

Jim Konish

Independent Rate Analyst

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PO Box 6020, Gainesville FL, 32627

Problems With Financial Statements

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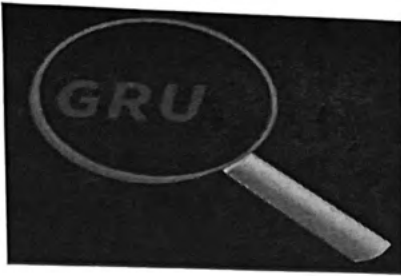
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"...during that [April 6, 2023 City Board] meeting I clearly stated that this [general fund transfer/upcoming bond transaction] was going to cost more and that's easy enough to see because interest rates were rising, so the more you push it out the more it's going to cost our customers. I did not know at the time how much right you have to deal with that."

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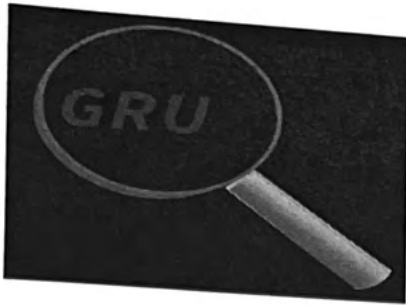
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While there is a recognition that "transaction between GRU and the City's governmental and business-type funds" occur, no itemization or quantification of this activity is provided.

An appendix to this problem area is offered as follows:

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questionable amendments is comprised of at least a 50% PPA cancellation PENALTY. This sum was booked as a Long-Term Asset in 2019. Another identical plant purchase/PPA escape buyout for an identical plant from the same private promoters sold for \$460 million in 2019.

The fiscal impact of these matters emerge in the Notes to Financial Statements/Regulating Assets/Costs Recoverable in Future Years.

The escalating amount by which depreciation on the purchased Deerhaven Renewable Generating Station (DHR) exceeds principal repayment in the related bonds is being recorded as amount to be recovered from future revenue (an additional liability).

III. Electric Generation Assets

GRU has ten (10) electric generation plants and NO FIRM AVAILABILITY on the only Duke Energy Transmission line into the GRU service territory.

A 27mw solar project has been scrapped. Two (2) 17.5MW gas peaker plants are slated for retirement 12/26. A gigantic 232mw gas/coal plant is to be retired by 12/32.

The Integrated Resource Plan (IRP) has been cancelled and the former person in charge was fired. GRU is studying a 76mw gas plant slated for retirement December 2027 to see what it would take to extend that plant's useful life.

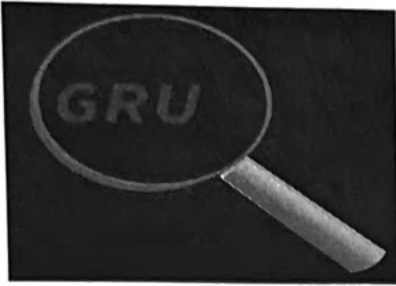
No cost, engineering, or risk analysis has been offered.

GRU has converted old coal plants to gas and retrofitted additional pollution control.

The DHR biomass plant cannot be converted to any other fuel.

Though the CEO/GM of GRU claims he is "long on power", GRU buys more wholesale than it sells due to high overall costs. It is frequently cheaper for GRU to buy wholesale electric rather than generate it itself.

GRU competes with modern combined cycle gas, nuclear, and solar generation and appears to buy more electric wholesale than it sells due to high fuel and operational costs. GRU nonresidential rates are exorbitant. Despite being "long on power", GRU is unlikely to attract new, large electric users due to uncompetitive nonresidential rates. GRU *overall* revenue growth in five (5) different systems is projected to be 0.5% next year in FY26.



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IV. Annual GRU Long Term Debt Service

In a table titled "Debt Service Requirements for Long-Term Debt", the payments are split into 2 categories:

1. "**BONDS**"
and
2. "**DIRECT PLACEMENTS**"

I have combined these categories in order to reveal clearly the backloading of the massive GRU Debt through 2041.

V. Legal Quagmire

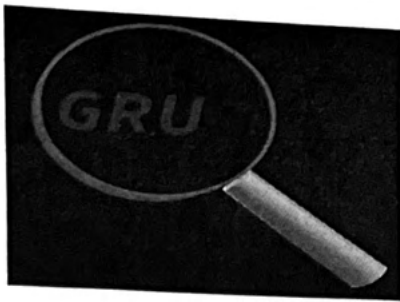
While the Authority does mention a recent City Commission Referendum and related litigation, there is important context not provided:

The Authority has been hampered by a barrage of private nuisance suits filed by cronies of Gainesville City Commissioners assailing HB1645. This is despite a resounding defeat of a \$500,000+ Gainesville City Commission legal challenge to HB1645.

A referendum was launched by the Gainesville City Commission. There was no timely Authority legal action undertaken to keep it off the ballot. This referendum passed by a 72% margin. The referendum purportedly repealing HB1645 (Article VII of the Gainesville City Charter) was temporarily enjoined by a lawsuit the Authority filed. A recent split decision finding the referendum fatally flawed yet plausible is to be appealed by the Authority.

VI. Government Service Contribution (GSC)

Note 12 Titled "Transfer to the City of Gainesville General Fund" fails to mention that the City Commission ask of \$15.3 for 2024 was reduced for a 10 year clawback of City Commission Direct Transfers of \$68.5 million more than the utility earned between 2018 and 2022. Moreover, additional deductions for Authority Attorney's fees and set off for a breached MOU with the City over payment for County Streetlights has reduced to annual direct transfer to about \$7 million. A new Authority created formula based on GRU earnings has been promised



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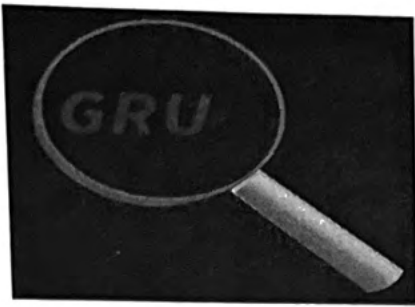
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but not delivered. The City's formula for a transfer was based on the theory the City should receive what would be paid if GRU was a private investor-owned utility.



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April 22, 2025

Sent Via Email

To: Bethany Ryers, CPA, Principal, Baker Tilly US, LLP

Dan La Haye, CPA, Director, Baker Tilly, US LLP

Cc: Edward Bielarski, GRU CEO/GM

Claudia Rasnick, GRU CFO

Eric Lawson, Chair, GRU Authority

RE: Material Misstatements, Omissions, and Misleading Statements in GRU FY24 Audited Financial Statements

Attached to this introductory letter are myriad exhibits and documentation of six (6) major problems with the FY24 GRU Financial Statement you have audited as follows:

- I. Service Level Agreements (SLA) Losses
- II. Net Position
- III. Electric Generation Assets
- IV. GRU Annual Long Term Debt Service
- V. Legal Quagmire
- VI. Government Services Contribution (GSC)

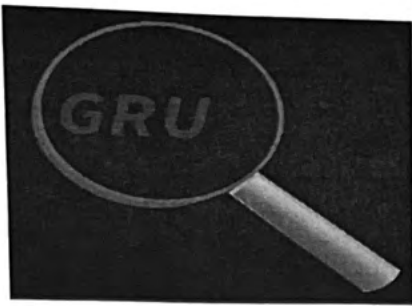
To the extent that GRU management has concealed the matters discussed herein, that defect is now cured.

I urge you and your firm to carefully consider the presentation I am providing and require that GRU Financial Statements include the appropriate disclosures that may not have been made.

Please feel free to contact me with any questions you may have.

Please confirm you are in receipt of this email once received.

Jim Konish,
Long Time Concerned GRU Ratepayer



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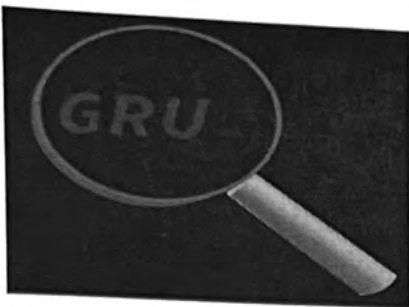
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II. Net Position

GRU Net Position of around \$400 million has been stagnant or declining since 2005. The FY24 10/24 number was **below** 10/22. GRU Net Capital Assets of \$1.9 million are encumbered by long-term debt of \$1.8 million. These metrics are well outside the range observed with other Florida municipal electric utilities (See Auditor General's Report of January 2022).

The 2019 payment of \$750 million to purchase a privately-owned biomass generating plant in order to escape a disastrous Power Purchase Agreement (PPA), made worse through numerous

Gainesville Regional Utilities
Notes to Financial Statements
September 30, 2024 and 2023

1. Summary of Significant Accounting Policies (concluded)

Transactions with the City

As an enterprise fund of the City, transactions occur between GRU and the City's governmental and business-type funds throughout the year in the ordinary course of operations.

Below is a summary of significant transactions:

- x [• Administrative services – GRU pays for various administrative and certain insurance services provided by the City's governmental and business-type functions. GRU receives payment for Information Technology, telecommunications, certain insurance services, and billing services provided to the City's governmental and business-type functions.
- Pension obligation payments – GRU makes payments to the City for pension expense obligations. See Note 14 Retirement Plans for additional information.
- Non-metered and metered service charges – GRU receives payment from the City for all non-metered and metered service charges.
- Operating transfer to the General Fund – GRU makes payments to the City's General Fund from operating revenues. See Note 12 Transfer to the City of Gainesville General Fund for additional information.

no detail or quantification at all.

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September 22, 2024

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Letter to the Editor

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GRU CEO Ed Bielarski submitted the speech he presented at the Four A's forum today:

I am honored to be here today to assist the community with a better understanding of the GRU Governance Charter Amendment. I'm not here to advocate for either a YES or NO vote. I'm here to help you understand the consequences of either vote. Then you'll decide.

When faced with a decision on a YES or NO vote, I'm reminded of the famous ote: "Those who cannot remember history are condemned to repeat it."

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For over 100 years, the City Commission has governed the utility. What's their track record?

The last 20 years have been defined by poor decision-making and financial mismanagement, leading to crushing debt, aging infrastructure, and high electric rates.

I know this to be true – I was the General Manager from 2015 through early 2022. I worked to protect GRU from the repercussions of the Commission's reckless behavior. I was fired for doing so and telling them to:

- Stop using GRU as the city's piggy bank.
- Stop asking GRU customers to fund pet projects.
- Stop reaching into the pockets of GRU's almost 40,000 county customers.

The Commission obligated GRU to solar feed-in tariff contracts with 450 privileged customers who could afford to install costly rooftop solar arrays. GRU has been paying these privileged few almost 10 times the market rate of power. To date, GRU has paid them almost \$70 million above and beyond the market rate of power.

They encumbered GRU with a 30-year, \$2.5 billion contract entitling the biomass plant owner to \$75 million a year, whether we used the plant or not. A plant we often didn't use because we had cheaper options.

They regularly raided GRU's coffers. Over the past 20 years, while GRU earned \$750 million in profits, \$714 million was gobbled up by the City.

Imagine any other company in the world being forced to give up 95% of its profits to shareholders.

There were scant resources left in GRU's financial cupboard to upgrade outdated software, pay employees competitive salaries, maintain GRU's aging assets, and keep utility bills competitive.

The result was a utility with almost \$2 billion in debt, requiring some of the highest utility rates in the state just to pay off interest on that debt and make general fund transfers to the City. Make no mistake – the condition of GRU was built on the Commission's systematic mismanagement and litany of failures that led to hurting GRU customers the most.

That's why the Florida Legislature removed the Commission as GRU's governing body. They did so with cause. They did so to protect GRU customers. They created an independent board to run the utility. It's now the law.

What's the track record of the new GRU Authority? They re-hired me and we went to work:

- to eliminate the utility rate increases proposed by the former GRU CEO who was picked by the Commission as my replacement. That's right, they voted for **zero rate increases** this year, and
- to reduce GRU operating expenses by \$150 million over the next decade, substantially reducing the trajectory of **future** utility rate increases, and
- to reduce excessive general fund transfers to the city of **almost \$38 million a year to \$8.5 million a year**, allowing us to more quickly pay down the very debt that was thrust upon us by the Commission. One of our bond rating agencies called the Authority's actions transformative. I agree.

Now, the City Commission has the audacity to think they can overturn state law through a referendum vote before city residents.

Let the voters decide, they say.

Let the people vote, they cry.

It's a democracy, after all, they protest.

Let me remind folks that we live in a representative democracy in which the people vote for elected officials to act in the community's best interests – in accordance with the law.

Let me repeat: The special legislative act that created the GRU Authority is the law.

That law, in addition to removing GRU from Commission oversight, granted board representation to the almost 40% of GRU customers who live outside city limits – customers who, otherwise, didn't have a vote on how the utility was governed or how the City spends GRU profits.

Under the new law, for every 20% of GRU customers living in the unincorporated areas surrounding Gainesville, a representative is chosen to sit on the GRU Authority Board. That's representative democracy in action.

