



Legislation Text

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Gainesville Regional Utilities Cash Balance Study (B)

As discussed during the FY19 GRU budget presentations last summer, GRU cash balances have been deteriorating since FY15 and liquidity ratios have eroded to levels which could potentially imperil GRU's bond ratings. To assist us in addressing this issue, GRU has engaged its financial advisor, Public Financial Management (PFM) to conduct a Cash Balance Study (CBS). The purpose of the CBS is to establish prudent cash levels to accommodate various sources of cash flow variability as well as manage risk. The conclusions of the study are:

- There is a preferred level or range of cash balances for GRU
- The CBS should be periodically reviewed to reassess preferred cash levels in view of changing economic conditions as well as changes in GRU's risk profile

The fundamental reason for developing the CBS is to identify cash levels sufficient to absorb financial variability resulting from unexpected operating results. This will facilitate GRU's ability to establish rates that reflect long-term costs, without necessarily imposing the full impact of short-term volatilities.

This item was presented to the UAB on January 10, 2019.

None

The City Commission

- 1) receive a presentation on the Cash Balance Study and
- 2) approve the range of cash levels to be maintained by GRU as identified in the Cash Balance Study.

The UAB voted unanimously to recommend that the Commission approve the staff recommendation. Their statement of justification is included in the back-up.