

Gainesville Regional Utilities

Budget to Actual Comparison

For the Year Ended September 30, 2019



**Gainesville Regional Utilities
Budget to Actual Comparison
For the Year Ended September 30, 2019**

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Overview and Basis of Accounting

Gainesville Regional Utilities Budget to Actual Comparison For the Year Ended September 30, 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 year ended September 30, 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 September 30, 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 September 30, 2019. It should be read in conjunction with the Budget to Actual Comparison that follows this section.

Budget Highlights

Combined Systems

- The fiscal year 2019 budget anticipated that withdrawals of \$12.2 million would be required from rate stabilization. Based on results of operations \$11.9 million was withdrawn, \$9.4 million of which was set aside for redemption of debt as a result of the 2019 Series A, B, and C transaction.

Electric System

- Total MWH sales in fiscal year 2019 were 0.2% below budget, and combined residential and non-residential revenues were 0.3% below budget.
- Fuel adjustment revenue and corresponding fuel expenses increased \$3.0 million or 3.6% due to natural gas fuel prices which were higher than forecasted, and a forced outage at the JR Kelly plant which resulted in increased fuel expenses from additional purchased power. Fuel revenue is adjusted upward through the fuel levelization balance to offset increased fuel costs. The fuel levelization balance decreased below the targeted amount so an increase to the fuel adjustment rate was made effective May 1st. Fuel revenues match fuel expenses as a pass-through to customers.
- Other electric sales are running below budget by \$3.0 million due to lower South Energy Center (SEC) related revenue as well as rental lighting coming in below budget. SEC revenue was lower than projected due to the fact that the facility is running the generation engine (7MW) instead of the turbine (4MW), based on the UF Health Campus need for capacity.
- Other revenue is under budget by \$6.3 million due in large part to the reclassification of revenue collected for the Enterprise Resource Planning (ERP) project, Total Rewards and lower revenue related to SEC chilled water and backup power. The ERP and Total Rewards revenue was moved to a regulatory liability account on the balance sheet until project implementation begins.

**Gainesville Regional Utilities
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- Power production costs are less than expected because of lower contract costs related to outage events as well as lower electric expense at the SEC facility. The SEC facility is running the generation engine (7MW) instead of the turbine (4MW). The engine will be run for the foreseeable future until the UF Health campus is further developed increasing the need for additional capacity.
- In the administrative and general expense category, electric services, contractual services and building maintenance costs came in below budget. Additionally, projected impacts of the total rewards pay and compensation study were budgeted at \$420,148 in fiscal year 2019 but the project was not initiated during the fiscal year.
- Debt service is lower than budget due to the utility closing on its 2019 Series A, B and C bond issue which produced a reduction in fiscal year 2019 debt service expenditures.

Water System

- Total kGal sales of water for fiscal year 2019 were 1.0% below with residential sales revenue slightly below budget and non-residential revenue just above budget.
- Other revenue is under budget by \$1.1 million. Primary factors driving this variance are plant connection charges at \$323,000 below budget and the movement of revenue collected for the ERP project to a regulatory liability account while the project is on hold.
- Transmission and distribution expenses are lower than budgeted due to deferral of the ERP project already discussed.
- In the administrative and general expense category, electric services, contractual services and building maintenance costs came in below budget. Additionally, projected impacts of the total rewards pay and compensation study were budgeted at \$112,726 in fiscal year 2019 but the project was not initiated during the fiscal year.
- Debt service is lower than budget due to the utility closing on its 2019 Series A, B and C bond issue which produced a reduction in fiscal year 2019 debt service expenditures.