The folks who vocally support the referendum, who have created a website and campaign yard signs, and who repeatedly attack me on social media in a politics-of-personal-destruction sort of way, say, "To heck with non-city residents, the heck with the law. Pay your bills, including a 10% surcharge on electric and 25% on water/wastewater charges. It's our utility, not yours."

I say, that's not representative democracy, that's autocracy. That's the tyranny of the majority.

The proponents of the referendum purport that the referendum will simply return GRU to the City as it used to operate, but that's not true. The referendum doesn't return the governance of GRU to what it once was – it eliminates the CEO or General Manager (GM) as a charter officer.

The GM or CEO will be replaced by the City Manager. That means the utility would have no voice in discussions about how much profit GRU should turn over to the City. That is a dangerous, dangerous precedent.

If you don't believe me, listen to the words of our highly respected former City Manager and GRU General Manager Karen Johnson, who wrote:

"The City Commission needs to hear the voice of both the City Manager and General Manager as equals. There is a dynamic tension between the role of the City Manager and the GM, and as our elected representatives, you need to be the ones to sort out and balance those priorities."

The City didn't heed her advice. The referendum is deeply flawed.

Voting Yes on the referendum is a vote for a return to the past without accountability on GRU's use as the City's piggy bank. A past where \$714 million of GRU profits was sunk into City coffers unbeknownst to many in the community. A past where \$2.5 billion contracts with out-of-town power players were approved with little or no accountability. A past that brought GRU customers the highest electric rates in the state.

Voting No on the referendum allows a professional board to continue operating GRU like a business, making sound financial decisions based on industry best practices – keeping rates competitive and service high.

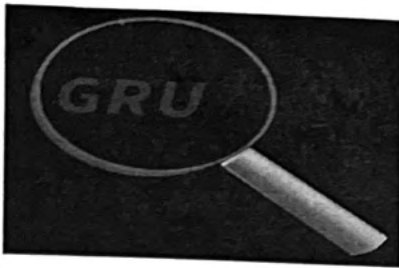
Edward Bielarski, CEO of Gainesville Regional Utilities

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APPENDIX

I. FY24 SLA LOSSES

- I. HB1645 Definitions of “Service Level Agreements” (SLA) and “Flow of Funds”
- II. GRU Graphic Omits SLA Losses
- III. GRU and General Governmental Financial Associations
- IV. Public Records Requests
- V. Written Questions Regarding FY24 Audited Financial Statements

I.

HB1645: Promulgated 5/28/23

Effective 7/1/23

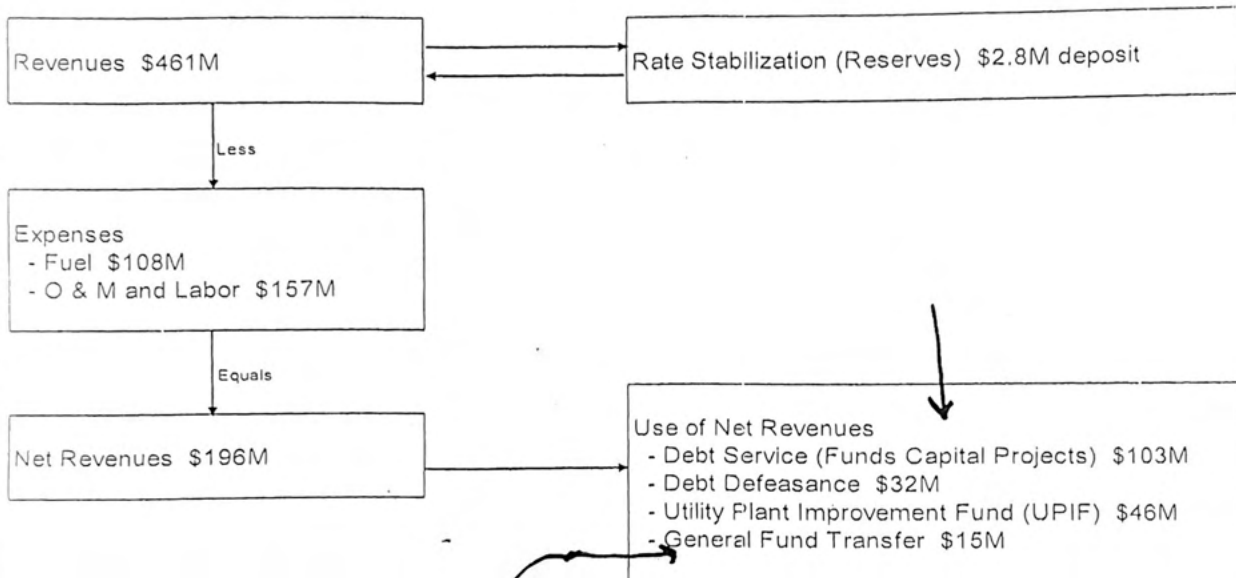
7.02 Definitions.—

(6) ***"Flow of funds"*** means the sum of required debt service, necessary operations and management expenses, ***a reasonable contribution to a utility plan improvement fund, identified SLA-related losses***, and any other lawful purpose as provided in ***bond covenants***.

(11) ***"Service-level agreement"*** or ***"SLA"*** means a ***contract*** entered into by the Authority that establishes a ***set of deliverables*** that one party has agreed to ***provide another***.

II.

Flow of Funds - Fiscal Year 2024



"SLA Losses Omitted"

III.

GRU AND GENERAL GOVERNMENTAL FINANCIAL ASSOCIATIONS

I. Direct Transfer

GSC – Government Services Contribution (formerly known as general fund transfer) payment to the General Government Fund: FY24 \$15.3 million (proposed)

II. Indirect Transfer

- a) **Direct Payments** – (1) IT*, (2a) city attorney**, (3) Workday licenses, (4) surplus sales, (5) fleet (numerous), (6) warehouse, (7) insurance (claims, office budget)**, (8) pension obligation, (9) bonds/liabilities**, (10) storm water and refuse fees, (11) city & county streetlights, (12) broadband, (13) desk phones
- b) **Cost Allocation Plan** – (14) City Commission (annual payment cancelled as of 10/1/23), (15) HR, (2b) city attorney, (16) risk management**, (17) city clerk (annual payment cancelled as of 2/1/23), (18) city auditor (annual payment cancelled as of 2/1/23), (19) payroll, (20) broadcast (annual payment reduced as of 10/1/23), (21) equity and inclusion (annual payment cancelled as of 2/1/23), (22) Workday implementation
- c) **Shared Contracts/Agreements** – (23) Security, (24) document storage, (25) recording fees, (26) CDL training, (27) dark fiber, (28) lobbyists**, (29) Sweetwater Wetlands, (30) diesel tax refund, (31) construction manager at risk, (32) engineering and general services, (33) CADET program, (34) temporary personnel services, (35) CWA labor agreement, (36) software*, (37) connect free
- d) *****Pass Through** - GRU collects taxes and fees *allowed by law* on behalf of other governmental entities, including the (38) City of Gainesville, (39) Alachua County Newberry, (40) High Springs and (41) City of Alachua

Notes:

*1&3 are related: FY24 Cost to GRU \$5.9 million; City pays \$3.9 million

**2,7,9,16,28 are related

*** City of Gainesville & Alachua County Utility Taxes & GRU Surcharges are Pyramided

Promulgated 5/28/23 Effective 7/1/23

7.12 Provisions

“The Authority and the CEO/GM, in making all policy and operational decisions over the affairs of the utility system as contemplated under the provisions of this act, shall consider only *pecuniary factors* and *utility industry best practices standards, which do not include consideration of the furtherance of social, political, or ideological interests*. Appropriate pecuniary factors and utility industry best practices are those which solely further the *fiscal and financial benefit of the utility system and customers*.” (emphasis added)

Suspect Items

1) City Attorney

(2(a)(b), 7, 9, 16, 28)

Akerman \$250,000

Walker \$50,000 – 3 months

Bond Validation (Holland & Knight) \$200,000

2) Streetlights (11)

a. County: \$1.1 million annually *free of charge*

b. City (See agreement of 10/2022): As per August 9 GRU Budget Presentation – Page 10/224 Titled “GRU Flow of Funds:

Electric System”, Page 7/224, Backup to Utility Authority
Agenda dated 1/3/24 – Page 13/47.

3) Stormwater & Refuse Fees (10)

Move to Property Tax Bill

4) Broadband (12)

If GRUCom is losing money, why are the City, County, and School
Board not paying more? (Repeat of Trunk Radio System)

5) Lobbyists (28) State & Federal:

Impossible to align interests of the City with GRU

6) Sweetwater Wetlands (29)

Nonutility Budget Item

7) CADET Program (33)

???

8) Connect Free (37)

Nonutility Budget Item

Other Nonutility Budget Items:

1) Low Income Energy Assistance Program (LEAP)

2) Discounted Connection Fees for Small Houses (Eastman)

3) City Commissioner Travel Budget

4) City & County Utility Taxes and Surcharges - Pyramiding

* Relationship Overview

GRU/GG TOUCH POINTS (Based on FY24 Budget and Estimations)		
Relationship	FY24 Cost	Detail
GSC	\$15.3 million	Formula; proxy for property tax + electric franchise fee
Utility Taxes	\$16.4 million	Utility taxes collected by the City of Gainesville, as per state law.
Services Provided/Received	\$9.3 million	Voted to reduce by \$1.4 million for services no longer rendered; exploring additional reductions for FY25 and beyond.
Other Services/Unpaid Partnerships		Do minimis charges; direct charges for services (warehouse, storm debris cleanup, etc.)

Note: No mention of "Full" or merely "Cost Allocation" or "Direct Payment"



* Misleading
Incomplete

Phase 1: Immediate Action

Beginning February 2024



Phase 2: Actively Reviewing

Relationship	Potential Impacts
IT	Offering two options: full service at \$5.8 million; reduced service at \$2.9 million; risk of losing revenue.
Network Connectivity	Collect full amount for fiber services provided to GG up to \$218,000.
Connect Free	Recommend stop collecting surcharges on connection charges; no impact to GRU.
Streetlights	FY25 and beyond will reduce GSC by cost of streetlights; FY25 cost estimated higher than \$1.1 million.
✗ ROW (Right-of-Way)	Ordinance being revised; estimated increased cost to GRU between \$100,000 and \$250,000.
FY24 Service Reductions	FY25 services and costs currently being evaluated.



* Unlawful

GRU AND GENERAL GOVERNMENT FINANCIAL ASSOCIATIONS

GSC	Government Services Contribution (formerly, general fund transfer): payment to General Government
Direct Payments	IT, city attorney, Workday licenses, surplus sales, fleet (numerous), warehouse, insurance (claims, office budget), pension obligation bonds/liabilities, storm water and refuse fees, county streetlights, broadband, desk phones
Cost Allocation Plan	City Commission, HR, city attorney, risk management, city clerk, city auditor, payroll, broadcast, equity and inclusion, Workday implementation
Shared Contracts/Agreements	Security, document storage, recording fees, CDL training, dark fiber, lobbyists, Sweetwater Wetlands, diesel tax refund, construction manager at risk, engineering and general services, CADET program, temporary personnel services, CWA labor agreement, software, connect free
Pass Through	GRU collects taxes and fees allowed by law on behalf of other governmental entities, including the City of Gainesville, Alachua County, Newberry, High Springs and City of Alachua

Not called a
"Full" Cost
Allocation
Plan (FCAP)

Proposed Service Dec

COST OF SERVICES NOT PROVIDED

The city does not provide the following services to GRU. These services should be immediately discontinued and deducted from monthly Full Cost Allocation Plan (FCAP) payments.

Description	Total Expense	% Utilized	Amount Utilized	Reduction to FCAP
City Commission	\$212,750	0%	-	\$212,750
City Clerk's Office	\$652,353	25%	\$163,008	\$489,265
City Auditor	\$352,001	25%	\$88,000	\$264,001
Broadcast Services	\$95,268	5%	\$4,763	\$90,505
Equal Opportunity	\$488,414	20%	\$97,683	\$390,731
Total	\$2,050,786		\$405,723	\$1,447,252

City Commission: GRU's CE GRU Authority.

Clerk's Office: GRU staff has responsibilities at Authority office continues to provide : support.

City Auditor: The Authority use of the city auditor's service

Broadcast Services: GRU archives Authority meetings channel.

Equal Opportunity: GRU ha of these services and most internal.

Recommendation

- ↓ (Full Cost Allocation Plan)
- Reduce the FCAP starting February 2024
 - Reduce FCAP by \$180,906 per month for remainder c
 - This will reduce costs on services no longer provided
 - GRU will provide essential services internally at a reduced cost
 - Continue to evaluate all services and make recommendations for FY25 budget
 - In February/March, staff will present recommendations
 - GRU will provide essential services internally at a reduced cost or increased value

SECTION 1

COST ALLOCATION PLAN

City Attorney

DESCRIPTION The city attorney has historically provided all legal support to GRU

ROLES & RESPONSIBILITIES Legal support provided by the city attorney to GRU has included but is not limited to: contracts, employee relations, torts, bond closings, legal reviews, legal representation, mediations, consultations, etc.

