

FY20 Baseline Budget Rate Review – Part 3

June 5, 2019

Goal of February 2019 Financial Plan

- Improve cash flow during planning horizon FY20–FY26.
 - Stabilize & replenish cash reserves.
 - Reduce leverage (accelerate principal repayment).
 - Increase investment in technology (ERP/AMI/FMIS).

Financial Plan Components

- Debt service reduction FY20–FY21 of \$23.5 million.
- O&M reduction FY20–FY21 of \$21 million.
- Proposed GFT reductions of \$36 million over planning horizon.
- Implementation of requisite electric system rate increases.

Required Electric System Rate Increases

Required Electric System Rate Increases			
	FY20	FY21	FY22
Flat GFT	6.00%	4.00%	2.00%
\$1.5 million reduction	5.50%	3.50%	2.00%
\$3 million reduction*	5.00%	3.00%	2.00%
\$6 million reduction*	4.00%	2.65%	2.00%

*Addresses rating agency concerns by increasing revenue and reducing leverage. Reducing GFT reduces leverage.

GFT Levels vs. Funds Available to Pay (millions)

	Funds Available For GFT *	GFT	Shortfall
Flat GFT	31.8	38.3	(6.5)
1.5M GFT reduction	31.0	36.8	(5.8)
3M GFT reduction	30.2	35.3	(5.1)
6M GFT reduction	28.6	32.3	(3.7)

* Before \$9.2M of 2019C savings

Impact of Not Fully Implementing Rates

For each GFT-reduction scenario, the following is true:

The impact of reducing GRU's proposed FY20 rate increase by 1% reduces cash flow to the Electric System by \$12.3 million over the planning horizon (FY20–FY26).

- 1% = \$12.3 million
- 2% = \$24.6 million
- 3% = \$36.9 million

Total Rewards Impact

Projected Total Rewards Impact			
	FY20	FY21	FY22
Electric	0.41%	0.42%	0.43%
Water	0.44%	0.45%	0.46%
Wastewater	0.42%	0.43%	0.44%
Gas	0.57%	0.59%	0.60%

Original Recommendation

Recommendation:

Reduce GFT by \$6 million, with Electric System rate increase of 4% in FY20.

Revised Recommendation

Revised Recommendation:

City Commission consensus on May 7th did not support a \$6 million GFT reduction. Alternative recommendation is for a \$3 million GFT reduction with an Electric System rate increase of 5% in FY20.

Questions?