**Gainesville Regional Utilities
Budget to Actual Comparison
For the Period Ended September 30, 2019**

Wastewater System

- Total kGals billed during fiscal year 2019 were at 0.5% below budget with total residential and non-residential revenues at 0.4% below budget.
- Other revenue is under budget by \$100,000 due to the movement of revenue collected for the ERP project to a regulatory liability account while the project is on hold offset by lower than planned WW connection charges.
- On a combined basis, collection and treatment costs were \$1,621,017 or 9.3% below budget, in part due to deferral of the ERP project.
- In the administrative and general expense category, electric services, contractual services and building maintenance costs came in below budget. Additionally, projected impacts of the total rewards pay and compensation study were budgeted at \$134,549 in fiscal year 2019 but the project was not initiated during the fiscal year.
- Debt service is lower than budget due to the utility closing on its 2019 Series A, B and C bond issue which produced a reduction in fiscal year 2019 debt service expenditures.

Gas System

- Retail therm sales were 6.3% below budget, primarily due to a mild winter locally. Residential and non-residential revenues came in at 2.9% below budget.
- Gas fuel adjustment revenues and purchased gas expense were 3.3% below budget for fiscal year 2019.
- Other revenue is down due to lower turn-on fee revenue as well as the movement of revenue collected for the ERP project to a regulatory liability account while the project is on hold.
- Operation and maintenance expense are lower due to deferred ERP related costs already discussed.
- In the administrative and general expense category, vehicle and transportation expenses, electric services and contractual services came in below budget. Additionally, projected impacts of the total rewards pay and compensation study were budgeted at \$45,050 in fiscal year 2019 but the project was not initiated during the fiscal year.

**Gainesville Regional Utilities
Budget to Actual Comparison
For the Period Ended September 30, 2019**

- Debt service is lower than budget due to the utility closing on its 2019 Series A, B and C bond issue which produced a reduction in fiscal year 2019 debt service expenditures.

Telecommunications System

- Total telecommunication sales of services are slightly down by 0.2% due to trunking radio revenue coming in 2.7% below projections.
- Operation and maintenance expenses are higher due to greater shared service overheads allocated to the system than budgeted. Also as with the other systems expenses are lower due to deferred ERP related costs already discussed.
- Administrative and general expenses are below budget due to lower shared service overheads than budgeted. Additionally, projected impacts of the total rewards pay and compensation study were budgeted at \$36,526 in fiscal year 2019 but the project was not initiated during the fiscal year.
- Debt service is lower than budget due to the utility closing on its 2019 Series A, B and C bond issue which produced a reduction in fiscal year 2019 debt service expenditures.

Budget to Actual Statements

**Gainesville Regional Utilities
Combined Systems
Budget to Actual Comparison
For the Year Ended September 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over/<Under> Budget</u>	<u>% Variance</u>
REVENUES:				
Electric system:				
Sales of electricity	\$ 185,268,657	\$ 183,010,003	\$ (2,258,654)	(1.2)
Fuel adjustment	83,811,322	86,839,936	3,028,614	3.6
Sales for resale	2,906,940	4,774,197	1,867,257	64.2
Transfer from/(to) rate stabilization	4,342,524	1,175,150	(3,167,374)	(72.9)
Other revenue	8,253,789	1,942,310	(6,311,479)	(76.5)
Other income (expense)	547,303	6,455,279	5,907,976	1,079.5
Build America Bonds	2,852,048	2,873,052	21,004	0.7
Total electric system revenues	287,982,583	287,069,927	(912,656)	(0.3)
Water system:				
Sales of water	35,001,771	35,135,406	133,635	0.4
Transfer from/(to) rate stabilization	152,124	(1,434,068)	(1,586,192)	(1,042.7)
Other revenue	2,876,527	1,783,599	(1,092,928)	(38.0)
Other income (expense)	305,066	503,016	197,950	64.9
Build America Bonds	805,701	811,634	5,933	0.7
Total water system revenues	39,141,189	36,799,587	(2,341,602)	(6.0)
Wastewater system:				
Sales of wastewater	40,436,149	40,278,404	(157,745)	(0.4)
Transfer from/(to) rate stabilization	1,588,082	(2,165,512)	(3,753,594)	(236.4)
Other revenue	3,912,217	3,812,266	(99,951)	(2.6)
Other income (expense)	220,625	424,708	204,083	92.5
Build America Bonds	918,583	925,348	6,765	0.7
Total wastewater system revenues	47,075,656	43,275,214	(3,800,442)	(8.1)
Gas system:				
Sales of gas	15,690,844	15,358,452	(332,392)	(2.1)
Fuel adjustment	8,449,129	8,169,312	(279,817)	(3.3)
Transfer from/(to) rate stabilization	5,112,157	6,907,847	1,795,690	35.1
Other revenue	1,758,209	(76,221)	(1,834,430)	(104.3)
Other income (expense)	119,792	434,367	314,575	262.6
Build America Bonds	597,516	601,916	4,400	0.7
Total gas system revenues	31,727,647	31,395,673	(331,974)	(1.0)
Telecommunications system:				
Sales of services	11,220,202	11,198,871	(21,331)	(0.2)
Transfer from/(to) rate stabilization	2,226,629	471,447	(1,755,182)	(78.8)
Other revenue	179,345	(205,414)	(384,759)	(214.5)
Other income (expense)	(20,237)	197,688	217,925	(1,076.9)
Total telecommunications system revenues	13,605,939	11,662,592	(1,943,347)	(14.3)
TOTAL REVENUES	419,533,014	410,202,993	(9,330,021)	(2.2)