* **COSTS** GRU has allocated \$295,695 annually (\$114,548 to FCAP and \$181,147 as a direct payment) to cover costs associated with the city attorney's office

RECOMMENDATION

GRU is currently conducting an RFP for complete legal representation from external counsel. GRU has yet to determine how legal responsibilities will be allocated between city attorney and new counsel. Those determinations will influence the cost adjustments.

Acquiring independent counsel would allow that counsel to focus solely on GRU business.

FINANCIAL IMPACTS

Costs will be adjusted according to above recommendation.

* Akerman Lawsuit \$ 250,000 ?



City Commission^{*}

DESCRIPTION All costs associated with the operation of the City Commission.

ROLES & RESPONSIBILITIES The City Commission costs include salaries, supplies, travel and all other operating costs. A portion of these costs were previously allocated to GRU.

COSTS GRU allocated \$212,750 to the City Commission in FY22.

RECOMMENDATION

GRU no longer operates under the authority of the City Commission, and therefore should not pay any costs associated with their operation.

FINANCIAL IMPACTS

Costs will be reduced by \$212,750.

10/1/23: Zeroed out As Required

Office of Equity & Inclusion

DESCRIPTION The Office of Equity & Inclusion (OEI) provides expertise, tools, data and programming to promote diversity, equity and inclusion. OEI drives cultural transformation through education, policy development and guidance, the celebration of diversity, and fair and objective responses to complaints and concerns.

ROLES & RESPONSIBILITIES

The OEI provides the following services to GRU:

- **Small Business Program** - Ensures local small, women-, minority-, and service-disabled veteran-owned businesses can participate on a nondiscriminatory basis in all aspects of contracting and procurement.
- **Equity** - Assists departments in operationalizing equity in policy, practices, programs and procedures; provides training to departments and individual employees.
- **Compliance** - Enforces the City of Gainesville's anti-discrimination and anti-harassment policies and ordinances which prohibit discrimination either by or against its employees or citizens utilizing city services, programs and activities on the basis of race, color, gender, age, religion, national origin, marital status, sexual orientation, disability or gender identity.

COSTS GRU has allocated \$488,414 annually for all OEI support costs.

RECOMMENDATION

GRU should continue the reduced service through FY24 and evaluate conducting only required OEI services in-house or outsourcing services in FY25.

FINANCIAL IMPACTS

Costs will be reduced by approximately \$390,701.

* Should have been zeroed out 10/1/23
as with GC



County Streetlights*

DESCRIPTION

The agreement between the city and the county to pay for streetlights and fire hydrants in unincorporated areas of GRU's service territory has been governed by the Fire Hydrant and Streetlight Services Agreement, which was drafted in the 1970s in response to the threat of a lawsuit between the two entities over payment of said services. With regard to streetlights, the agreement states, in short, that the county will pay all bills to GRU in relation to streetlights and fire hydrants within 45 days. The city will then reimburse the county those charges minus any charges imposed by the county to the city for use of the county's right-of-way. The city originally agreed to reimburse the county from its general fund. The agreement will continue until terminated by mutual agreement of both parties.

In October 2022, GRU and GG entered into an MOU as the result of Resolution No. 21132 (adopted July 14, 2022). The terms state:

- GRU will assume full responsibility of the street lighting charges within unincorporated areas of Alachua County.
- GRU will reduce the GSC paid to GG equal to the same amount for street lighting charges within the unincorporated area of Alachua County.
- GG will adjust its revenue budget based on this reduced transfer and reduced expenditure.
- A true-up of the actual revenue billed each year to the estimated revenue will occur at fiscal year-end and settled between the two parties. During the last budget cycle, the City Commission instructed GRU to carry the cost of the county streetlights without government services contribution reduction.

ROLES & RESPONSIBILITIES

In FY24, GRU was directed to pay the county streetlight bill in total without reimbursement from the GSC.

COSTS

* GRU is scheduled to pay approximately \$1.1 million for the streetlight bill in FY24 without reimbursement.

RECOMMENDATION

In FY25, GRU should adhere to MOU terms: pay for county streetlights and reduce the GSC accordingly.

FINANCIAL IMPACTS

GRU would see a cost reduction of approximately \$1.1 million.

* GC needs to pay County Bill or
Authority needs to Terminate
This Agreement

** Note: GC streetlights
Bills

SECTION 2 - DIRECT PAYMENTS

PRR 39-2024 & PRR 85-2024

1 message

Public Records Request <PublicRecordsRequest@gru.com>
To: "jimkonishrentals@gmail.com" <jimkonishrentals@gmail.com>
Cc: Public Records Request <PublicRecordsRequest@gru.com>

Wed, Jan 17, 2024 at 3:22 PM

Mr. Konish,

I added several communications to the Response Docs portion of your original request. But with your additional request I was unsure if you received them. So all of your points have been copied and answered below and include the attachments to this email.

The responses to your queries are as follows;

1.  A list of all Service Level Agreements (SLA) between GRU and the City of Gainesville

1.	IT Services
2.	Human Resources
3.	GRU Billing Fees and Monthly Remit for Stormwater and Solid Waste
4.	Fleet Maintenance & Repairs; Fuel Islands; Bulk Fuel
5.	Sweetwater Wetlands Park Maintenance
6.	Recording Fees

2. An itemized statement of FY23 annual payments to or from GRU and the City of Gainesville pursuant to the above referenced SLA's.

* BFA does not have an itemized statement of FY23 annual payments to or from GRU/COG. Since this is not part of our usual record keeping and it doesn't exist, we don't have one to provide.

3. An annual FY23 total for City of Gainesville street lights provided by GRU.

Annual total of street lights for City of Gainesville: 5800 poles, 14347 lights

Account # 2000-8084-2801 is for the City Takeover Lights

- Total Count of All Lights on this account= 687
- Poles on this account are classified as Contributed and therefore are not billed. If/when a pole gets replaced by GRU, it will be done so and classified as UnContributed at that time and added to the bill.

Account # 2000-1640-9943 is for the Agency (Contributed) Streetlights

- Total Count of All Lights on this account= 1156
- Poles on this account are classified as Contributed and therefore are not billed. If/when a pole gets replaced by GRU, it will be done so and classified as UnContributed at that time and added to the bill.

Account # 2000-1640-5394 is for the (UnContributed) Streetlights

- Total Count of All Lights on this account= 12504
- Total Count of All Poles on this account= 5800

4. The most current report regarding the actual cost for GRU provision of street lights to the City of Gainesville.

City of Gainesville most recent street light monthly bills: \$248,935.54

And your follow-up from 1/12/2024:

Interfund Process

DESCRIPTION GG and GRU bill one another for services the other provides for day-to-day business. GRU and GG both record the expenses for the items and bill as appropriate, ideally on a quarterly basis.

ROLES & RESPONSIBILITIES Finance staff in GRU and GG keep track of what items need to be billed or reimbursed.

*** COSTS** ~~xx~~ Direct payments are sent often between GRU and GG. The latest FCAP allocated \$8,377 for GG's administrative journal entries.

RECOMMENDATION

For the foreseeable future, GRU and GG need to exchange funds. The current process is efficient and GRU should keep it as is.

For next FCAP, since both GRU and GG track entries, GRU should review both GRU's and GG's journal entry metrics to determine if this should be eliminated from FCAP going forward.

FINANCIAL IMPACTS

For the foreseeable future, GRU and GG need to exchange funds. The current process is efficient and should remain.

* What is the last 12 FCAP Payments?
** How is the ~~\$100,000~~ ^{\$100,000} mo. "Reduction" in FCAP Payments as of 2/1/24 Implemented?

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** How is the \$100,000 mo. "Reduction" in FCAP Payments as of 2/1/24 Implemented?

IT Services

DESCRIPTION

The SLA between GRU and GG covers the following aspects:

- Enterprise IT services provided to the City of Gainesville.
- General levels of response, availability, and maintenance associated with service.
- Responsibilities of IT as the provider of these services and the corresponding responsibilities of the clients receiving them.

The range of IT services include networking and infrastructure, application development, maintenance and support, service desk support, IT project management, license management, cybersecurity, IT governance and strategy, ERP support and direction, and general operation support.

ROLES & RESPONSIBILITIES

The chief information officer provides vision and direction to 68 professional staff members through three area directors, each of whom manage:

- **Infrastructure:** phones, cloud environment, general connectivity
- **ERP Management:** integrations between enterprise systems (e.g. Workday, SAP, Opentext, Service Desk)
- **Governance and Compliance:** documentation of IT processes, cybersecurity, fiscal account management

* COSTS

Costs are approximately \$5.8 million, based on Microsoft licensing, email, application access, facilities support, and GG-specific application access and support and the removal of all SAP-related application support staff.

RECOMMENDATION

GRU should:

1. Enter discussions with GG about IT services to gain a better understanding of value provided and adjust service amount to actual cost.
2. Present service-level options while GG assesses its ability to provide its own IT support (along with facilities and resources).
3. Show prior metrics/processes to inform the GRU Authority.

FINANCIAL IMPACTS

GRU offers two options: a full service and scope option defined in the SLA at a cost of \$5.8 million, or a basic break/fix option at a cost of \$2.9 million, with the latter option requiring a revised SLA.

GG may choose to seek IT services from a third party. This would result in a reduction of \$2.9 million of GRU's annual revenue.

* GRU Gm Fabricated Cost Reports and accepts \$2.9 million for a \$5.8 million

SECTION 2 - DIRECT PAYMENTS



GRU
Service. In FY23, GRU only received 1.4 million

ROW Permit

DESCRIPTION GRU is currently exempt from paying permit fees in the City of Gainesville rights-of-way. The City of Gainesville is making revisions to ordinances governing the use of the right-of-way (ROW).

ROLES & RESPONSIBILITIES GRU has facilities in the City of Gainesville's ROW. GG administers all activities in the ROW.

COSTS GRU does not currently pay for use for the city's ROW.

RECOMMENDATION

GRU and GG should develop the most efficient and cost effective agreement for maintaining GRU's infrastructure in the city's ROW.

FINANCIAL IMPACTS *

Costs are unknown until the ordinance is revised. Additional permit fees are estimated between \$100,000 and \$250,000.

* These fees are prohibited

Stormwater & Refuse Fees

DESCRIPTION GG uses the GRU customer information system to maintain data for stormwater and solid waste fees and collection.

ROLES & RESPONSIBILITIES GRU is responsible for monthly invoicing, collection and reporting, ongoing call center support, move-ins, and building of technical master data into the CIS for all new developments and relevant property changes.

COSTS GRU currently bills GG approximately \$777,463 annually (\$529,816 for stormwater management utility and \$247,647 for solid waste).

RECOMMENDATION
GRU should continue to provide this billing service to GG for stormwater and refuse.

FINANCIAL IMPACTS
This revenue offsets GRU's costs.

* These nonutility items are tied to GRU electric meters within city limits. The City paid a consultant 1/3 million in 2008 that found 1 million in unbilled fees. The City loses fees on bills that become uncollectable. This policy shifts costs from the property owner to the tenant. The tax collector would collect more for lower fees.

Tax Collection

DESCRIPTION The City of Gainesville, Alachua County, and the City of Alachua all levy a 10% utility tax on electric, gas, and water charges. These tax revenues are passed directly to the levying authority and allowable by state statute. No administrative fee is currently charged.

For customers living inside Gainesville's city limits:

- **Electric, gas and water:** 10% city utility tax
- **Wastewater:** no city utility tax

For customers living outside Gainesville's city limits:

- **Electric and gas:** 10% surcharge plus 10% county utility tax
- **Water:** 25% surcharge plus 10% county utility tax
- **Wastewater:** 25% surcharge and no county utility tax.

GRU collects 10% utility tax plus a franchise fee for Newberry, High Springs and City of Alachua monthly/quarterly. For the City of Gainesville and Alachua County, on the monthly bill that GRU sends to those customers, the bills are paid and the utility tax sums are sent monthly to the City of Gainesville and Alachua County. If amounts are not ultimately collected from the customer due to failure of payment, GRU eventually recovers the bad debt when it is written off after seven years.

ROLES & RESPONSIBILITIES Each entity (city or legislative body) passes ordinances to alter tax amounts and alerts GRU to changes. GRU only collects money from current GRU customers in those areas.

COSTS GRU does not charge an administrative fee and is solely a pass through.

RECOMMENDATION

GRU should continue to collect and transfer the tax collected to each levying authority (City of Gainesville, Alachua County, City of Alachua, Newberry and High Springs) for FY24 and FY25 without charging an administrative fee.

FINANCIAL IMPACTS

See recommendation.

GRU collects pyramided utility taxes for the City and County FREE OF CHARGE! It also must administer these taxes



*

Dark Fiber/Network Connectivity

DESCRIPTION GRUCom currently provides fiber telecommunications services to GG through contracted terms. Internet services are provided by three vendors: Cox, GRUCom and AT&T.

ROLES & RESPONSIBILITIES GG pays market rates for GRUCom's network connectivity services, but does not currently pay for all fiber circuits.

