 6-10 years.

The proposed Main Street WRF Improvements Program will replace and upgrade assets at the facility to continue the necessary wastewater treatment and expand the facility's capacity to meet current and future wastewater flows. The improvements to the plant are anticipated to bring the facility from a 7.5 MGD (Million Gallons per Day) capacity to 10-12 MGD. The improvements at Main Street Water Reclamation Facility will increase treatment capacity, prepare GRU to meet upcoming regulatory conditions, proactively address aging infrastructure, and lower operation and maintenance costs.

- *Treatment Capacity: The area served by the Main Street WRF is becoming more densely populated and there are significant efforts to increase development in the east-side of Gainesville. In order to accommodate this growth and development, additional treatment capacity is required.*
- *Regulatory Conditions: GRU is proactively implementing innovative*

solutions to accommodate the needs of growth as well as future water quality treatment needs.

- *Aging Infrastructure: The average age of equipment at Main Street WRF is 28 years old. Most of the equipment is reaching or exceeding the end of its useful life. Delay in replacement or rehabilitation of equipment could lead to customer and/or environmental impacts.*
- *Operation and Maintenance: Once the initial capital improvements are complete the facility will experience lower operation and maintenance costs due to increasing equipment efficiency, introducing new technology, and reducing reactive maintenance.*

This project will utilize a Progressive Design-Build project delivery method. GRU Water and Wastewater (W/WW) Systems has solicited a Request for Statement of Qualifications for Progressive Design-Builders to select the best qualified team.

This approach was presented as an informational item on April 11, 2019 to the Utility Advisory Board and subsequently presented to the City Commission on April 18, 2019. The presentation from these meetings is attached.

The solicitation for a Request for Statement of Qualifications for Progressive Design-Builders was posted on May 31, 2019. On August 6, 2019, four progressive design-build proposals were received. GRU staff conducted a two-phase evaluation of the prospective design-build teams. The Phase 1 evaluation was held in a public meeting on August 29, 2019, where three firms were selected to advance. The Phase 2 evaluation was held in a public meeting on September 19, 2019, where three firms participated in presentations and interviews and were ranked as follows:

- 1. CH2M Hill Engineers Inc. & Jacobs Engineering Group Inc. (Local Firm)*
- 2. Wharton-Smith Inc. & Hazen and Sawyer, P.C.*
- 3. PC Construction Company d/b/a PCEO, Inc. & Gannett Fleming, Inc.*

In accordance with the Consultants Competitive Negotiation Act (CCNA), staff is recommending initiating contract negotiations with the top-ranked firm. If staff is unable to negotiate an acceptable contract with the top-ranked firm, it may negotiate with the next firm in order of ranking.

Attachments:

- 1.) April UAB/Commission Presentation*
- 2.) Notice of Intent to Award*

Fiscal Note: The major upgrades required are estimated to cost up to \$50 million dollars. The \$50 million invested at the Main Street Water Reclamation Facility will increase treatment capacity, prepare GRU to meet upcoming regulatory conditions, proactively address aging infrastructure, and lower operation and maintenance costs. The request for approval to negotiate is requested with a contract value not to exceed \$50 million over 6-10 years. The timing of the contract expenses will be funded in accordance

with the budget approvals on a fiscal year basis. Water/Wastewater staff will provide an annual update of approved and projected expenses to the commission and will request approval if additional funds over the \$50 million amount are required.

RECOMMENDATION

The City Commission:

- 1) *approve the ranking of design-build firms for the progressive design build of the Main Street Water Reclamation Facility Improvements Program;*
- 2) *authorize the General Manager, or his designee, to initiate contract negotiations with the design-build firms in order of rank in accordance with the CCNA; and*
- 3) *authorize the General Manager, or his designee, upon successful negotiations, to execute a contract, subject to approval of the City Attorney as to form and legality, for the total project cost not to exceed \$50 million in accordance with the annually approved budget.*

[180934 MSWRF 4-11-19 Presentation 20191010](#)

[180934 Notice of Intent to Award 20191010](#)

ADOPTION OF THE AGENDA

CITIZEN COMMENT

STATE OF THE UTILITY

[190504.](#)

GRU Operational Update for the Month of September 2019 (B)

Explanation: Staff has prepared a report of statistical data from GRU's operations in the month of September 2019.

Fiscal Note: None.

RECOMMENDATION

Receive report.

