

# Gainesville Regional Utilities

## *GRUCom Overview and Financial Trends*

May 23, 2018

Item #180012



# GRUCom Overview

## What is GRUCom?

GRUCom is the Gainesville area's only all-fiber-optic network, with more than 500 miles of fiber in Alachua County

- Licensed Competitive Local Exchange Carrier (CLEC) in State of Florida
- Business to business provider for small businesses, up to large multi-location corporations
- GRUCom owns and operates 13 cell towers
- Local Network Operations Center assures customer connections are always supported and protected
- GRUCom's network is trusted by some of the most respected organizations in the area and is the backbone of all public safety communications in the county

# GRUCom's Standard Service Portfolio

## Data & Telecommunications Services

- Carrier Access Services (Interexchange, Local Access & Cell Site Backhaul)
- Commercial Data Transport Services (Private Line & Special Access Service)
- Commercial Internet Access Services (Enterprise and Business Class)
- Residential Internet Access Services (GatorNet Wholesale and GatorNet Retail)
- Dial-Up Internet Access Service (GRUNet Internet)
- Central Office Data Center Co-Location Services

## Communications Tower Leasing

## Trunked Radio Services (Public Safety Radio System)

# GRUCom Overview

GRUCom is important to the City and GRU

- Offers flexibility in telecommunications rather than utilize the services of a vendor, investment vs. expense
- Higher level of service, consultation and responsiveness, as staff is in house and business is built to develop and support business service applications
- Smart Metering project will rely on GRUCom's infrastructure
- Stable system over time
- Does have a high debt load compared to annual revenues

# GRUCom Overview

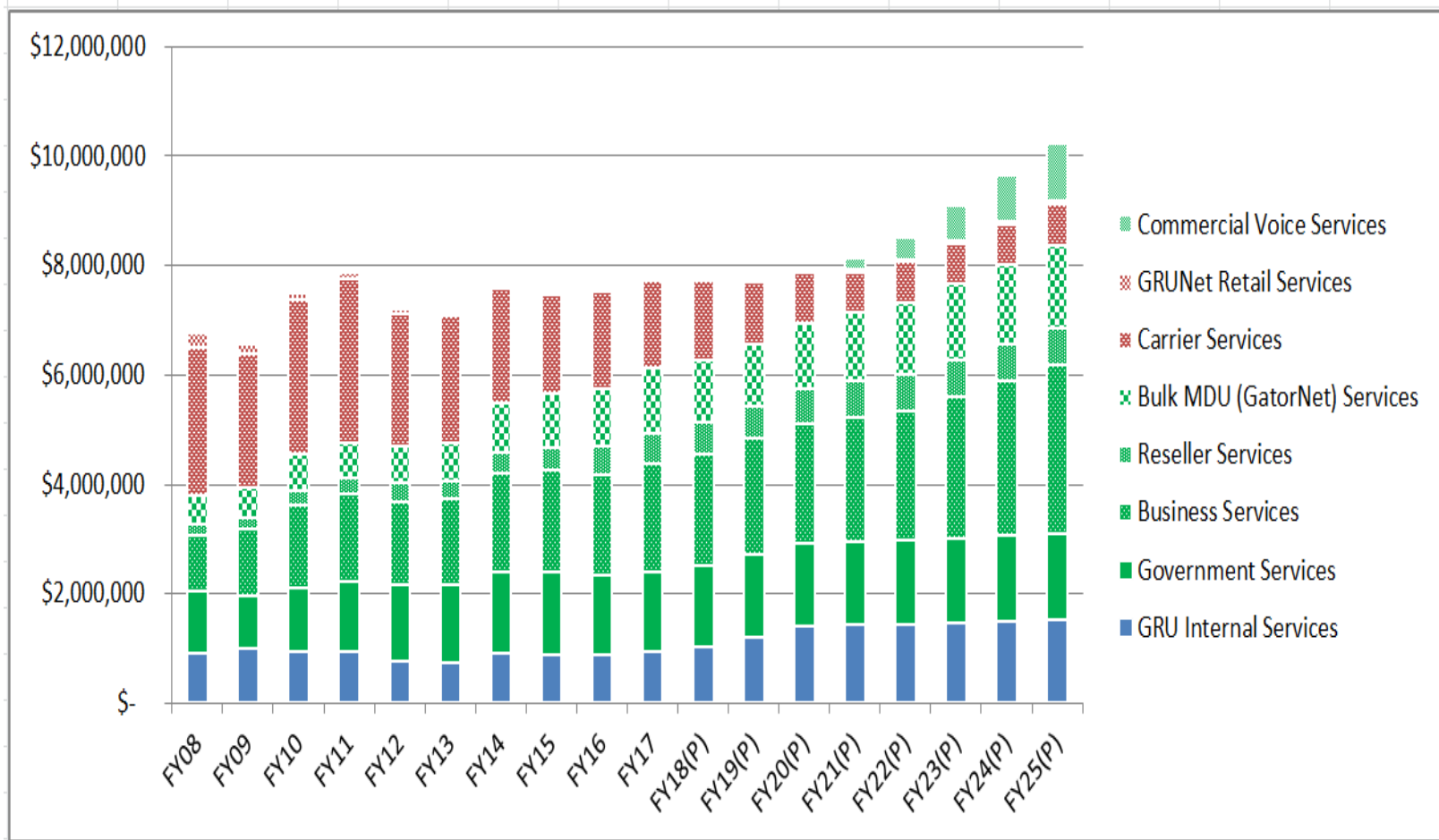
## Revenues Projected FY18

Telecommunications	\$7,753,877
Public Safety Radio	1,731,889
Tower Lease Rental	1,719,570
Other Income	<u>196,495</u>
Total	<u>\$11,401,832</u>

# Increasing Revenue

- Developed GATOR NET Wi-Fi
- Developed voice service offering
- Studying feasibility of broadband expansion throughout the county
- Upgrading Trunking Radio System with opportunity to expand services and better recover costs in 2021 inter-local