COSTS GG uses nine legacy fiber circuits to provide network connectivity to various GG sites that are not being billed by GRUCom. These circuits have a market value of \$1,915 per month. There is an additional transport circuit with a market value of \$992 per month. The total unbilled market value is \$218,724 annually.

RECOMMENDATION

GRUCom should work with GG to determine the level of network connectivity needs for 10 unbilled circuits and recover the costs of service using the standard GRUCom Data Services Order MOU.

GG network connectivity represents an incremental revenue stream that offsets GRU's network costs.

FINANCIAL IMPACTS

A potential \$218,000 of incremental revenue if GG continues to use GRUCom for network connectivity services.

* GRU is not being paid



Federal Lobbyist

DESCRIPTION

Both GG and GRU utilize the services of Van Scoyoc Associates for lobbyist services for matters concerning GG and GRU at the federal legislative level.

ROLES & RESPONSIBILITIES

Consultation, advocacy, communications and logistical support.

COSTS

GRU pays 50% of the contract amount – \$54,000 annually (plus travel, not to exceed \$1,500 per year) – and is billed \$2,250 per month. Contract expires October 2024.

RECOMMENDATION

GRU should continue the current service through FY24. GRU will not continue this service in FY25.

FINANCIAL IMPACTS

Discontinued service will reduce GRU expense by \$27,000 annually. The state lobbyist contract may include a portion of these services and thereby slightly increase those costs.

* GRU and City interests are not aligned



State Lobbyist ^x

DESCRIPTION GG and GRU utilize the services of Peebles, Smith and Matthews and GrayRobinson for lobbyist services for matters concerning GG and GRU at the state legislative level.

ROLES & RESPONSIBILITIES Consultation, advocacy, communications and logistical support.

COSTS GRU pays half of the \$84,000 contract amount. The contract expires September 2024.

RECOMMENDATION
GRU should continue the current service through FY24 and initiate an RFP to contract service separate from the City of Gainesville beginning FY25.
GRU should anticipate a slight increase in cost.

FINANCIAL IMPACTS
See recommendation above.

* GRU interests and City interest are not aligned.



CoG "CADET" Program

DESCRIPTION

The City of Gainesville, Santa Fe College, and CareerSource of North Central Florida have agreed to work together in the CADET (Community Action through Development, Education & Training) program to assist young adults with the training to have careers in public safety and utilities.

ROLES & RESPONSIBILITIES

GG is responsible for the administration of the program. GRU has made commitments to provide training on utility skills.

COSTS

GRU has committed to provide training on utility skills.

RECOMMENDATION

If program remains past FY24, GRU should continue to work with GG on providing training resources to the program without incurring additional indirect costs. Developing skilled workers from the local community is advantageous to filling GRU's vacancies in operational areas.

FINANCIAL IMPACTS

The program gives GRU access to potential employees that would be untapped otherwise.

No Cost Given
* This is not necessarily True.



Backup to City Comm. Meeting dr 2/15/24

Law GSC Calculation Max		
Gross Revenue	\$	460,445,982
Less: Fuel Revenue	\$	107,202,801
Net Revenue	\$	353,243,181
Flow of Funds		
Less: Debt Service Expense	\$	102,918,848
Less: Operations and Management Expense	\$	157,324,197
Less: UPIF Contribution	\$	46,125,618
Less: Any SLA's (those not covered in O&M)	\$	-
Less: Any Bond Covenant Items	\$	-
	\$	306,368,663
Amount available for GSC	\$	46,874,518
Amount calculated for GSC in formula from new law	\$	15,305,225
Difference	\$	31,569,293

Ordinance GSC Calculation Max		
Net Revenue	\$	195,918,984
Less: Transfers to/from Rate Stabilization		
Less: Debt Service Expenses	\$	102,918,848
Less: UPIF Contribution	\$	46,125,618
	\$	149,044,466
Amount available for GSC	\$	46,874,518
Amount calculated for GSC in formula from new resolution	\$	15,305,225
Difference	\$	31,569,293



Additional Considerations:

1. ConnectFree funding per Resolution 2023-806 provides for distribution of these funds throughout the entire service area, not just the City.
2. The applicable surcharge is a one-time charge applied to new W/WW connections and not monthly bills.
3. The ConnectFree Program "furthers the fiscal and financial benefit of the utility system and customers." It works to increase the number of ratepayers, either by subsidizing new units or by converting existing units from well and septic to GRU.
4. While several parts of the ConnectFree Program focus on affordable housing and on income qualified households, the program is not limited to those categories.

Program Accomplishments 2018-2023:

Single Family Home Water and Waste Water connections: During this time period, ConnectFree has connected 52 houses (excluding affordable housing units) to centralized W/WW and expended \$629,262.20 in this category. This includes 8 homes converted from septic to sewer at a cost of \$228,839.01.

Affordable Housing W/WW Offsets:

Project Name	# of Affordable Units	State Funding	ConnectFree funding
Arbours at Tumblin Creek	64	Yes (LIHTC)	\$46,000
Deer Creek Senior Housing	62	Yes (LIHTC)	\$469,310
Royal Park	189	Yes (SAIL)	\$37,500
Hawthorne Heights	86	Yes (SAIL)	\$37,500
Heartwood	11	Local	\$57,750
Duval Lot Donation	11	Local	\$145,890
Habitat for Humanity	12	Local	\$80,890
Neighborhood Housing Development Corporation (NHDC)	5	Local	\$26,100
Gainesville Housing Development and Management Corporation (GHDMC)	1	Local	\$5,250
TOTAL	441		\$906,190

The approximately \$900,000 of ConnectFree funding used to offset the cost of water and wastewater connections for these projects leveraged approximately \$100 million dollars of total investment adding approximately 441 new units of affordable housing. These units are now GRU ratepayers and would not have been built without the use of ConnectFree funding leveraged in their construction.

Special Needs Facility Projects:

ConnectFree funding in the amount of \$5,251 was used to offset W/WW connection charges for the construction of the St. Francis House Pet Care, which provides veterinary care to homeless pet owners.

ConnectFree FY24 Budget:

1. The FY24 Budget is \$2,862,000
2. \$1,700,000 is encumbered (10 single family home connections, 14 affordable housing projects)
3. \$1,162,000 is unencumbered

Cc: Corey Harris, Director, Housing & Community Development
Vian Cockerham-Guinyard, Housing & Community Development Supervisor, Housing and Community Development
John Wachtel, Neighborhood Planning Coordinator, Housing & Community Development
Teresa Osoba, Housing Programs Coordinator, Housing and Community Development

City of Gainesville / Gainesville Regional Utilities

Services and Recommendations

Service	Fiscal Impact	GRU Action/Recommendation	City of Gainesville Recommendation
Office of Communications & Marketing - Broadcasting	The City's FY24 Indirect Cost Allocation Study determined that \$95,268 is due for these services from GRU.	GRU has reduced reimbursement to 5%, paying \$4,763 for the services rendered.	City staff was not involved in determining the reduction amount set by GRU. Staff has presented a FY 2024 budget amendment to the Finance Committee (2/6/2024) and to the City Commission (2/15/2024) to account for this change by reducing the revenue budget and reducing expenditures in the City's contingency and set-asides budget line items. The impacted department's FY24 operating budget remains unaffected. Staff will review the FY 2025 operating budget to right-size for the reduction in service delivery.
City Attorney	The City's FY24 Indirect Cost Allocation Study determined that \$295,695 is due for these services.	GRU eliminated reimbursement for work done by the City Attorney beginning February 1, 2024.	City staff was not involved in determining the reduction amount set by GRU. Staff has presented a FY 2024 budget amendment to the Finance Committee (2/6/2024) and to the City Commission (2/15/2024) to account for this change by reducing the revenue budget and reducing expenditures in the City's contingency and set-asides budget line items. The impacted department's FY24 operating budget remains unaffected. Staff will review the FY 2025 operating budget to right-size for the reduction in service delivery.
City Auditor	The City's FY24 Indirect Cost Allocation Study determined that \$352,001 is due for these services.	GRU reduced this reimbursement by 75%, paying \$88,000 for the services rendered beginning February 1, 2024.	City staff was not involved in determining the reduction amount set by GRU. Staff has presented a FY 2024 budget amendment to the Finance Committee (2/6/2024) and to the City Commission (2/15/2024) to account for this change by reducing the revenue budget and reducing expenditures in the City's contingency and set-asides budget line items. The impacted department's FY24 operating budget remains unaffected. Staff will review the FY 2025 operating budget to right-size for the reduction in service delivery.
City Clerk	The City's FY24 Indirect Cost Allocation Study determined that \$652,353 is due for these services.	GRU reduced this reimbursement by 75%, paying \$163,088 for the services rendered beginning February 1, 2024.	City staff was not involved in determining the reduction amount set by GRU. Staff has presented a FY 2024 budget amendment to the Finance Committee (2/6/2024) and to the City Commission (2/15/2024) to account for this change by reducing the revenue budget and reducing expenditures in the City's contingency and set-asides budget line items. The impacted department's FY24 operating budget remains unaffected. Staff will review the FY 2025 operating budget to right-size for the reduction in service delivery.
City Commission	The City's FY24 Indirect Cost Allocation Study determined that \$212,750 is due for these services.	GRU has eliminated reimbursement for the work done by the City Commission, paying \$0.00 for the services rendered beginning Feb 1.	The City is in alignment with GRU's recommendation on this item.
Human Resources	The City's FY24 Indirect Cost Allocation Study determined that \$1,337,244 is due for these services.	GRU recommends continuing this through FY 2025.	The City is updating its Indirect Cost Allocation Study for the FY 2025 budget which represents an "at cost" value.

City of Gainesville / Gainesville Regional Utilities

Services and Recommendations

Service	City of Gainesville Recommendation	
	Fiscal Impact	GRU Action/Recommendation
Office of Equity & Inclusion	The City's FY24 Indirect Cost Allocation Study determined that \$488,414 is due for these services.	GRU has reduced this reimbursement by 80%, paying \$97,683 for the services rendered beginning February 1, 2024.
Payroll Services	The City's FY24 Indirect Cost Allocation Study determined that \$278,982 is due for these services.	GRU proposes continuing this shared service and increasing the level of payment in FY 2025.
Risk Management - City Hall Security Services	The City's FY24 Indirect Cost Allocation Study determined that \$45,111 is due for these services.	GRU continue to pay for this service.
Risk Management - General Insurance Fund	GRU pays for 44% of the Risk Management Department's budget. GRU also pays claims and amounts associated with GRU employees for workers' compensation, as well as general and auto liability premiums related to GRU. FY24 Budget: \$2,340,100	GRU should keep all aspects of its relationship to the Risk Management Department the same. GRU needs to add/confirm Risk Management's role in the CWA negotiation process. In addition, GRU should monitor/request summary of services provided each month to demonstrate value.
ConnectFree	In accordance with Sections 27-128 and 27-169 of the Code of Ordinances, the City of Gainesville imposes a 25 percent surcharge on water and wastewater connection charges incurred beyond the municipal boundaries of the City. In 2003, the City created the ConnectFree Program, which is funded by these surcharges, to financially assist with the extension, construction, and connection to the City's water, wastewater, and reclaimed water systems. Since that time, the parameters of the Program have been amended several times, most recently on September 7, 2023. (Legislative File No. 2023-806).	The GRU Authority Board voted on February 7, 2024 to stop collecting this surcharge and remove the funding source of the ConnectFree program.
County Streetlights	ConnectFree FY24 Budget: - The FY24 Budget is \$2,862,000 - \$1,700,000 is encumbered (10 single family home connections, 14 affordable housing projects) - \$1,162,000 is unencumbered	GRU is scheduled to pay \$1.1 million in FY 2024 but recommends holding the City responsible for payment in the future by subtracting the amount from any GSC paid in the future.
Desk Phone Service	The City paid \$14,525 for phone service in 2023.	GRU recommends continuing to provide this service.
Fleet Service and Maintenance	GRU pays General Government a varying amount each year, in the range of \$2.5 - \$3.7 million.	GRU recommends continuing in the current agreement then creating a new one beginning in FY 2025 to establish responsibilities, prices, and level of service goals.

City of Gainesville Recommendation
City staff was not involved in determining the reduction amount set by GRU.

Staff has presented a FY 2024 budget amendment to the Finance Committee (2/6/2024) and to the City Commission (2/15/2024) to account for this change by reducing the revenue budget and reducing expenditures in the City's contingency and set-asides budget line items. The impacted department's FY24 operating budget remains unaffected. Staff will review the FY 2025 operating budget to right-size for the reduction in service delivery.

The City is updating its Indirect Cost Allocation Study for the FY 2025 budget which represents an "at cost" value.

The City recommends GRU no longer pay for this service.

The City recommends continuing this service as there are economies of scale available through this partnership.

The health, safety, environment and affordable housing projects funded by the surcharge would be eliminated. If the City Commission wishes to extend these the program, it would require \$550,000 from another funding source.

Additional information has been provided in the ConnectFree Program memorandum with recommendation to spread remaining unallocated funds in accordance with adopted ConnectFree resolution 2023-806.