**Gainesville Regional Utilities
Combined Systems
Budget to Actual Comparison
For the Year Ended September 30, 2019**

	Budget	Actual	Actual Over/<Under> Budget	% Variance
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Electric system:				
Fuel expenses	83,811,322	86,839,936	3,028,614	3.6
Operation and maintenance	72,050,494	69,352,192	(2,698,302)	(3.7)
Administrative and general	19,926,146	22,508,085	2,581,939	13.0
Total Electric System Expenses	175,787,962	178,700,213	2,912,251	1.7
Water system:				
Operation and maintenance	13,109,720	12,712,054	(397,666)	(3.0)
Administrative and general	6,532,299	5,032,544	(1,499,755)	(23.0)
Total Water System Expenses	19,642,019	17,744,598	(1,897,421)	(9.7)
Wastewater system:				
Operation and maintenance	17,353,447	15,732,430	(1,621,017)	(9.3)
Administrative and general	6,076,188	4,803,929	(1,272,259)	(20.9)
Total Wastewater System Expenses	23,429,635	20,536,359	(2,893,276)	(12.3)
Gas system:				
Fuel expense and purchased gas	8,449,129	8,169,312	(279,817)	(3.3)
Operation and maintenance	3,257,583	4,019,515	761,932	23.4
Administrative and general	3,632,313	2,978,438	(653,875)	(18.0)
Total Gas System Expenses	15,339,025	15,167,265	(171,760)	(1.1)
Telecommunications system:				
Operation and maintenance	5,503,010	6,307,390	804,380	14.6
Administrative and general	2,148,071	1,082,086	(1,065,985)	(49.6)
Total Telecommunications System Expenses	7,651,081	7,389,476	(261,605)	(3.4)
TOTAL EXPENSES	241,849,722	239,537,911	(2,311,811)	(1.0)
NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION:				
Total electric system	112,194,621	108,369,714	(3,824,907)	(3.4)
Total water system	19,499,170	19,054,989	(444,181)	(2.3)
Total wastewater system	23,646,021	22,738,855	(907,166)	(3.8)
Total gas system	16,388,622	16,228,408	(160,214)	(1.0)
Total telecommunications system	5,954,858	4,273,116	(1,681,742)	(28.2)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	177,683,292	170,665,082	(7,018,210)	(3.9)
LESS:				
Debt service	98,113,882	91,095,672	(7,018,210)	(7.2)
Debt service - UPIF	-	-	-	-
UPIF contributions	41,284,409	41,284,409	-	-
Transfer to City of Gainesville General Fund	38,285,001	38,285,001	-	-
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ -	\$ -	\$ -	-

Gainesville Regional Utilities
Electric System
Budget to Actual Comparison
For the Year Ended September 30, 2019