OLD BUSINESS

[180258.](#)

Utility Advisory Board's Draft Energy Policy for the City of Gainesville (B)

Explanation: The City Commission and UAB met jointly on October 30, 2018, to discuss the UAB's draft work plan. The Board expressed the desire to

focus on creation of an energy policy for the City of Gainesville and the Commission agreed. The UAB held a series of workshops to work on crafting the policy document and presented the draft to the City Commission in a joint meeting on April 23, 2019. The Commission received the presentation and gave direction for the Board to continue their work. Since that time, the Board has discussed the policy document at each of their monthly scheduled regular meetings and their monthly scheduled workshops. They will continue their work at the October 10, 2019 meeting and have scheduled an additional workshop on October 16, 2019 to prepare for a joint workshop with the City Commission on October 22, 2019.

Fiscal Note: None at this time.

RECOMMENDATION *Discuss and take any action deemed appropriate.*

[180258 Miles 4.1-4.3 Energy Policy Draft 20190711](#)
[180258 Selvester 7-17-19 Econ Dev Draft 20190723](#)
[180258 Utility and Energy Policy Draft - ROCKWELL 20190808](#)
[180258 Utility Energy Policy Draft Econ Dev DAVIS 20190808](#)
[180258 Utility Energy Policy Draft PORTER 20190808](#)
[180258 Utility Energy Policy Draft WHEELER 20190808](#)
[180258 Utility Energy Policy Draft SELVESTER 20190808](#)
[180258 Utility Energy Policy Draft Spurling-Wood 20190808](#)
[180258 Utility Energy Policy Draft Financing DAVIS 20190808](#)
[190098 Alford 8-26-19 Draft HVAC Design 20190827](#)
[190098 Selvester 8-23-19 Master Draft 20190827](#)
[180258 Master Draft Energy + Util Policy 20190919](#)
[180258 Util Energy Policy Draft Wheeler 20190919](#)
[180258 4.4-Util Energy Policy Draft Davis 20190919](#)
[180258 Util Energy Policy Draft Wheeler Rockwell20190930](#)

NEW BUSINESS

[190483.](#)

Resolution Authorizing the Execution of Gainesville Regional Utilities Financial Transactions (B)

Explanation: Taxable and tax-exempt rates have dropped to historic lows. These rates and the compression between the two yield curves is offering unprecedented opportunities for municipal issuers. Working with its independent financial advisor, GRU's staff has identified a range of potential financial transactions for consideration in the upcoming months which, based on these market conditions, may allow the utility to

- *Achieve current savings or lock in future savings*
- *Reduce debt portfolio risk*

· *Reduce leverage ratios*

Staff's intent is to describe and discuss the scope of each transaction with the City Commission and request that the Commission provide authorization to the General Manager or his designee to execute the transactions within prescribed parameters and timeframes to expeditiously take advantage of these changing market conditions. This City Commission authorization will provide staff the flexibility to execute transactions in a timely fashion, thereby contributing to GRU's ability to deliver the \$38.3 million budgeted transfer to the General Fund. Following are the potential transactions, execution parameters and timeframes.

AMEND EXISTING SWAP AGREEMENTS

(1) 2017 Series B Swap Amendment:

In 2017, as part of the DHR acquisition transaction, GRU entered into a 27 year \$105 million swap with Goldman Sachs. The purpose of this swap was to hedge a portion of the variable interest rate debt issued to acquire the plant to a fixed rate, as well as to achieve additional savings compared to issuing more fixed rate debt. This swap included a right for GRU to terminate the swap on and after year 10 without cost, similar to the redemption rights of the fixed rate bonds issued for the acquisition. GRU is requesting authorization to negotiate an approximate seven year extension of the termination option, extending the call option from 10 years to 17 years. In exchange for this extension, staff will negotiate with the swap provider, based on current market conditions, either a reduction in the fixed rate GRU currently pays to the swap provider or an upfront lump sum payment.

Execution parameters: Authorization through September 30, 2020, with minimum annual savings based on a reduction in the fixed rate leg of the swap of \$200,000 or an upfront payment of \$5 million.

REFUND FIXED RATE BONDS

(2) Fixed Rate Refunding of Currently Outstanding GRU Debt:

(a) Taxable Refunding: Last year IRS regulations were changed to eliminate the authority for tax-exempt advance refundings (issuing tax-exempt bonds more than 90 days prior to the official "call" date to refund the bonds). With taxable interest rates at historic lows, it is economically viable to issue taxable debt to advance refund outstanding tax-exempt debt and achieve significant savings. This proposal covers potential refundings of currently outstanding GRU fixed rate tax-exempt debt:

*2005 Series A 2010 Series C 2012 Series A
2014 Series A 2014 Series B 2017 Series A 2019 Series A*

(b) Tax-Exempt Refunding: In addition this would provide for a tax-exempt refunding of the currently outstanding 2009 Series B bonds.