# Telecommunications

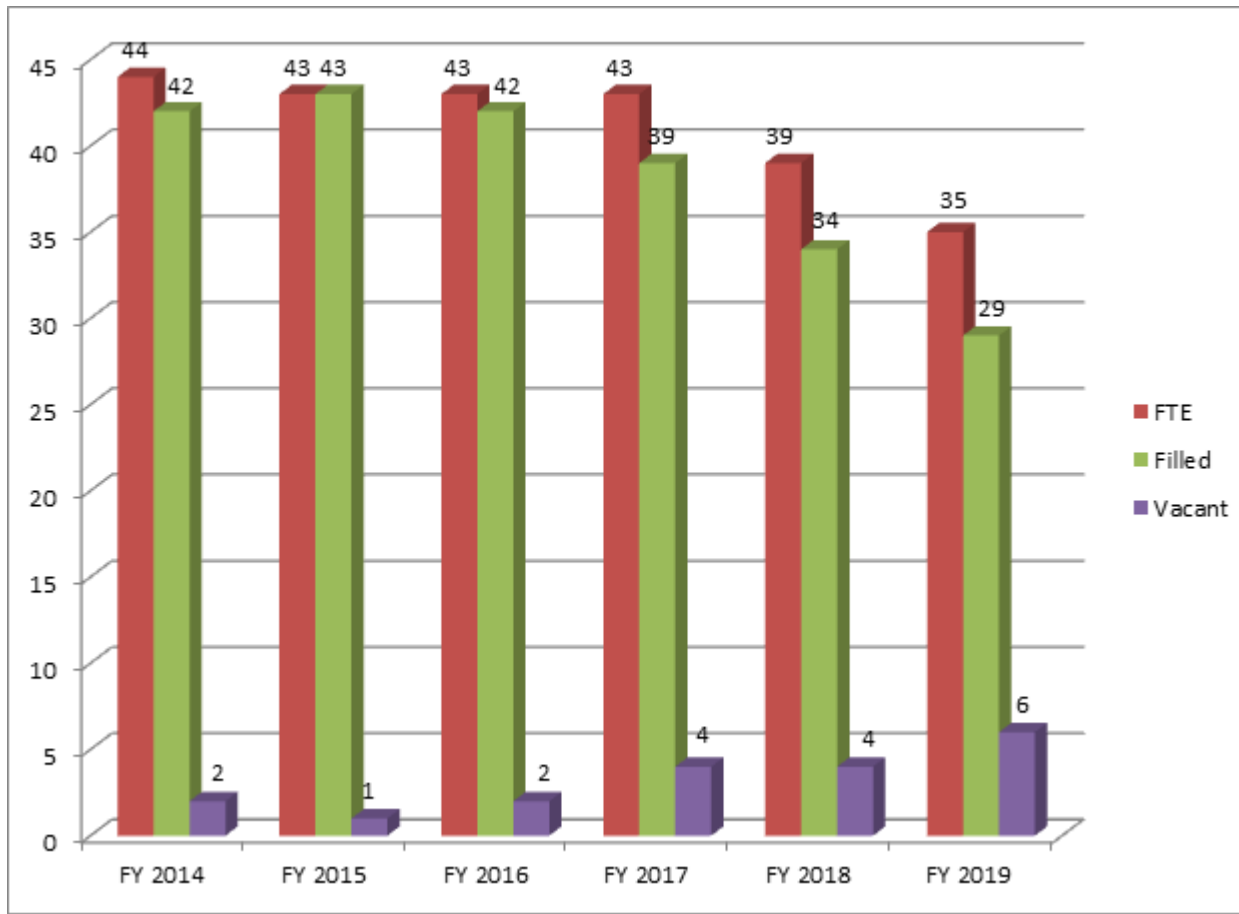


# Expense Management

- Budgeting capital expenses based on average spend to reduce borrowing
- Changed ongoing asset depreciation schedules to better match useful life of assets
- Reviewed and adjusted allocations by reducing use of resources (for example: number of computers)
- Reduced O&M expense baseline
- Consolidated duties through attrition and improved efficiencies (-13 employees since '14)