The County streetlights reside outside of the City of Gainesville city limits. The City recommends that Alachua County and GRU work to reach an agreement independent of the City of Gainesville as the City should unincorporated area street light services.

The City recommends continuing with this service.

The City provides this service at cost. Over the next few months, the City will conduct a cost of services analysis to determine if this cost is adequately recovered and/or if it should be continued.

City of Gainesville / Gainesville Regional Utilities

Services and Recommendations

Service	Fiscal Impact	GRU Action/Recommendation	City of Gainesville Recommendation
Government Services Contribution (GSC)	FY 2024: \$15,305,224 FY 2025: \$16,247,574 (estimated based on 2023 property tax values, current millage rate of 6.4297, FY24 total insured values, FY23 GRU electric system revenues net of RSF transfers and fuel)	The GRU Authority Board should determine how or if the GSC should continue.	Any reduction in the GSC will bring a corresponding reduction in the programs and services provided to our community. An alternative source of funding would be for the City to institute a franchise fee that would charge GRU for use of the City's rights-of-way in FY 2025 and beyond.
Interfund Process	No cost to either the City or GRU.	GRU considers this process efficient and recommends it should remain.	The City recommends continuing with this process so long as appropriate MOUs or SLAs are executed with clear payment terms for both parties.
IT Services	FY 2024 Budget: \$2,956,597	GRU recommendations providing a \$2.9 million reduced option for FY 2025 along with a \$5.9 million full service level option.	The City is currently evaluating alternate IT Service delivery options, including developing an RFP for these services. Should the City continue to receive this service from GRU, the City will require an end-of-year true up with documentation of service hours delivered at cost based on segregated City costs.
ProjectDox	ProjectDox is the City of Gainesville's digital development e-plan review site. This software solution allows developers to electronically submit and monitor development projects as they go through the city's review for utility, building, zoning, and planning compliance. ProjectDox allows city departments and other agencies to review projects simultaneously, which helps to resolve conflicting reviewer commentary and reduce review time, all the while ensuring an efficient and transparent review process overall. Licensing cost in FY 2024: \$74,000.	GRU recommends continuing payment for this platform.	The City recommends continuing with this service. This agreement leverages the needs of both GRU and the City to negotiate a better price.
Rights of Way (ROW) Permit	GRU does not pay for ROW access to the City.	The GRU recommendation is that the City should develop an efficient and cost-effective agreement for maintaining GRU's infrastructure in the ROW.	The City is revising its ordinance and moving toward requiring GRU to pay permit fees in the same manner as other utility providers. The policy change is already underway but the impact is not incorporated into the FY 2024 budget.
Stormwater & Refuse Fees	The City pays GRU \$777,463 annually for this service. This is separated into \$529,816 for stormwater management billing and \$247,647 for solid waste.	The GRU recommendation is to continue providing this billing service to General Government.	The City recommends continuing with this service.
Surplus Service	General Government manages this process at no cost to GRU.	GRU recommends that General Government should continue providing this service but with an SLA and update to GRU's administrative policy.	Over the next few months, the City will conduct a cost of services analysis to determine if this cost is adequately recovered and/or if it should be continued.
Tax Collection	GRU collects utility taxes and franchise fees within the City and in Alachua County and some of its municipalities. GRU provides this service at no cost.	GRU recommends continuing to administer and transfer the amounts collected.	The City recommends continuing with this service.
Warehouse	GRU provides warehouse space and administrative support to General Government and charges the City an 8% administrative fee.	GRU recommendations continuing to providing this service as it is efficient and disruption would not add value.	The City recommends continuing with this service.
Workday	The Workday system was implemented in FY 2021 and includes ongoing maintenance and licensing costs.	GRU recommends the City create a defined SLA that reflects the actual costs of administering and using this ERP minus the unused modules (GRU does not use the financial management and procurement modules). This should also take into account the staff time and value of space provided at the Administration Building and Eastside Operations Center.	The City will develop an SLA and determine the portion of the initial implementation cost related to GRU to recover those expenses.
City Works	City Works is an asset, permit and licensing management software that includes a suite of GIS-centric management tools for public works, utilities and governments. The three-year agreement costs as provided by GRU are as follows: - \$115,000 - FY 2022-23 - \$130,000 - FY 2023-24 - \$150,000 - FY 2024-25	GRU is looking to evenly split costs with General Government.	The City will evaluate usage of the City Works system to develop an appropriate cost recovery agreement with GRU.
Commercial Drivers Licensing (CDL)	GRU does not pay the City for these services. External providers would charge between \$2,000 - \$6,000 per driver.	GRU recommends working with General Government to define an SLA to compensate the City for the cost of these services. GRU will investigate taking over this process or contracting with an external provider.	The City will evaluate costs of this service directly related to GRU and bill accordingly.

City of Gainesville / Gainesville Regional Utilities

Services and Recommendations

City of Gainesville Recommendation

The City is neutral on GRU's position regarding a separate procurement process.

GRU Action/Recommendation

GRU is seeking to develop its own list that is less burdened by the requirements of City ordinances and will adhere to requirements of HB 1645.

GRU recommends seeking to collectively bargain a new agreement between GRU and CWA to be in compliance with HB 1645.

GRU will seek to determine connectivity needs for the unbilled circuits and charge for those costs through the standard GRUCom Data Services Order MOU.

GRU recommends developing a revised policy for declaring emergencies and clarify its role in emergency operations.

GRU reports additional costs to these contracts due to City ordinances. Eliminating those requirements could allow GRU to be more competitive. There is also an issue with current contracts possibly not in alignment with HB 1645.

The GRU recommendation is to implement a new solicitation for these specialties with new contracts to be in effect soon.

The GRU recommendation is to discontinue this service beginning with FY 2025.

The GRU recommendation is to incorporate these documents into financial statements for auditing purposes.

The GRU recommendation is to document this service in the new fleet SLA for efficiency.

GRU should assume full control of management and disposal efforts to yield the highest return to pay down debt.

The GRU recommendation is that GRU Real Estate should continue to manage the process for recording documents.

GRU spends \$460,000 on these services annually and recommends issuing an RFT in February 2024.

The GRU recommendation is to continue the current service through FY 2024 and initiate an RFP to contract separate service for FY 2025.

GRU recommends that GRU should continue to fulfill its responsibilities as outlined in the MOU.

Sweetwater Wetlands is the most economical means of meeting regulatory standards for removing nutrients from GRU's permitted discharges. GRU is responsible for facilities pertaining to regulatory requirements: the City is responsible for stormwater, sediment, trash and public access. Under the terms of an MOU there are no costs transferred between GRU and General Government.

Service

Fiscal Impact

Construction Manager GRU does not pay as a participant in this process.

CWA Labor Agreement GRU does not pay as a participant in this process.

Dark Fiber / Network Connectivity GRU reports the City is receiving \$218,724 in unbilled market value connectivity service annually through nine legacy fiber circuits.

Emergency Management GRU does not pay as a participant in this process. The City pays for debris disposal following major weather events.

Engineering / Architecture Needs GRU Procurement creates contracts with vendors from the approved lists and the City uses these contracts as needed.

Federal Lobbyist GRU pays 50% of the contract of \$54,000 annually (plus travel not to exceed \$1,500 per year).

Financial Document Timing Both the City and GRU's annual external audit relies on pension information and reports from the actuaries that manage our plans. GRU does not pay for this service.

Fuel Tax Refund The City purchases fuel, tracks its use, does the administrative filing, and receives the State of Florida sales tax refund. The GRU portion of that refund is passed to the utility. GRU does not pay for this service.

Power District This asset is owned by GRU.

Recording Fees The City Clerk's Office reimburses GRU Real Estate for recording fees associated with real estate documentation filed in the Official Records of Alachua County. Estimated filing costs are less than \$5,000 annually.

Security Services GRU is staffing security at GRU facilities by piggy-backing on the City's current contract for security services.

State Lobbyist GRU pays 50% of the \$84,000 contract, which expires in September 2024.

Sweetwater Wetlands Sweetwater Wetlands is the most economical means of meeting regulatory standards for removing nutrients from GRU's permitted discharges. GRU is responsible for facilities pertaining to regulatory requirements: the City is responsible for stormwater, sediment, trash and public access. Under the terms of an MOU there are no costs transferred between GRU and General Government.

The City recommends the Federal lobbyist contract be updated to remove GRU representation and will begin this process immediately.

The City maintains a neutral position on this recommendation.

Over the next few months, the City will conduct a cost of services analysis to determine if this cost is adequately recovered and/or if it should be continued.

The City maintains a neutral position on this recommendation.

The City maintains a neutral position on this recommendation.

The City maintains a neutral position on this recommendation.

The City recommends the State lobbyist contract be updated to remove GRU representation and will begin this process immediately.

The City recommends continuing with this service.

- \$500,000 – Public Works – New revenue appropriation for IQ Fiber Permit Fees and allocation of expense budget for payment of inspection fees.
- \$179,684 – FY23 Purchase Order Rollovers in City Auditor, City Clerk, Financial Services, Office of Management & Budget, Parks, Recreation and Cultural Affairs, Police and Public Works Departments
- \$60,000 – Public Works – Fund balance allocation and transfer to the Facilities Maintenance Recurring Fund for the Rental Property Repair program.

Expenditure adjustments between departments with no additional funding appropriation include:

- \$138,222 – Public Works – Transfer of Roofing Repair of City Facilities program funding from General Fund to Facilities Maintenance Recurring Fund for consolidation of roof repair funding
- \$20,000 – Transportation – Transfer of funding from Public Works to Transportation for cost of annual traffic counts

	Adopted Budget 10/01/2023	FY23 Carry Forward of Projects & Programs	Recommended Amendments	Amended Budget as of 2/15/2024
General Fund				
City Attorney	1,633,410	-	-	1,633,410
City Auditor	909,639	9,625	-	919,264
City Clerk	1,293,628	102,250	-	1,395,878
City Commission	475,360	-	-	475,360
City Manager	1,664,858	-	-	1,664,858
Communications & Engagement	1,017,582	-	-	1,017,582
Equity & Inclusion	1,545,651	-	-	1,545,651
Financial Services	3,921,907	3,965	-	3,925,872
Fire Rescue	27,956,134	-	-	27,956,134
Housing & Community Development	474,153	-	-	474,153
Human Resources	2,351,593	-	-	2,351,593
Interfund Transfers	20,744,531	-	-	20,744,531
Nondepartmental	10,947,481	204,762	(1,447,255)	9,704,988
Office of Management & Budget	1,289,369	42,532	-	1,331,901
Parks, Recreation & Cultural Affairs	11,811,736	13,805	-	11,825,541
Police	41,301,911	95,648	-	41,397,559
Public Works & Facilities Management	17,120,730	652,822	341,778	18,115,331
Risk Management	162,827	-	-	162,827
Sustainable Development	3,445,998	19,085	-	3,445,998
Technology	5,009,486	-	-	5,009,486
Transportation	1,346,501	499,993	20,000	1,866,494
Interfund Transfer Expense	-	-	198,222	198,222
Planned Use of Fund Balance	(4)	-	-	(4)
Total Expense	156,419,483	1,644,488	(887,255)	157,176,716

SPECIAL REVENUE FUND AMENDMENT

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are restricted to expenditures for specific purposes. This includes grant funds such as Community Development Block Grant, trust funds such as the Arts in Public Places Trust, and other



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GRU “FINANCIAL ASSOCIATION” WITH **“GOVERNMENTAL” ENTITIES**

A. Formal (8 total)

- 1) Service Level Agreements (SLA's) – Six (6)
 - i. IT Services \$2.9 million for 5.9 of service (\$1.4 million paid in FY23)
 - ii. Human Resources \$1,337,244 FY24
 - iii. *GRU Billing Fees and Monthly Remit for Stormwater & Solid Waste
 - iv. Fleet Maintenance & Repairs, Fuel Islands; Bulk Fuel
 - v. Sweetwater Wetlands Park Maintenance (no cost furnished)
 - vi. Recording Fees
- 2) Memorandum of Understanding (MOU) (2)
 - i. Public Streetlights – Unincorporated Alachua County \$1.1 million FY24 (MOU 10/22)
 - ii. *Stormwater \$529,816 & Solid Waste Billing \$247,647 FY24

B. Informal (thirty-three (33))

Note: There are at least another 33 other “governmental financial associations” with no policy regarding exchange of ratepayer funds.

*overlap SLA & MOU



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I. GRU LONG TERM DEBT

- a. Debt Composition (\$1.85 billion 9/30/23)
- b. GRU Net Capital Assets (\$1.85 billion 9/30/23)
- c. Deleveraging Policy
- d. Debt Downgrades (Five (5) In Past Decade)
- e. Debt Reduction Program* (significant assumptions already doubtful)
- f. Debt Portfolio Review (Aging and soon to be retired plants)

*City must pay GRU for County streetlights as required in MOU dated 10/22

II. FLOW OF FUNDS

- a. Use of Net Revenues
 - i. Debt Service \$103 million
 - ii. Debt Defeasance \$32 million (In Doubt Due to Significant Assumptions As Doubtful)
 - iii. Utility Plant Improvement Fund (UPIF) \$46 million
 - iv. Governmental Services Contribution (GSC) \$15.3 million (Note: GSC is at least \$30 million (FY24)) – see page 3 of 3.