Execution parameters: Authorization to enter into a bond purchase contract and related documents through September 30, 2020 to refund GRU's tax-exempt debt with a savings threshold of 5% NPV, and an all in true interest cost not to exceed 5%. No extension of debt based on final maturity.

(3) Tax-Exempt Advance Refunding of Currently Outstanding Debt:

There is currently some momentum towards Congressional reauthorization of tax-exempt advance refundings. In the event this

occurs, GRU would potentially pursue this avenue versus the taxable refunding described above and utilize the most economically efficient transaction. The bonds to be refunded as well as the execution parameters would remain the same. The resolution authorizes the issuance of tax-exempt bonds if permissible.

(4) Forward Starting Swap:

In this transaction GRU would take advantage of current low long term rates to lock in a favorable long term swap rate. Under this structure, GRU would enter into a forward starting fixed rate swap today that would be based on currently effective interest rates and the swap would become effective at the optional redemption date of an outstanding series of bonds. At the call date of the bonds to be refunded, GRU would have the option to:

- Terminate the swap (either receiving or making a termination payment based on market rates at the time the swap is effective) and do a fixed rate refunding, or*
- Continue the swap and issue variable rate debt that would refund the outstanding bonds and the swap would synthetically fix the interest rate on the variable rate debt.*

Execution parameters: Authorization through September 30, 2020.

Minimum savings of 5% NPV.

FIX OUT VARIABLE RATE DEBT

(5) Issue Long Term Fixed Rate Debt:

Given the historic lows in rates, this transaction would allow GRU to issue fixed rate refunding bonds to redeem currently outstanding variable rate debt to allow for more cost certainty while locking in low long-term fixed interest rates. The ultimate benefit of this transaction is the reduction in potential volatility of interest rates, increased budgetary certainty, and improved leverage ratios, such as debt service coverage. These bonds would be issued as tax-exempt bonds.

Execution parameters: Authorization to enter into a bond purchase contract through September 30, 2020. All in true interest cost not to exceed 5%. No extension of debt based on final maturity.

(6) Fixed Payer Swap:

This transaction involves taking advantage of current low long term rates by entering into a fixed rate swap to synthetically fix the interest rate on outstanding variable rate debt.

Execution parameters: Authorization through September 30, 2020. Fixed interest rate payable by the City under the swap not to exceed 3.25%.

The amount of the swap cannot exceed the principal amount of the associated bonds and if recommended by the Financial Advisor the City may have the right to terminate the swap without payment to either party and if so recommended, such termination right shall not be less than 11 years from the trade date of such swap.

ACCELERATED PRINCIPAL PAYMENT

(7) Cash Optimization:

During the FY20 budget hearings there was a great deal of discussion surrounding the prospect of accelerating principal payments on our existing outstanding debt. This proposal contemplates using cash to defease currently outstanding, high coupon debt. This would provide the dual benefits of, upon the redemption of the bonds, reducing our overall

interest obligations as well as immediately reducing our leverage ratios which continue to be watched by the rating agencies.

Execution parameters: Authorization through September 30, 2020. GRU cash on hand by system will dictate the amount of debt defeased but not to exceed \$25,000,000.

Fiscal Note: Depending on the combination of transaction options implemented, under current market conditions the potential result can be:

- Annual debt service expense reductions*
- Receipt of lump sum up front payments*
- Reduced volatility of debt service expense*
- Increased budgetary certainty*
- Lower leverage ratios*

RECOMMENDATION

The City Commission authorize the General Manager or his designee to negotiate and execute the listed transactions within the prescribed execution parameters and timeframes, and approve the

- Thirty Second Supplemental Utilities System Revenue Bond Resolution*
- Forms of the Escrow Deposit Agreement, Bond Purchase Contract, Preliminary Official Statement, and Continuing Disclosure Certificate*
- Delegation of selection of the underwriting team and authorize the execution and delivery thereof, subject to approval of the City Attorney as to form and legality.*

[190483 Resolution 20191010](#)

[190483 2020 Proposed Transactions Pres 20191010](#)

MEMBER COMMENT

CITIZEN COMMENT

NEXT MEETING DATE

October 16, 2019 - Workshop

October 22, 2019 - Joint with City Commission

November 14, 2019 - Regular Meeting

ADJOURNMENT