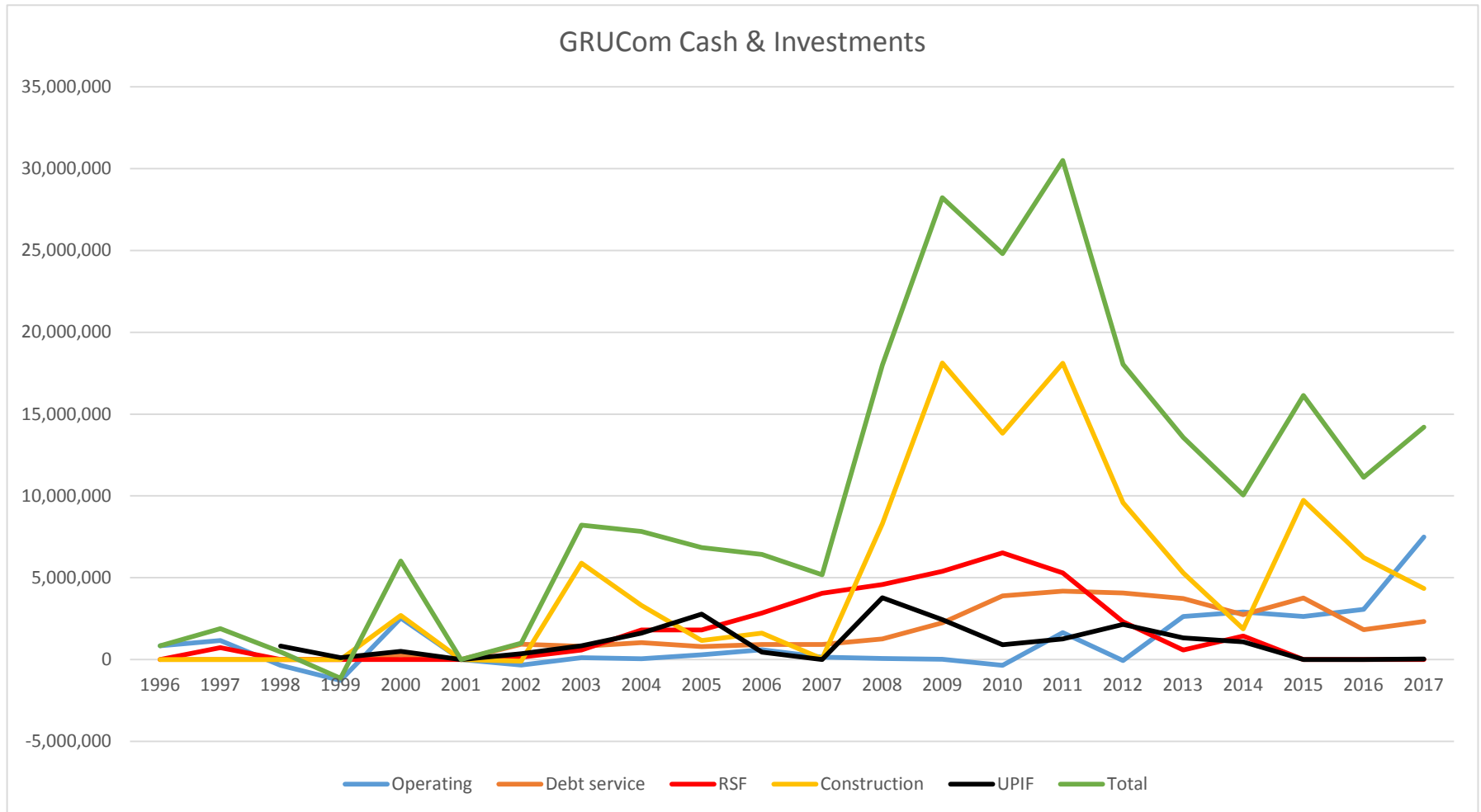
## FTE Changes



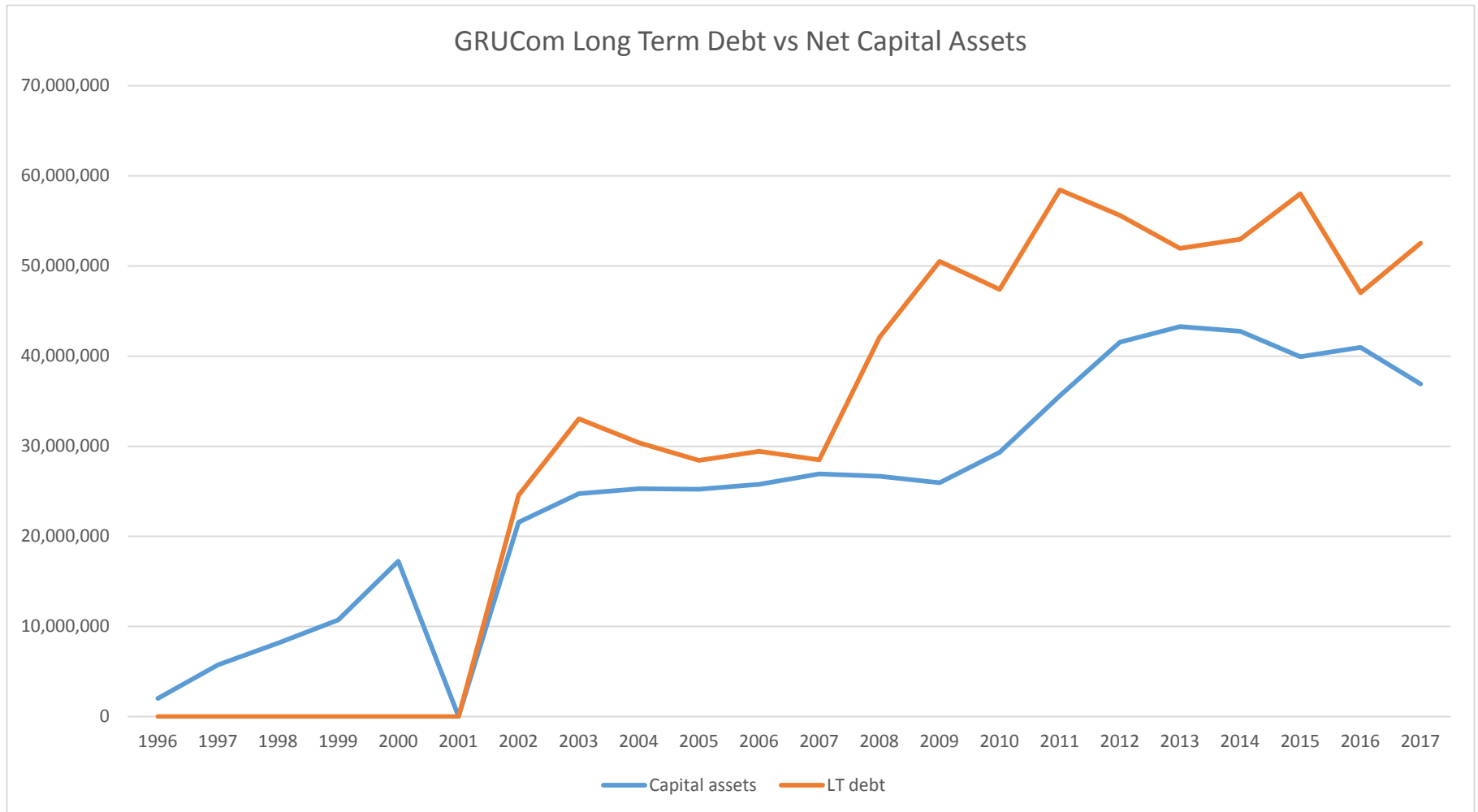
# Opportunities

- Installing telecom billing software
  - To eliminate manual processes
  - Enable efficiencies
  - Enable expanded rates
  - Improve access to metrics
- Developing standards and process for on-net, near-net, and off-net quoting to identify buildout opportunities