III. FLOW OF GRU RATEPAYER MONEY

IV. GRU FY23 BUDGET: OPERATION & MAINTENANCE NON-LABOR
“CORPORATE EXPENSES”

*SEE PAGE 4 OF 4 “CORPORATE EXPENSES”

V. TOTAL GOVERNMENTAL SERVICES CONTRIBUTION (GSC)

- a. Direct Transfer: \$15.3 million (\$1.275 million per month)
- b. Indirect Transfers: (41 acknowledged “financial associations” with “governmental entities” (there are more)

c. Phase I. "Immediate" Action Taken 2/7/24 as of 2/1/24

\$1.4 million REDUCTION in payment of \$9.3 million for unspecified "cost allocation"

- i. City Commission (\$212,750 - 100% reduction)
- ii. City Clerk (\$437,077 - 75% reduction)
- iii. City Auditor (\$264,000 - 75% reduction)
- iv. Broadcast (\$90,505 - 95% reduction)
- v. *Equal Opportunity (\$390,701 - 80% reduction)

*Note: \$97,603 billed for FY24 in violation of HB1645

d. Phase II: "Actively Reviewing" or Immediate? FY24

- i. IT (\$3 million undercharge)
- ii. Network Connectivity (GRUCom) \$218,000 Not Billed FY24
- iii. Connect Free (Revenue Neutral \$1.8 million uncommitted)
- iv. Streetlights
 - a. County \$1.1 million (City Agreed to pay GRU in MOU with GRU 10/2022 – Note: this figure is probably below cost)
 - b. City \$250,000 billed per month – (GRU cost is said to be \$322,000 per month. Contributed v.s. Uncontributed)
- v. Right of Ways: Franchise and Permit Fees are prohibited by HB1645 and Article VII, sec. 7.10 City Charter & "General Law" – Alachua County Supreme Court "Privilege Fee" Case

e. Actual & Ongoing Indirect GSC Paid by GRU to the City of Gainesville Commission

- i. \$7.9 million (9.3 million – 1.4 million)
“(Unspecified) Service Provided/Received 2/7/24 GRUA Backup p. 139”
- ii. IT \$3 million (undercharge)
- iii. Streetlights
 - a. County \$1.1 million (full cost?)
 - b. City \$3 million (Actual Cost is \$3.86 million)

Net: \$860,000
- iv. City Attorney 10/1/23 (Role Claimed to be Unclear)

- a. \$250,000 Akerman
- b. \$295,000 (FCAP & Direct Payment)

Total: \$545,000

- v. Utility Tax Collection Fee (5%)
 - a. City \$1.3 million
 - b. County ?
 - c. Local Option Sales Taxes ?
- vi. GRU.com \$218,000 Not Billed (Raise Fees to City, County, and School Board?)
- vii. State Lobbyists \$42,000 (Funded Through City Attorney)
- viii. CADET Program (No Cost Furnished)
- ix. Sweetwater Branch Maintenance (No Cost Furnished)

Total Direct GSC - \$15.3 million

Total Indirect (In-Kind + or - Cash) GSC \$14.7 million
(including \$7.9 million for unspecified services)

Total GSC FY24 at least \$30 million

- VI. Details for Item IV
- VII. Backup to City Commission Meeting of 2/15/24

NOTES:

- Interfund Process
- Connect Free (\$1.8 million uncommitted)
- Low Income Energy Assistance Program (LEAP)
- Discounted Connection Fees for Small Houses (Eastman)

Operations and Maintenance Non-Labor Corporate Expenses

2024

• Joint Services - General Government	\$ 3,672,590
• Vehicle and Transportation	2,812,742
• Property Insurance - Plant	2,663,562
• Risk Management	2,386,848
• Uncollectible Accounts	1,430,270
• Debt Service Fees	1,417,373
• Electric Service (Streetlights)	1,100,000
• Insurance Premiums	516,852
• Audit Fees	414,648
• Worker's Compensation	360,452
• Legal Services	255,313
• Insurance - Transportation Eq Liability	252,234
• General Liability Claims Paid	159,503
• Software Maintenance	82,500
• Bank Fees	80,000
• Fleet Expenses to Capital	(1,356,902)

Total Operations and Maintenance Non-Labor	\$ 16,247,985
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2023

Joint Services - General Government	\$ 2,776,317
Vehicle and Transportation	2,757,590
Property Insurance - Plant	2,421,420
Risk Management	2,169,862
Uncollectible Accounts	1,291,337
Debt Service Fees	3,354,527
Electric Service (Streetlights)	800,000
Insurance Premiums	469,865
Audit Fees	485,980
Worker's Compensation	349,953
Legal Services	255,313
Insurance - Transportation Eq Liability	229,304
General Liability Claims Paid	154,858
Software Maintenance	82,500
Bank Fees	76,385
Fleet Expenses to Capital	(1,095,059)

Total Operations and Maintenance Non-Labor	\$ 16,580,152
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Operations and Maintenance Non-Labor Corporate Expenses

2024

• Joint Services - General Government	\$ 3,672,590
• Vehicle and Transportation	2,812,742
Property Insurance - Plant	2,663,562
• Risk Management	2,386,848
• Uncollectible Accounts	1,430,270
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Fleet Expenses to Capital	(1,095,059)

Total Operations and Maintenance Non-Labor	\$ 16,580,152
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III. Flow of GRU Ratepayer

Money

INTO GRU COFFERS:

1. GRU Rates, fees, charges, surcharges, etc.
2. City Utility Tax (Less GRU Collection Fee)
3. City Garbage Fees (Less GRU Collection Fee)
4. City Stormwater Fees (Less GRU Collection Fee)
5. City + County Local Option Sales Tax (Less GRU Collection Fee)
6. State Gross Receipts & Sales Tax

INTO CITY OF GAINESVILLE COFFERS:

1. GSC Direct (2024: 15.3 million proposed)
2. GSC Indirect (1) (unfavorable or prohibited service level agreements)
3. Indirect (2) GRU Budget Items based on political, social, and ideological interests
4. Utility Tax (pyramided)
5. City Local Option Sales Tax
6. Street Lights (at what cost?)

INTO ALACHUA COUNTY COFFERS:

1. Utility Tax (pyramided)
2. County Local Option Sales Tax
3. Free Street Lights

DARK MONEY: How the City Abuses GRU Ratepayers on the “Indirect Transfer” (Contribution)

HB1645 provides for a City of Gainesville Charter Section 7.11 “cap” on the “Governmental Services Contribution (GSC)” – formerly known as the “General Fund Transfer (GFT)”.

A precise methodology is mandated as of 7/1/23. Key terms such as “Flow of Funds” and “SLA (Service Level Agreement) losses” are clearly and broadly defined in Section 7.02.

The claimed FY24 GRU Ratepayer-funded GSC of \$15.3 million is grossly understated.

As always, the identified and seriously undercounted GRU “financial associations” with “governmental” entities involve a free-wheeling maze of open GRU financial wounds that continue to hemorrhage. There are eight (8) formal SLA’s (Service Level Agreements) and/or MOU’s (Memorandum of Understanding). The City has breached one MOU dated 10/2022 for County FY24 streetlights (\$1.1 million). There are more than 33 other “financial associations” with no written agreement regarding payment.

Of the \$9.3 million FY24 “cost allocations” paid from GRU to the City, on top of the direct \$15.3 million GSC, \$1.4 million is claimed to have been cut as of 2/1/24 (\$180,000 monthly until 10/2024). I cannot find proof of any “full cost allocation plan (FCAP)” payment that was supposedly cut. This alleged cut was for GRU ratepayer funding for: FY24:

- 1) Mayor and City Commissioner (and assistants) salary & benefits
- 2) Clerk
- 3) Auditor
- 4) Equity & Inclusion
- 5) Broadcasting

That leaves an additional \$7.9 million for unspecified alleged City “services” provided to GRU intact for FY24. A current GRU FY24 budget getting such belated and paltry adjustments is a huge red flag. The \$484,000 annually independent auditor does not mention this issue in the FY23 audit.

I have identified an additional and probably understated total of \$6.8 million for:

- 1) More GRU services either not billed to or underbilled to the City, and
- 2) City services that neither can nor are actually used. The following chart provides the details (“FY24 “Agreed To” By GRU”).

*

FY24 “Agreed To” By GRU

Total **Direct** Governmental Services Contribution (GSC): → **\$15.3 million**

Total **Indirect** (GSC) “Unspecified City Services”:
(*To Be Continued until 2/2025*) → **\$7.9 million**

a. GRU Services *below actual cost* (SLA Losses): **See → **\$6.8 million**
State Auditor General Report January 2022, finding “3”

b. City Services *Overcharge to GRU Unknown*

a.)

- i. IT \$3 million (undercharge)
- ii. Streetlights (County \$1.1 million, City \$840,000 under charge)
- iii. Utility Tax Collection Fee (City \$1.3 million, County/Local Option Unknown)
- iv. *GRU.com (\$218,000 not billed)

*GRUCom is losing money and paying \$1.2 million of the GSC.

b.)

- i. City Attorney (Total \$545,000)
- ii. State Lobbyists (\$42,000)
- iii. CADET Program (No Cost Furnished)
- iv. Sweetwater Branch Maintenance (No Cost Furnished)
- v. Low Income Energy Assistance Program (LEAP)
- vi. Discounted Connection Fees for Small Houses (Eastman)

ConnectFree (\$1.8 million uncommitted, Revenue Neutral)

Total GSC FY24:

AT LEAST \$30 MILLION

***GRU GM stripped of all power 7/1/23**
and cannot bind GRU to anything.

In the Auditor General Report issued January 2022, Finding 3 concludes as follows:
(Auditor General Report, Report No. 2022-087, January 2022, pages 9-11).

“Finding 3: Indirect Cost Recovery

The city allocates and charges Indirect costs to its various departments, including the GRU for administrative services performed by certain City departments, such as the Human Resources, Information Technology, and Equal Opportunities departments. Indirect costs are costs incurred for common or Joint benefit and are not readily identified with a specific project or organizational activity.

...

Our examination of the City's indirect cost allocation worksheets for the 2017-18, 2018-19, and 2019-20 fiscal years noted that the indirect cost allocations to the GRU of \$3.2 million, \$3.2 million, and \$3.5 million, respectively, were significantly higher than the actual indirect costs of \$2.6 million from the 2015-16 fiscal year. In response to our audit inquiry in June 2020, City personnel reviewed the indirect cos allocation worksheets and found an input error in the 2017-18 fiscal year allocation worksheet that carried forward into the subsequent fiscal years. City personnel corrected the input error and adjusted the 2019-20 fiscal year allocation to \$2.5 million, which was \$1 million less than the original allocation. City personnel also corrected the error in the 2017-18 and 2018-19 fiscal year allocation worksheets. As a result of the error, the GRU was overcharged approximately \$700,000 and \$600,000 in the 2017-18 and 2018-19 fiscal years, respectively.

...

In October 2021 we again inquired whether the indirect cost overcharges for the 2017-18 and 2018-19 fiscal years would be refunded to GRU or credited against future indirect cost assessments; however, City personnel did not provide a response indicating how or if the overcharges would be resolved. Neither the Indirect Cost Analysis Instructions nor other City procedures provide for an independent review process for the worksheet used to allocate indirect costs.”

In an independent inquiry conducted early on and openly by Mr. Coats, it was determined, again, that “indirect cost allocation worksheets” for GRU IT services provided to the City were intentionally falsified by the current GRU CEO/GM to the tune of an even much greater \$3 million GRU undercharge in FY24. A \$4.5 million GRU undercharge in FY23 *for IT services alone* provided by GRU to the City was also identified. This far exceeds the earlier undercharges identified by the Auditor General.

The total, actual, carefully defined and capped GRU GSC being paid by GRU to the City directly and indirectly is currently unknown. This is because SLA losses are unknown, among other matters.

Section 7.12 of the City Charter prohibits the GRU CEO/GM and the Authority from considering "social, political, or ideological interests" and requires protection of the "pecuniary" interests of the GRU ratepayers.

A FY24 GRU budget not in conformity with HB1645 remains almost completely intact. Mr. Carter Larson, Cunningham and Ward are happy to let this unsustainable and unlawful hemorrhaging of GRU ratepayer funds fester for years.

GRU SLA (Service Level Agreements) losses are in fact an additional, hidden, indirect GSC that is not reflected in the GRU Financial Statements. A fraud on GRU Ratepayers and Creditors occurs, and Bond Covenants are breached. Additional GRU debt downgrades are likely and will be costly. The Baker-Tilly GRU FY23 Audit Report ignores the work of the Auditor General completely.

Allowing GRU financial exploitation of GRU by the City to continue risks the tax-exempt status of GRU debt, and further State of Florida intervention. The continued financial viability of GRU is likewise at risk.