	Budget	Actual	Actual Over/<Under> Budget	% Variance
REVENUES:				
Residential	\$ 72,763,208	\$ 72,753,116	\$ (10,092)	(0.0)
Non-residential	85,714,854	86,272,732	557,878	0.7
Fuel adjustment	83,811,322	86,839,936	3,028,614	3.6
Sales for resale	2,906,940	4,774,197	1,867,257	64.2
Utility surcharge	4,262,049	4,466,504	204,455	4.8
Other electric sales	22,528,546	19,517,651	(3,010,895)	(13.4)
Total Sales of Electricity	271,986,919	274,624,136	2,637,217	1.0
Transfer from/(to) rate stabilization	4,342,524	1,175,150	(3,167,374)	(72.9)
Other revenue	8,253,789	1,942,310	(6,311,479)	(76.5)
Other income (expense)	547,303	6,455,279	5,907,976	1,079.5
Build America Bonds	2,852,048	2,873,052	21,004	0.7
Total Revenues	287,982,583	287,069,927	(912,656)	(0.3)
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel expenses	83,811,322	86,839,936	3,028,614	3.6
Power production	48,136,154	45,716,984	(2,419,170)	(5.0)
Transmission and distribution	23,914,340	23,635,208	(279,132)	(1.2)
Administrative and general	19,926,146	22,508,085	2,581,939	13.0
Total Operation, Maintenance and Administrative Expenses	175,787,962	178,700,213	2,912,251	1.7
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	112,194,621	108,369,714	(3,824,907)	(3.4)
LESS:				
Debt service	73,408,090	69,583,183	(3,824,907)	(5.2)
UPIF contributions	22,870,663	22,870,663	-	-
Transfer to City of Gainesville General Fund	15,915,868	15,915,868	-	-
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ -	\$ -	\$ -	-

Gainesville Regional Utilities
Water System
Budget to Actual Comparison
For the Year Ended September 30, 2019

	Budget	Actual	Actual Over/<Under> Budget	% Variance
REVENUES:				
Residential	\$ 21,967,386	\$ 21,370,730	\$ (596,656)	(2.7)
Non-residential	10,496,010	11,173,770	677,760	6.5
Utility surcharge	2,538,375	2,590,906	52,531	2.1
Total Sales of Water	35,001,771	35,135,406	133,635	0.4
Transfer from/(to) rate stabilization	152,124	(1,434,068)	(1,586,192)	(1,042.7)
Other revenue	2,876,527	1,783,599	(1,092,928)	(38.0)
Other income (expense)	305,066	503,016	197,950	64.9
Build America Bonds	805,701	811,634	5,933	0.7
Total Revenues	39,141,189	36,799,587	(2,341,602)	(6.0)
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Transmission and distribution	5,004,896	4,369,766	(635,130)	(12.7)
Treatment	8,104,824	8,342,288	237,464	2.9
Administrative and general	6,532,299	5,032,544	(1,499,755)	(23.0)
Total Operation, Maintenance and Administrative Expenses	19,642,019	17,744,598	(1,897,421)	(9.7)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	19,499,170	19,054,989	(444,181)	(2.3)
LESS:				
Debt service	7,348,207	6,904,026	(444,181)	(6.0)
UPIF contributions	6,794,891	6,794,891	-	-
Transfer to City of Gainesville General Fund	5,356,072	5,356,072	-	-
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ -	\$ -	\$ -	-