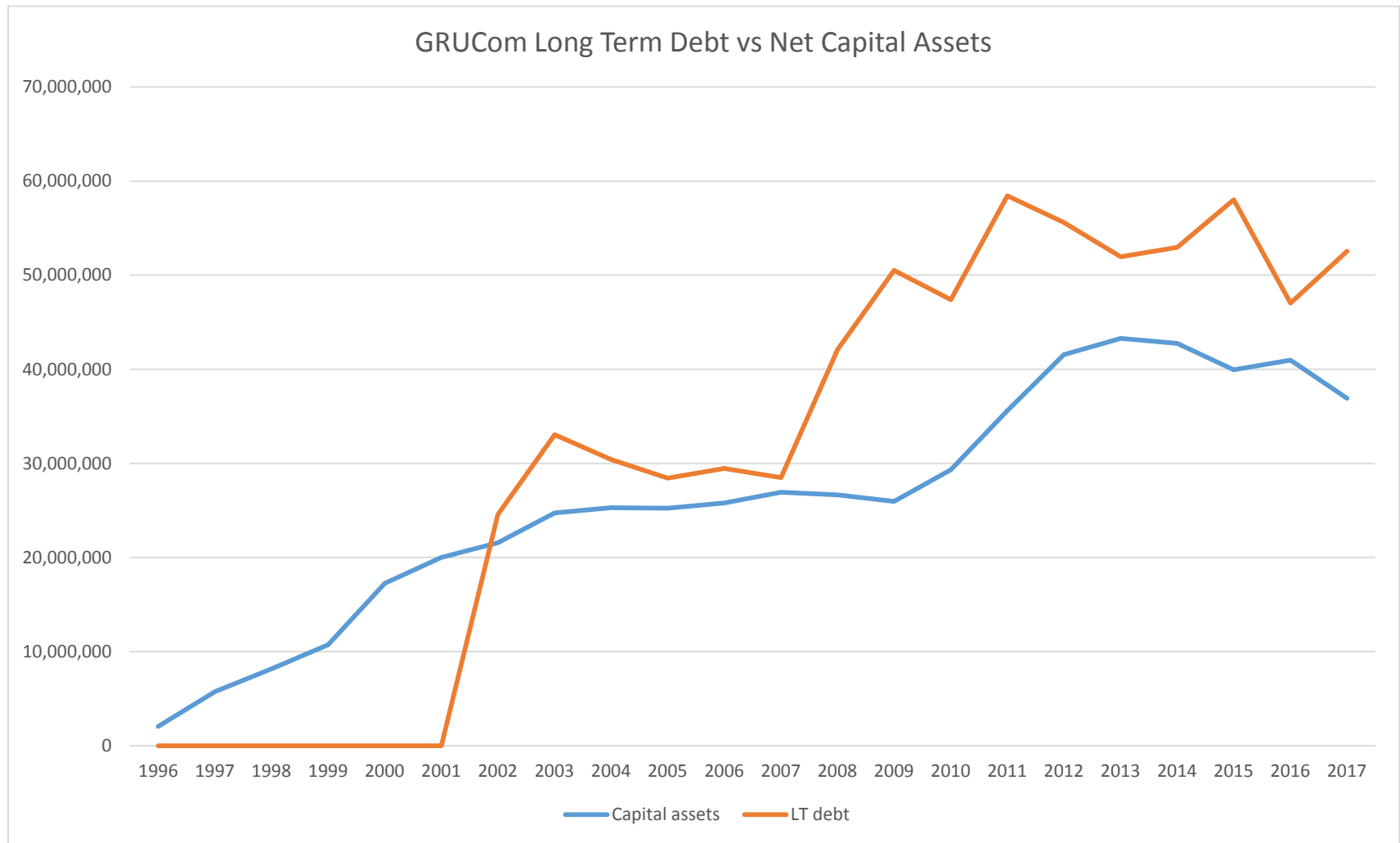
# GRUCom Financial Trends



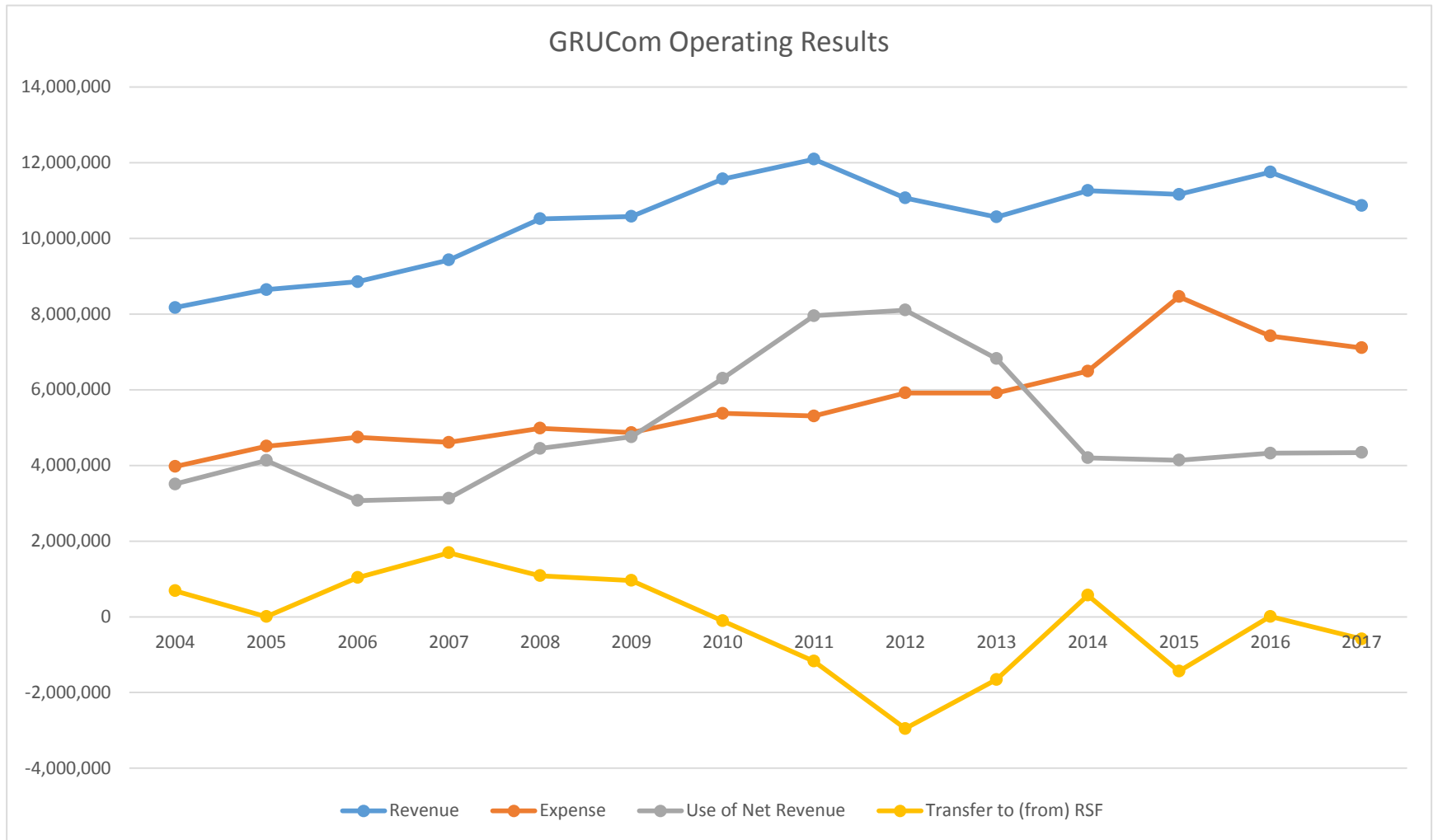