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Konish: SLAs hide transfers of GRU ratepayer money to the City

November 17, 2024

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Letter to the editor

At their last meeting, the GRU Authority voted unanimously to forgive \$3 million in FY24 GRU losses on IT (NOT UTILITY) services provided to the City of Gainesville. This loss is not reflected in GRU's financial statements. It is an in-kind contribution from GRU to the City.

In FY23, the GRU IT loss was \$4.5 million.

In the Auditor General's 2022 report on the City of Gainesville, GRU's IT and indirect cost allocation losses were approximately \$700,000 and \$600,000 in FY18 and FY19, respectively.

The GRU CFO and Chief Information Officer stated publicly at an Authority meeting that former CEO/GM Tony Cunningham had falsified the GRU IT "Full Cost Allocation Report," and Mr. Cunningham admitted it. Cunningham's defense was that he had reduced GRU losses from the \$4.5 million in the previous year and planned to do more in future years.

GRU Service Level Agreement (SLA) losses on IT services involve only one of 42 identified "financial associations" between GRU and the City – but there are more than that. The vast majority of such "associations" are funded through an "interexchange fund" and are unencumbered by either an MOU (Memorandum of Understanding) or SLA.

As GRUA Director Craig Carter has said, transfers are based merely on a "wink and nod." GRU and the City have refused to comply at all with my public records request in regard to this matter for a year.

Such a weak and dishonest handling of a very serious matter addressed specifically by both the Auditor General () and HB1645 DOES NOT serve the pecuniary interests of either GRU ratepayers or employees.

In his brief stint as an Authority "Director," now-CEO Ed Bielarski abandoned a proposed three-year pause on the direct GRU transfer (Governmental Services Contribution) to the City and received the full support of Carter and Director Eric Lawson for his segue from unpaid Authority "Director" to well-paid GRU CEO/GM.

Jim Konish, Gainesville

The opinions expressed by letter or opinion writers are their own and do not necessarily represent the views of AlachuaChronicle.com. Assertions of facts in letters are similarly the responsibility of the author. Letters may be submitted to info@alachuachronicle.com and are published at the discretion of the editor.

7 comments

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To: Folds, Walker
GRU Attorneys

Timeline of Public Records Request Since GRU Authority Board Commencement

Request #1: January 5, 2024

1. A list of all Service Level Agreements (SLA) between GRU and the City of Gainesville **YES**
2. An itemized statement of FY23 annual payments to or from GRU and the City of Gainesville pursuant to the above referenced SLA's. **NO**
3. An annual FY23 total for City of Gainesville street lights provided by GRU. **YES**
4. The most current report regarding the actual cost for GRU provision of street lights to the City of Gainesville. **YES**

Received an automated response **January 5, 2024.**

Asked for additional records **January 12, 2024.**

Automatic response on **January 16, 2024.**

Received records on **January 17, 2024.**

Request #2: February 7, 2024

- 1) Total Full Cost Allocation Payments (FCAP) from GRU to the City of Gainesville for the last twelve (12) months **NO**
- 2) All claimed GRU offsets to above referred FCAP payments from GRU to the City of Gainesville for the last twelve (12) months **NO**
- 3) All Direct and FCAP payments from GRU to the City of Gainesville for Gainesville City or outside Attorney services of any kind for the last twelve (12) months **NO**



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4) All Memorandums of Understanding (MOU's) regarding "financial associations" with government(s). Please provide a copy of the October 2022 agreement between GRU and the City of Gainesville regarding streetlights within the City of Gainesville boundaries **YES**

Received an automated response **February 8, 2024.**

Received records on **February 12, 2024.**

Request #3: February 23, 2024

1) For FY23. Please furnish a copy of all payments, remittances, transfers, or contributions paid to or received from either the City or GRU pursuant to enumerated "financial associations" meeting the Article VII, section 7.01 definition of "service level agreements" (SLA's)(Contracts) by category. These would include MOU's (memorandums of understanding), GRU bills for utility services, and any informal, unwritten contacts. **NO**

2) All public records requests submitted by Craig Carter since January 1, 2024. **NO**

Automated Response on **February 23, 2024.**

Received a quote of over \$1400 to fulfill this record on **March 18, 2024.**

Request #4: March 20, 2024

- Please provide a copy of the most recent, annual "Cost Allocation Report", and/or any report on "SLA-related losses", for any GRU "financial association" with a "governmental entity" as defined in the attached sec. 7.02 (6) & (11) of the Gainesville City Charter. **NO**
- This is to include, but not be limited to the following "financial associations" with a "governmental entity".

(See 2/7 agenda meeting backup – numbered financial institutions).

Request has not been acknowledged or fulfilled since.



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Request #1	Request #2	Request #3	Request #4
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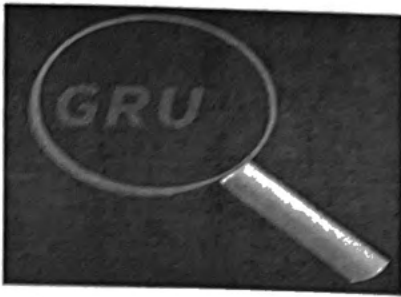
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Questions About GRU FY24 Audited Financial Statements:

1. How was the failure to bill or get reimbursed for County Streetlights accounted for? How does GRU know the amount of reimbursement from the City pursuant to the MOU due if no bills were rendered? Were surcharges included in the calculation of the amount of GRU was owed for County Streetlights? Was the County charged the full cost of its streetlights? What about the City of Gainesville?
2. How was the \$3 million loss on GRU IT for services provided to the City of Gainesville accounted for?
3. What was the total GRU SLA loss on services provided to the City of Gainesville in FY24? How was this accounted for? Was this amount included in the Flow of Funds?
4. What is the total amount of Deerhaven Renewable Depreciation in excess of amortization of related debt to date? Is that total reflected in the financial statement as a liability?



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5. What is the total amount of Deerhaven Renewable Depreciation in excess of amortization of related debt to date (2019 – 2024)? Is that total reflected in the financial statement as a liability?
6. Given that GRU's net position has remained relatively stagnant to declining over many years, what specific strategies or initiatives are being considered to improve the GRU equity position and ensure long-term sustainability?
7. Given the significant deferred inflows from pension investment returns and rate stabilization transfers, how does GRU plan to manage these deferred amounts to ensure financial stability and address potential future obligations?
8. With a \$52.1 million decrease in restricted and internally designated assets due to capital project spending, how does GRU plan to replenish these funds to ensure future infrastructure investments and financial stability?
9. With GRU's debt-to-asset ratio at approximately 94.7% (\$1.8B in debt vs. \$1.9B in assets), which is



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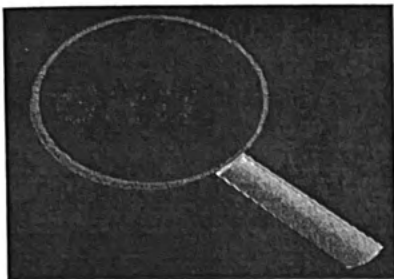
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significantly higher than the industry averages for regulated utilities (typically between 52% and 82%), what steps is GRU taking to manage its debt burden and improve financial stability?

10. GRU's restricted net position decreased by approximately \$4 million from the previous year—can you clarify the specific factors contributing to this decline and outline the steps GRU plans to take to restore and strengthen this financial metric?
11. GRU's financial statements inform that the General Services Contribution (GSC) is based on the property tax calculation at 70% of total insured value and the franchise fee is 5% of audited electric revenues, excluding fuel and rate stabilization transfers—what will the formula for determining the GSC be for FY26?
12. In GRU's financial statements, the amount by which depreciation on the Deerhaven Renewable Generating Station exceeds principal repayment on related bonds is recorded as amounts to be recovered



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from future revenue. For the years ending September 30, 2024, and 2023, these amounts are \$13.5 million and \$3.6 million, respectively. Can you explain the significant increase in the recoverable amount in 2024?

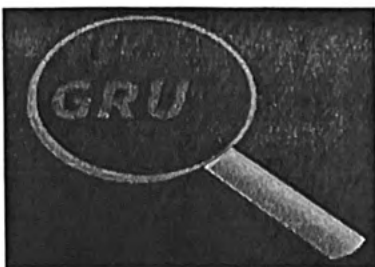
The financial Statement explains that an asset is valued at historical cost. The biomass plant was purchased for at least TWICE- or more of fair market Value. We asked experts:

If an electric utility enters into an agreement to escape an uneconomic power purchase agreement (PPA) by paying twice the fair market value in order to purchase the electric generating plant, should this transaction be explicitly disclosed in the financial statements, and at what asset value should it be recorded in the Financial Statements?

How should you record the amount in excess paid for the plant above the fair market value?

Yes, GRU should explicitly disclose this transaction in its financial statements, as it represents a material financial event impacting its expenses and financial position.

Financial Statement Treatment for GRU:



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Financial Statement Treatment for GRU:

1. Recognition & Asset Valuation:

- If GRU pays twice the fair market value for the plant in order to exit the power purchase agreement (PPA), the amount recorded as an asset should be limited to the fair market value of the contract rights obtained or liabilities extinguished.
- The excess amount paid above the fair market value should not be capitalized as an asset but instead recognized as an expense or loss in the income statement.

2. Accounting for the Excess Payment:

- The amount paid above fair market value should be recorded as a "Loss on Contract Termination" or an equivalent non-operating expense.
- If GRU finances the exit payment, any associated liabilities should be reported under long-term debt or obligations on the balance sheet.

3. Disclosure Requirements:

- GRU must include a detailed note in its financial statements, explaining:
 - The reason for exiting the PPA.
 - The total payment made and its allocation between fair market value and excess cost.



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- The impact on financial performance, rates, and future obligations.
- Any regulatory considerations or cost recovery mechanisms tied to the transaction.



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II. Net Position

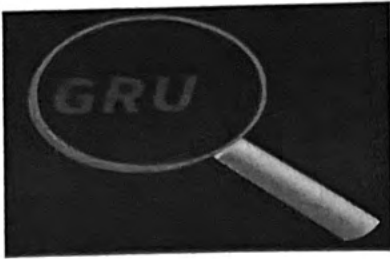
GRU Net Position of around \$400 million has been stagnant or declining since 2005. The FY24 10/24 number was *below* 10/22. GRU Net Capital Assets of \$1.9 million are encumbered by long-term debt of \$1.8 million. These metrics are well outside the range observed with other Florida municipal electric utilities (See Auditor General's Report of January 2022).

The 2019 payment of \$750 million to purchase a privately-owned biomass generating plant in order to escape a disastrous Power Purchase Agreement (PPA), made worse through numerous questionable amendments is comprised of at least a 50% PPA cancellation PENALTY. This sum was booked as a Long-Term Asset in 2019. Another identical plant purchase/PPA escape buyout for an identical plant from the same private promoters sold for \$460 million in 2019.

The fiscal impact of these matters emerge in the Notes to Financial Statements/Regulating Assets/Costs Recoverable in Future Years.

The escalating amount by which depreciation on the purchased Deerhaven Renewable Generating Station (DHR) exceeds principal repayment in the related bonds is being recorded as amount to be recovered from future revenue (an additional liability).

An appendix to supporting documentation is provided.



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APPENDIX

1. Definition and Interpretation of Net Position
2. Three (3) Categories of Net Position
3. Total Net Position 2022-2024
4. Long Term Debt
5. Net Capital Assets
6. 2019 PPA Buyout of An Identical Plant
7. GRU DHR Plant Depreciating Faster than Amortization of Related Debt
8. GRU Net Position, Long Term Debt and Liabilities 2005-2024
9. Unrealistic Assumptions Regarding GRU Debt "Defeasance" Plan

Management's Discussion and Analysis

Gainesville Regional Utilities (GRU or the Utility) is a combined municipal utility operating electric, water, wastewater, natural gas, and telecommunications systems. GRU is a utility enterprise of the City of Gainesville, Florida (City) and is reported as an enterprise fund in the Annual Comprehensive Financial Report of the City.

We offer readers of GRU's financial statements this Management's Discussion and Analysis (MD&A) of the financial activities of GRU for the fiscal years ended September 30, 2024, 2023 and 2022 with comparison to the prior fiscal year. The MD&A should be read in conjunction with the financial statements and notes that follow this section.

Basic Financial Statements

Statement of Net Position: This statement includes all of GRU's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position: The current and prior year revenues and expenses are reported in this statement along with the resulting change in net position. This statement measures the success of the combined Utility's operations over the past year.

Statement of Cash Flows: The primary purpose of this statement is to provide information about the combined Utility's cash receipts and cash payments during the fiscal year. This statement reports cash receipts, cash payments, and changes in cash resulting from operating, capital and noncapital financing, and investing activities.

Notes to Financial Statements: The notes provide additional information that is essential to fully understand the information provided in the financial statements.

Gainesville Regional Utilities
Notes to Financial Statements
September 30, 2024 and 2023

2.

1. Summary of Significant Accounting Policies (continued)

Deferred Inflows of Resources (concluded)

Rate Stabilization

GRU designs its rates to recover the costs of providing services. In order to stabilize future rate increases or decreases, GRU determines a rate stabilization amount to be charged or credited to revenues on an annual basis. There were transfers of \$492,000 and \$9 million to rate stabilization for the years ended September 30, 2024 and 2023, respectively. Rate stabilization amounts of \$68 million and \$62.5 million, respectively, are reflected in deferred inflows of resources in the statements of net position.