**Gainesville Regional Utilities
Wastewater System
Budget to Actual Comparison
For the Year Ended September 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over/<Under> Budget</u>	<u>% Variance</u>
REVENUES:				
Residential	\$ 27,458,416	\$ 26,493,074	\$ (965,342)	(3.5)
Non-residential	10,114,764	10,898,265	783,501	7.7
Utility surcharge	2,862,969	2,887,065	24,096	0.8
Total Sales of Services	40,436,149	40,278,404	(157,745)	(0.4)
Transfer from/(to) rate stabilization	1,588,082	(2,165,512)	(3,753,594)	(236.4)
Other revenue	3,912,217	3,812,266	(99,951)	(2.6)
Other income (expense)	220,625	424,708	204,083	92.5
Build America Bonds	918,583	925,348	6,765	0.7
Total Revenues	47,075,656	43,275,214	(3,800,442)	(8.1)
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Collection	6,116,622	7,812,563	1,695,941	27.7
Treatment	11,236,825	7,919,867	(3,316,958)	(29.5)
Administrative and general	6,076,188	4,803,929	(1,272,259)	(20.9)
Total Operation, Maintenance and Administrative Expenses	23,429,635	20,536,359	(2,893,276)	(12.3)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	23,646,021	22,738,855	(907,166)	(3.8)
LESS:				
Debt service	8,986,333	8,079,167	(907,166)	(10.1)
UPIF contributions	8,799,016	8,799,016	-	-
Transfer to City of Gainesville General Fund	5,860,672	5,860,672	-	-
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ -	\$ -	\$ -	-

Gainesville Regional Utilities
Gas System
Budget to Actual Comparison
For the Year Ended September 30, 2019

	Budget	Actual	Actual Over/<Under> Budget	% Variance
REVENUES:				
Residential	\$ 8,777,770	\$ 8,124,802	\$ (652,968)	(7.4)
Non-residential	5,180,805	5,428,619	247,814	4.8
Fuel adjustment	8,449,129	8,169,312	(279,817)	(3.3)
Utility surcharge	494,397	532,997	38,600	7.8
Other gas sales	1,237,872	1,272,034	34,162	2.8
Total Sales of Gas	24,139,973	23,527,764	(612,209)	(2.5)
Transfer from/(to) rate stabilization	5,112,157	6,907,847	1,795,690	35.1
Other revenue	1,758,209	(76,221)	(1,834,430)	(104.3)
Other income (expense)	119,792	434,367	314,575	262.6
Build America Bonds	597,516	601,916	4,400	0.7
Total Revenues	31,727,647	31,395,673	(331,974)	(1.0)
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel expense - purchased gas	8,449,129	8,169,312	(279,817)	(3.3)
Operation and maintenance	3,257,583	4,019,515	761,932	23.4
Administrative and general	3,632,313	2,978,438	(653,875)	(18.0)
Total Operation, Maintenance and Administrative Expenses	15,339,025	15,167,265	(171,760)	(1.1)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	16,388,622	16,228,408	(160,214)	(1.0)
LESS:				
Debt service	4,062,275	3,902,061	(160,214)	(3.9)
UPIF contributions	2,360,793	2,360,793	-	-
Transfer to City of Gainesville General Fund	9,965,554	9,965,554	-	-
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ -	\$ -	\$ -	-

**Gainesville Regional Utilities
Telecommunications System
Budget to Actual Comparison
For the Year Ended September 30, 2019**

	Budget	Actual	Actual Over/<Under> Budget	% Variance
REVENUES:				
Telecommunications	7,733,558	\$ 7,737,841	\$ 4,283	0.1
Trunking radio	1,718,952	1,672,251	(46,701)	(2.7)
Tower leasing	1,767,692	1,788,779	21,087	1.2
Total Sales of Services	11,220,202	11,198,871	(21,331)	(0.2)
Transfer from/(to) rate stabilization	2,226,629	471,447	(1,755,182)	(78.8)
Other revenue	179,345	(205,414)	(384,759)	(214.5)
Other income (expense)	(20,237)	197,688	217,925	(1,076.9)
Total Revenues	13,605,939	11,662,592	(1,943,347)	(14.3)
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Operation and maintenance	5,503,010	6,307,390	804,380	14.6
Administrative and general	2,148,071	1,082,086	(1,065,985)	(49.6)
Total Operation, Maintenance and Administrative Expenses	7,651,081	7,389,476	(261,605)	(3.4)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	5,954,858	4,273,116	(1,681,742)	(28.2)
LESS:				
Debt service	4,308,977	2,627,235	(1,681,742)	(39.0)
UPIF contributions	459,046	459,046	-	-
Transfer to City of Gainesville General Fund	1,186,835	1,186,835	-	-
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ -	\$ -	\$ -	-