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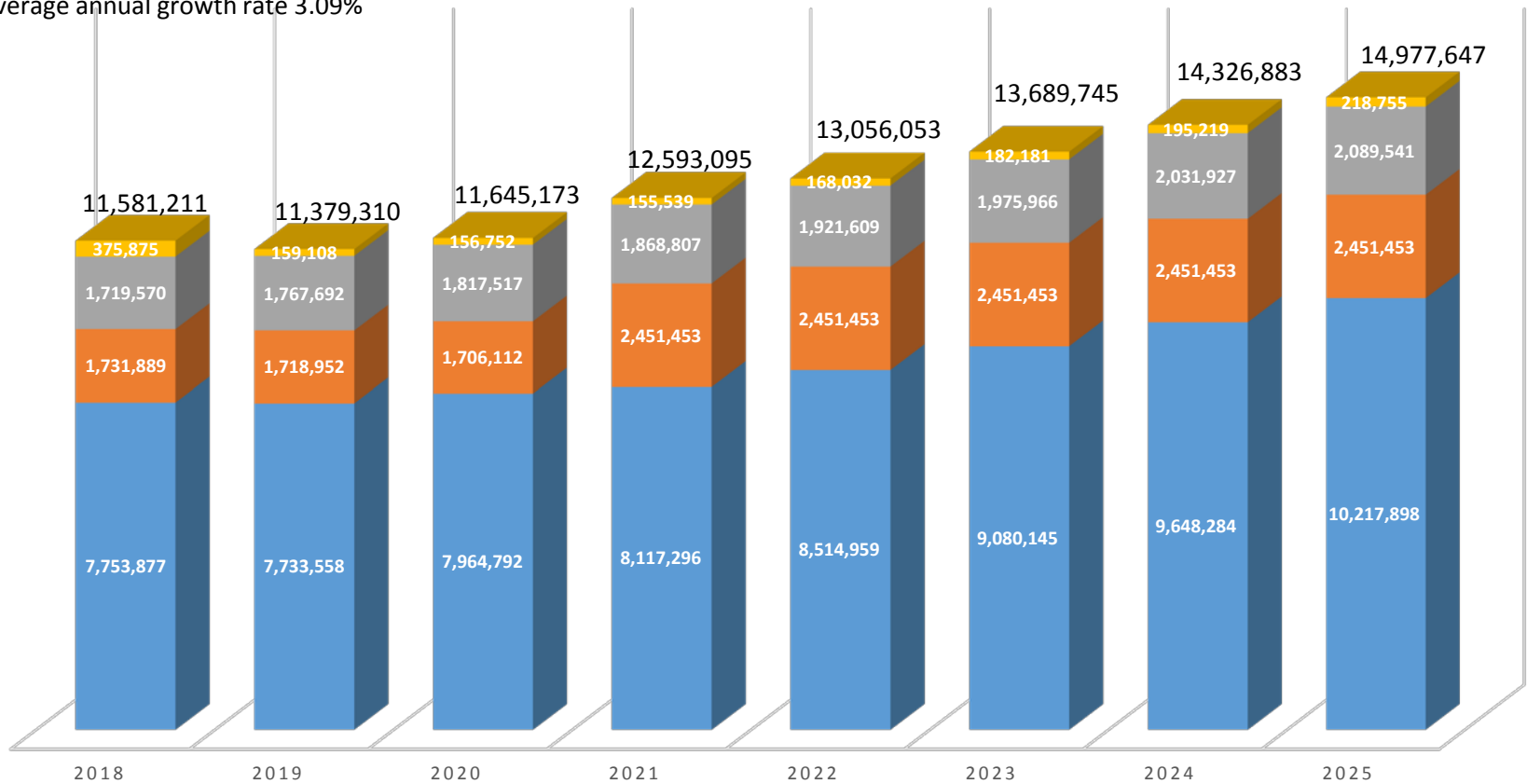


