

## 2019 Cash Balance Policy

GRU staff recommends that the Utility Advisory Board forward for approval and the City Commission approve the 2019 Cash Balance Study as a formal financial policy for GRU.

As a formal policy, the conclusions of the study, namely the FY19-20 Preferred Level of \$72.7 and \$74.9 million and the associated lower and upper bound of cash, will be used to guide the budget process. As an adopted policy, it is expected that the cash levels, as modeled and approved, will fall within these ranges for the GRU Budget.

It is expected that GRU will have a cash balance between lower and upper bound for FY19 and FY20 when using the following sources of funds: 60 days of Operating Cash, Rate Stabilization Fund, Utility Plant Improvement Fund for Reserves and the Utility Plant Improvement Fund Reimbursement from the 2019 Transaction. However, it appears that GRU will fall outside of this bandwidth in FY21 and FY22 if no further changes are made. The table below summarizes the target, the bandwidth for execution as well as the expected cash balances to address the Cash Balance Policy:

<b>Cash Balance Study (\$ million)</b>		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Proposed Cash Targets</b>		<b>72.7</b>	<b>74.9</b>	<b>77.2</b>	<b>79.5</b>
Lower Bound		63.1	65.0	67.0	69.0
Upper Bound		82.3	84.8	87.4	90.0
<b>Cash Available</b>	Operating cash (60 days)	4.4	4.4	4.4	4.4
	Rate stabilization	50.0	37.0	26.8	19.9
	UPIF for Reserves	5.0	28.0	33.2	36.3
	UPIF Reimbursement from 2019 Transaction	23.0	-	-	-
	<b>Total Cash Reserves</b>	<b>82.4</b>	<b>69.4</b>	<b>64.4</b>	<b>60.6</b>
<b>In Cash Balance Study Bandwidth</b>		<b>Yes</b>	<b>Yes</b>	<b>No</b>	<b>No</b>
<b>Over (Under) Lower Target</b>		<b>19.3</b>	<b>4.4</b>	<b>(2.6)</b>	<b>(8.4)</b>

The 2019 Cash Balance Study represents a holistic review of the revenue and expense risks facing GRU and its individual systems. This risk analysis portrays the economic, environmental, and to some degree, climate risk facing GRU. The Study determines an appropriate level of cash to reserve against each of these identified risks to determine an overall target level of cash. To assist with the uncertainty of executing the budget, a range of +/- 15 days of flexibility was used to determine the upper and lower bound for cash. A summary of these risks and preferred cash levels for each risk is detailed below:

\$ Million	Less Conservative Level	Moderate Level	More Conservative Level	
<b>Revenue Risk</b>				
General Sales Decrease	\$3.5	\$10.4	\$17.3	Reflects recession
Large Customer Exposure	\$ .9	\$1.7	\$6.9	Generally stable economic base
Sales for Resale / UF Water	\$ .0	\$ .1	\$ .2	Immaterial Revenue
Other Revenue Exposure	\$ .0	\$ .1	\$ .5	Immaterial Revenue
<b>Expense Risk</b>				
Replacement Power Exposure	\$2.6	\$10.0	\$22.1	Low probability but represents resiliency
Gas / Purchased Power Exposure	\$ .3	\$2.4	\$6.1	Market risk for unhedged position
Renewable Performance Exposure	Not Applicable			Limited renewable exposure
Insurance	\$ .1	\$ .1	\$ .2	
Resiliency and Climate Exposure	\$2.0	\$4.0	\$8.0	FEMA lag versus response time
Cyber Exposure	Not Applicable			Insurance coverage
Construction / CIP Exposure	Not Applicable			GRU's experience with projects
<b>Operational Risk / Working Capital</b>				
Working Capital	\$31.5	\$42.0	\$52.5	Use of RSF and general payment lag

\* Numbers may not total due to rounding

<b>Preferred Level</b>	<b>\$72.7</b>
<b>15 Day Buffer</b>	<b>\$9.6</b>
<b>Lower Bound</b>	<b>\$63.1</b>
<b>Upper Bound</b>	<b>\$82.3</b>

The primary additional recommendations of the Cash balance Study include: reviewing this study and policy at regular intervals to address changes in the operating and economic environment and to review cyber and resiliency efforts at GRU.