# GRUCom Financial Trends

## GRUCOM PROJECTED REVENUE COMPOSITION FY18 - FY25 (NET OF RSF TRANSFERS)

■ Telecommunications ■ Trunking Radio ■ Tower Lease Rental ■ Other Revenue

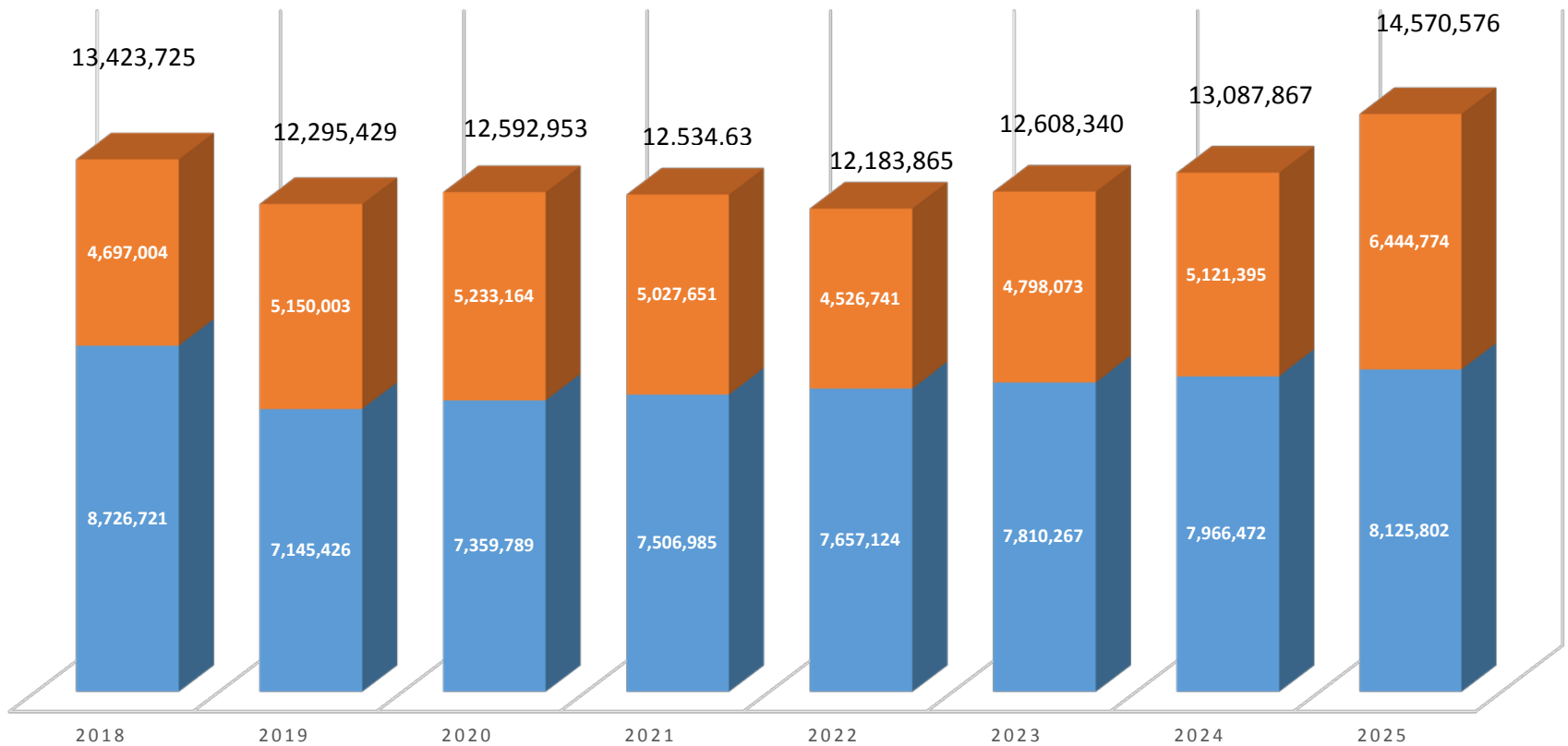
Average annual growth rate 3.09%



# GRUCom Financial Trends

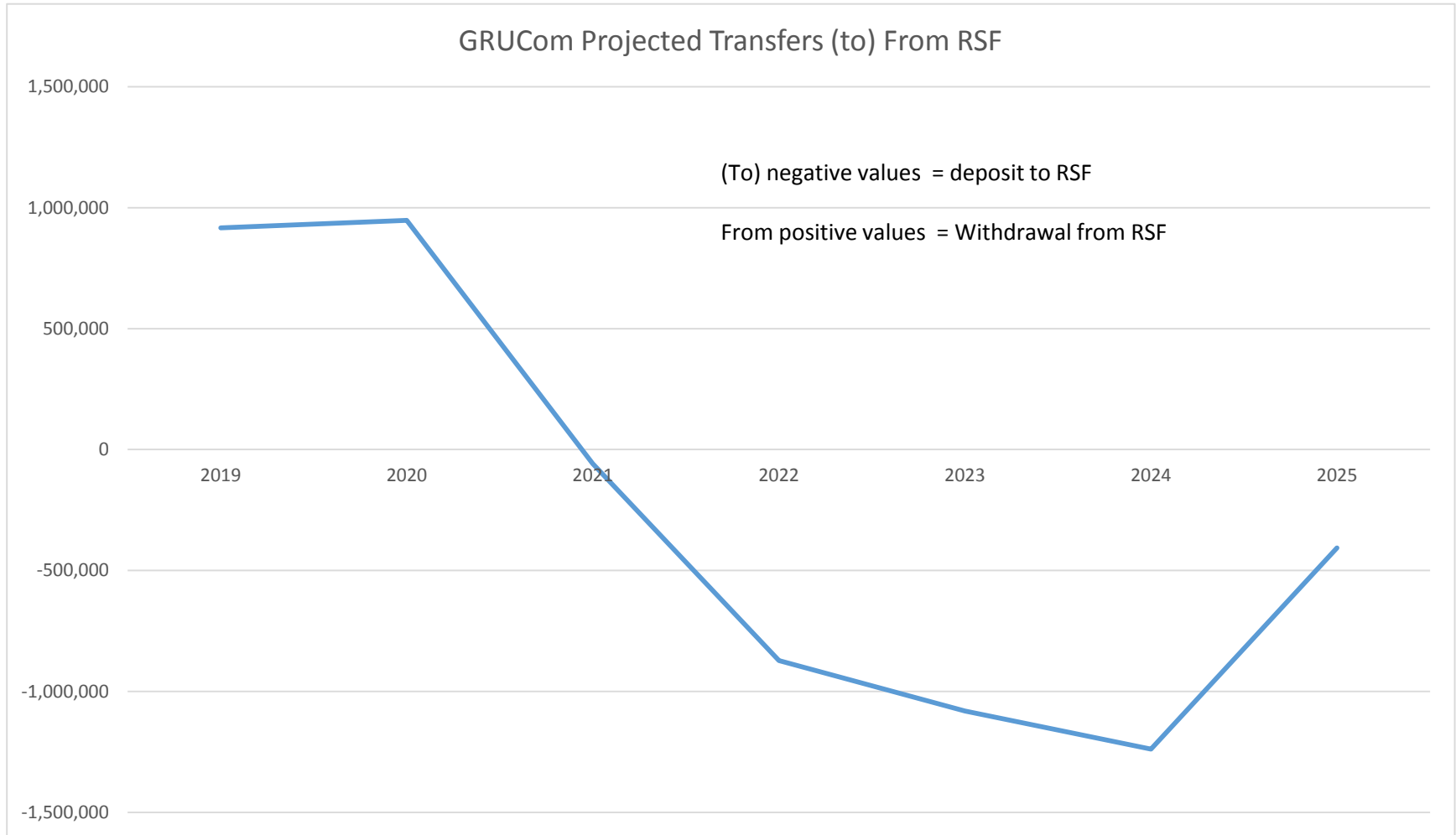
## GRUCOM PROJECTED OPERATING EXPENSE & USE OF NET REVENUE

■ Operating Expense ■ Use of Net Revenues



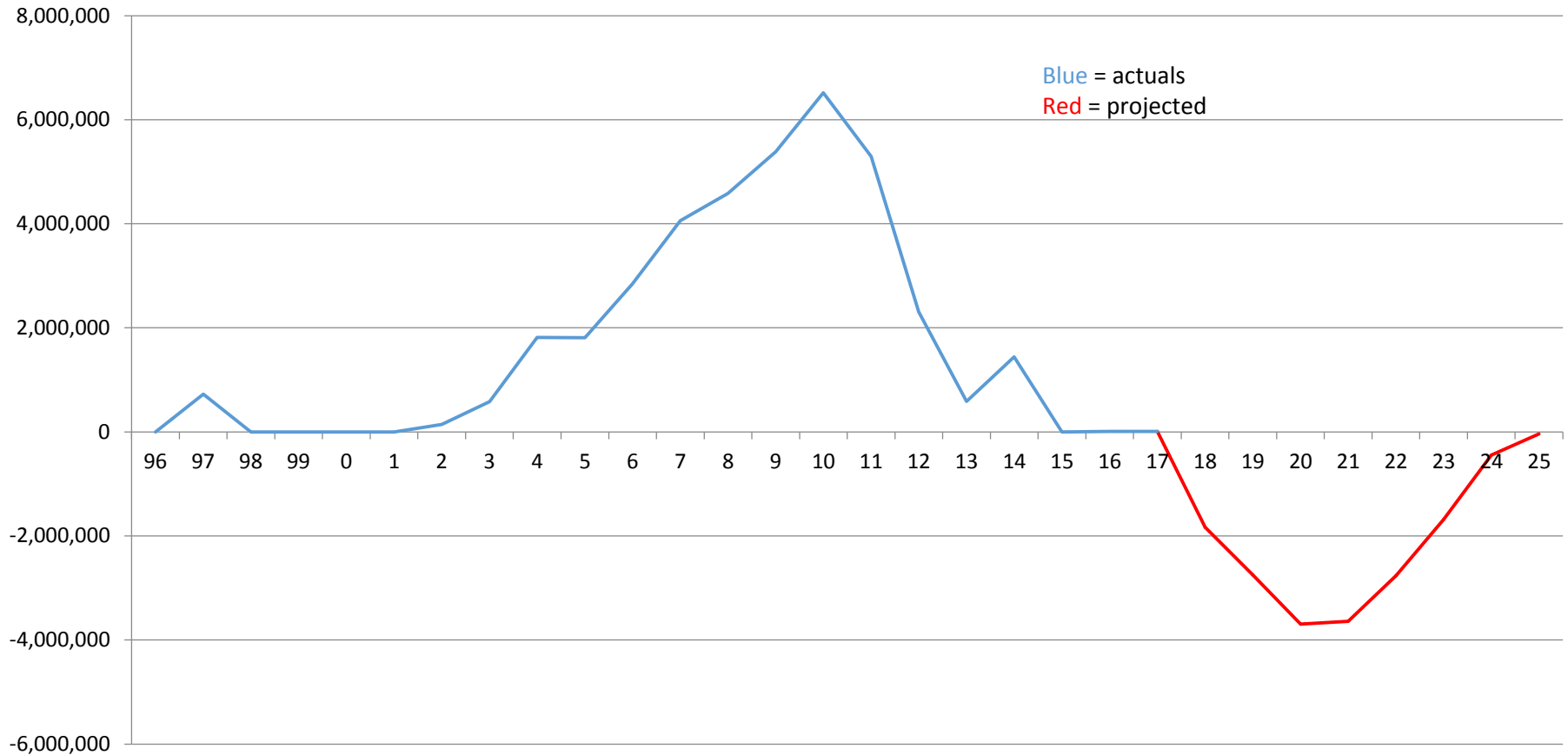


## GRUCom Financial Trends



# GRUCom Financial Trends

## GRUCom RSF Balances

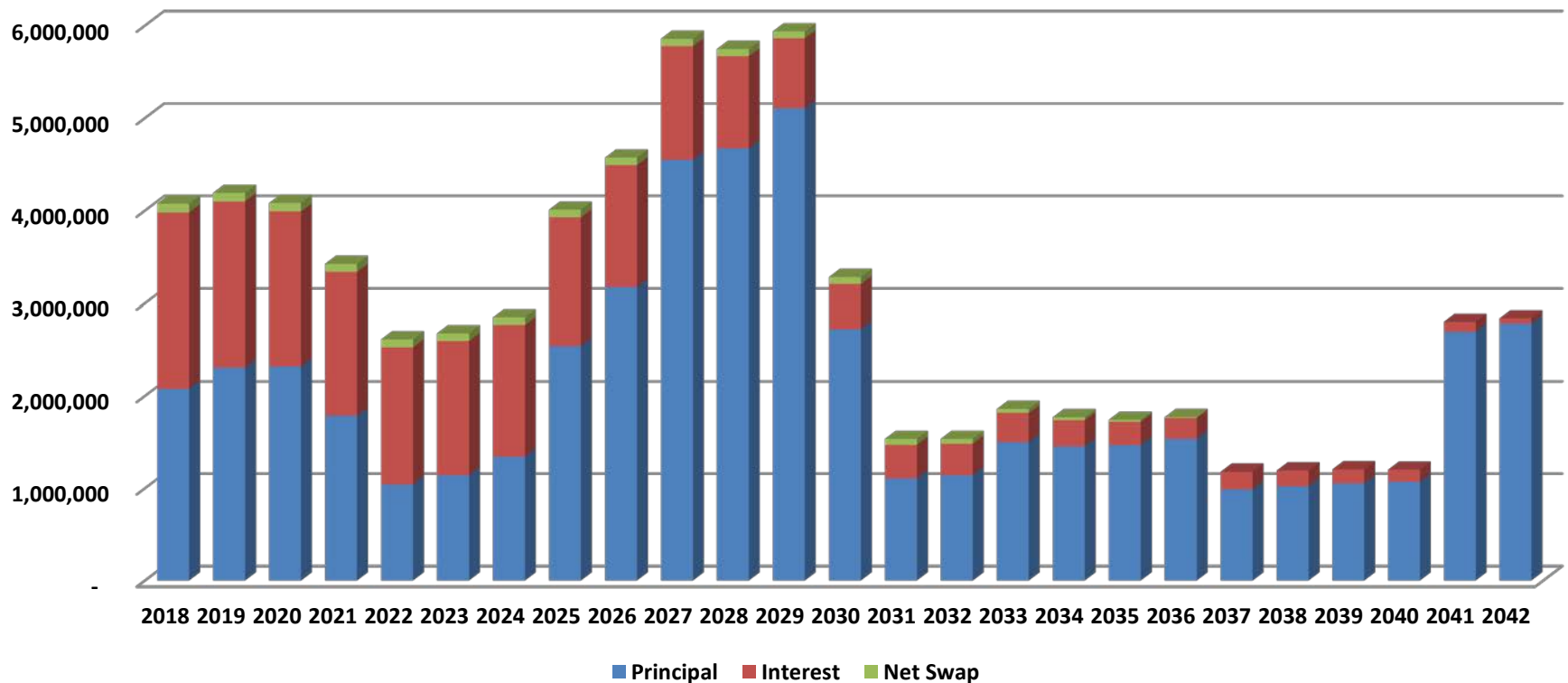


# GRUCom Financial Trends

GRUCom DEBT SERVICE PROFILE						
Debt Issue	GRUCom %	Outstanding @ 1/1/2018		GRUCom Share @1/1/2018		
		Principal	Interest	Principal	Interest	Total
Existing Debt:						
2005 Series A	2.65%	405,000	236,550	10,733	6,269	17,001
2005 Series B	38.94%	13,990,000	1,692,563	5,447,706	659,084	6,106,790
2007 Series A	3.31%	136,545,000	40,344,400	4,519,640	1,335,400	5,855,039
2008 Series A	6.79%	16,475,000	1,764,923	1,118,653	119,838	1,238,491
2010 Series A	100.00%	12,930,000	8,571,928	12,930,000	8,571,928	21,501,928
2010 Series C	2.31%	13,025,000	8,788,425	300,878	203,013	503,890
2012 Series A	2.71%	81,860,000	25,447,875	2,218,406	689,637	2,908,043
2012 Series B	16.63%	100,470,000	39,317,600	16,708,161	6,538,517	23,246,678
2014 Series B	5.18%	24,900,000	8,510,331	1,289,820	440,835	1,730,655
2014 Tax. CP	100.00%	8,000,000	1,492,500	8,000,000	1,492,500	9,492,500
2005B swap	38.94%	-	39,733	-	15,472	15,472
2007A swap	3.31%	-	39,214,757	-	1,298,008	1,298,008
Subtotal existing debt				52,543,995	21,370,501	73,914,496
Projected Issues:						
2020 Series	5.71%	70,000,000		3,997,000		
2023 Series	2.86%	70,000,000		2,002,000		

## GRUCom Financial Trends

**GRUCom Projected Annual Debt Service @ 1/1/2018**  
Existing Debt Issues



# QUESTIONS?