General Employees' Pension Plan Costs

Recognition of deferred inflows of resources related to unrealized gains for the pension plan totaled \$48.5 million and \$302,000 as of September 30, 2024 and 2023, respectively. See Note 14 Retirement Plans for additional information.

Other Post-employment Benefit Plan

Recognition of deferred inflows of resources related to unrealized gains for the OPEB plan was \$6.9 million and \$4.6 million as of September 30, 2024 and 2023, respectively. See Note 15 Other Post-employment Benefits Plan for additional information.

Leases

Recognition of deferred inflows of resources related to future lease revenues for tower leasing was \$20.2 million for September 30, 2024, and \$20.4 million for September 30, 2023. See Note 10 Leases for additional information.

Net Position

GRU classifies net position into three components as follows:

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – consists of non-capital assets that must be used for a particular purpose as specified by creditors, contributors, grantors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – consists of assets that do not meet the definition of net investment in capital assets or restricted net position.

When both restricted and unrestricted resources are available for use, it is GRU's policy to use restricted resources first, then unrestricted resources as they are needed.

Management's Discussion and Analysis

Financial Analysis of Gainesville Regional Utilities

GRU's net position increased \$16.2 million, decreased \$17.3 million, and increased \$20.4 million for fiscal years 2024, 2023 and 2022, respectively. The Condensed Statements of Net Position and Condensed Statements of Revenues, Expenses, and Changes in Net Position follow (in thousands):

Gainesville Regional Utilities Condensed Statements of Net Position

	2024	2023	2022
Current assets	\$ 161,634	\$ 148,786	\$ 174,246
Restricted and internally designated assets	339,895	391,955	255,062
Noncurrent assets	278,519	297,518	296,135
Net capital assets	1,855,470	1,856,737	1,854,172
Deferred outflows of resources	15,897	40,014	95,717
Total assets and deferred outflows of resources	\$ 2,651,415	\$ 2,735,010	\$ 2,675,332
Current liabilities	\$ 53,050	\$ 45,585	\$ 44,295
Payable from restricted assets	83,723	86,973	78,962
Long-term debt	1,824,785	1,915,180	1,802,756
Noncurrent liabilities	108,237	152,759	192,711
Deferred inflows of resources	163,108	132,209	137,011
Total liabilities and deferred inflows of resources	2,232,903	2,332,706	2,255,735
Net position:			
Net investment in capital assets	149,175	90,780	97,713
Restricted	92,911	96,978	82,648
Unrestricted	176,426	214,546	239,236
Total net position	418,512	402,304	419,597
Total liabilities, deferred inflows of resources and net position	\$ 2,651,415	\$ 2,735,010	\$ 2,675,332

Management's Discussion and Analysis

Gainesville Regional Utilities Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2024	2023	2022
Operating revenue	\$ 433,557	\$ 450,956	\$ 524,838
Interest income	14,551	7,019	2,697
Other interest related income, BABs	4,874	4,927	5,012
Total revenues	452,982	462,902	532,547
Operating expenses	359,782	381,496	417,228
Interest expense	68,859	66,126	63,511
Other (income) expense	1,446	(1,344)	4,563
Total expenses	430,087	446,278	485,302
Income before capital contributions and transfer	22,895	16,624	47,245
Contributions from third parties	8,618	366	9,401
Transfer to City of Gainesville General Fund	(15,305)	(34,283)	(36,283)
Change in net position	16,208	(17,293)	20,363
Net position, beginning of year	402,304	419,597	399,234
Net position, end of year, restated	\$ 418,512	\$ 402,304	\$ 419,597

Financial Highlights

The most significant changes in GRU's financial condition are summarized below:

- Current assets increased \$12.8 million in fiscal year 2024 due primarily to an increase in operating cash and investments. Current assets decreased \$25.5 million in fiscal year 2023 due primarily to the movement of the fuel and purchased gas adjustment balance from an asset owed to GRU to a liability of GRU.
- Restricted and internally designated assets decreased \$52.1 million in fiscal year 2024 due primarily to a decrease in construction fund and utility plant improvement fund cash spent on capital project activity during the fiscal year. Restricted and internally designated assets increased \$136.9 million in fiscal year 2023 due primarily to an increase in construction fund cash and investments resulting from the 2023 bond issuance.

4.

Management's Discussion and Analysis

Long-Term Debt

At September 30, 2024, 2023, and 2022, GRU had total long-term debt outstanding of \$1.8 billion in fiscal year 2024, \$1.8 billion for the fiscal year 2023, and \$1.7 billion for fiscal year 2022, comprised of utilities system revenue bonds (in thousands):

Gainesville Regional Utilities Outstanding Debt at September 30:

	2024	2023	2022
Utilities system revenue bonds	\$ 1,773,860	\$ 1,849,115	\$ 1,731,945

Long-term debt, including current portion, decreased \$75.3 million, or 4.1%, in fiscal year 2024 due to \$35.7 million in scheduled principal payments, \$23.2 million in redemptions, and \$16.4 million in defeasances. The redemptions and defeasances were part of the Utility's debt reduction plan and the debt reduction associated with the sale of the Trunking Radio System (TRS). Long-term debt, including current portion, increased \$117.1 million, or 6.8%, in fiscal year 2023 due to the issuance of the 2023 Series bonds offset by scheduled principal payments. Long-term debt, including current portion, decreased \$1.7 million, or .1%, in fiscal year 2022, due to scheduled principal payments and a refunding of the 2007A and 2012A Bond series.

Major long-term debt events during the fiscal years include:

- On September 25, 2024, GRU defeased \$15.7 million of the 2017 Series A and redeemed \$10.1 million of the 2012 Series B using funds set aside from savings generated for the sole purpose of reducing outstanding long-term debt.
- On September 25, 2024, GRU redeemed \$255,000 of the 2014 Series B, redeemed \$610,000 of the 2019 Series C, and defeased \$705,000 of the 2019 Series A using proceeds from the sale of the TRS on December 28, 2023. The redemptions and defeasance were to pay off a portion of the associated TRS related debt.
- On August 22, 2024, GRU redeemed \$275,000 of the 2020 Series A, \$1.2 million of the 2022 Series A, and \$4.7 million of the 2022 Series B using proceeds from the sale of the TRS on December 28, 2023. The redemption was to pay off a portion of the associated TRS related debt.
- On May 10, 2024, GRU redeemed \$3.1 million of the 2005 Series C and \$3.0 million of the 2006 Series A using funds set aside from savings generated to reduce the Utility's long-term debt.
- On June 22, 2023, GRU issued its Utilities System Revenue Bonds, 2023 Series C for \$151.2 million as a direct placement with Wells Fargo to fund its capital program.

Management's Discussion and Analysis

Capital Assets

GRU's investment in capital assets as of September 30, 2024 was \$1.9 billion (net of accumulated depreciation and amortization). Gross utility plant in service increased \$107.3 million, or 3.4% in fiscal year 2024 due primarily to the completion of electric, water and wastewater capital projects. Gross utility plant in service increased \$58.5 million, or 1.9% in fiscal year 2023 due primarily to the completion of electric, water and wastewater capital projects. Gross utility plant increased \$106.1 million, or 3.6% in fiscal year 2022 due primarily to the completion of electric, water and wastewater capital projects.

Major capital asset events during the fiscal years include:

- Electric transmission and distribution additions were \$26 million in fiscal year 2024. These additions included regulator bank controller replacements and meter deployment associated with our Advanced Metering Infrastructure.
- Electric generation additions were \$19.6 million for fiscal year 2024. These additions included Deerhaven Renewable Plant Stacker Reclaimer Bearing replacement, John R. Kelly electrical upgrades and Deerhaven Unit 1 Stacker repairs.
- Water additions were \$35 million in fiscal year 2024. These additions included improvements to the Murphree Water Treatment Plant service pumps and lime sludge pumps, distribution lines for existing and new extensions, along with meter deployment associated with our Advanced Metering Infrastructure.
- Wastewater additions were \$38.8 million in fiscal year 2024. These additions included upgrades to the Kanapaha Water Reclamation Facility (KWRF) for aerator replacements, rebuilding a dewatering centrifuge, and upgrades to treatment and disposal equipment. Other additions included manhole replacements, improvements and extensions to gravity collection systems and cleanouts.
- Gas distribution additions were \$11.9 million in fiscal year 2024. These additions were due to extensions of the gas system to new residential and commercial developments.
- Telecommunications additions for fiber and electronics expansion were \$763 thousand in fiscal year 2024, including a new server farm project.

Commitments for capital expenses as of September 30, 2024 were \$71.6 million due primarily to work on our Advanced Metering Infrastructure, Main Street Water Reclamation Facility, Eastside Operations Center Lift Station #1 and substation transformer replacements, Wastewater line and manhole rehabilitation, Deerhaven compressor spare rotor, South Energy Center Underground steam pipes, and telecommunications central office mechanical and electrical renovations.

Additional information may be found in Note 4 Capital Assets.

FLASH BRIEFING

Austin buys troubled power plant

Purchase of East Texas biomass plant lessens financial sting of long-term contract, Austin Energy says

Philip Jankowski pjankowski@statesman.com

Published 4:51 p.m. CT April 18, 2019 | Updated 4:23 p.m. CT April 19, 2019

The city of Austin has purchased an East Texas renewable power plant for \$460 million as a means to escape from a punitive contract. The deal reached late Wednesday wiped out some of the financial hit of the remainder of a 20-year, \$2.3 billion contract set to run through 2032, the head of Austin Energy said.

Austin Energy General Manager Jackie Sargent told the American-Statesman that the utility expects to save \$275 million by buying the Nacogdoches Generating Facility, a wood chip-fueled biomass power plant that the city has used sparingly because the facility was often too expensive to run. The city has been the plant's only customer since 2012.

The Statesman first reported April 5 the possibility of the city purchasing the plant. At the time, city officials were bound by a strict confidentiality agreement that prevented them from acknowledging a possible sale. In actuality, though, the Austin City Council had already voted during a closed session on March 28 to buy the facility.

Southern Company, the plant's owner, accepted the offer this week, notifying Austin Energy at 10:40 p.m. Wednesday.

Sargent described the deal, one of the largest single purchases in the city's history, as a form of refinancing. Under a power purchase agreement with Southern Company, Austin Energy would have been on the hook for escalating annual payments whether or not the city bought energy from the 115-megawatt plant in Sacul, about 30 miles northwest of Nacogdoches. Those payments were in the tens of millions of dollars each year and were expected to grow to an estimated \$90 million in the contract's last year.

"What this allows us to do is to avoid significant future costs had we remained under the power purchase agreement that we had

with (Southern Company)," Sargent said.

The deal remained under wraps because of a strict confidentiality agreement that Southern Company required the city to sign to participate in the competitive sale, Sargent said. Barclays negotiated the sale for Southern Company, and the city hired a national law firm for \$300,000 to negotiate on its behalf, according to a city spokesman.

Mayor Steve Adler said Thursday he had periodically looked into the one-sided biomass contract since he became mayor in 2015. When he heard that the plant was for sale, it was "welcomed news," he said.

"We went from a tenant position to buying the home, and the house payments are less than the rent," Adler said.

To finance the purchase, Austin Energy will issue taxable revenue bonds that will be paid out over 13 years, the same amount of time remaining on the city's contract with Southern Company, Sargent said.

In the purchase, Austin Energy is acquiring Nacogdoches Power LLC, the holding company for the biomass facility. Included in the deal is the assumption of the power purchase agreement that required the city to pay for electricity from the facility whether it used any energy from it or it didn't.

The sale will require no further action by the City Council. The council was permitted to approve the offer without the public's knowledge under a section of the Texas open meetings law that concerns competitive financial matters involving government entities that oversee utilities.

Council Member Kathie Tovo, the longest tenured member of the City Council, said the vote on the sale is the only vote she has ever taken during an executive session involving council members.

"The circumstances under which you can do that are extremely limited, and we talked about it," Tovo said.

Eleven years ago, the council sparked the construction of the renewable power plant in Sacul by inking a 20-year contract amid concerns that fossil fuel prices would skyrocket in the wake of new federal carbon taxes. But those carbon taxes never materialized, natural gas prices plummeted, and biomass-generated energy became an expensive afterthought.

The developments created a situation in which the city was paying for operations at a power plant that was not generating any electricity. The city does buy power from the facility when market prices for electricity peak during the summer.

Former City Council Member Don Zimmerman called the contract a \$600 million "boondoggle."

"I guess it's behind us now," said Zimmerman, who sat on the dais in 2015 and 2016. "It's a powerful argument for why you should not have a government-run utility."

Sargent said the city will continue to staff the plant and that its operations will be a part of the city's infrastructure portfolio, but she said the future of the biomass facility is not clear.

"We will continue to do resource planning, and we will evaluate the future economic viability of this facility through that process," Sargent said. "We intend right now to continue to operate the facility as it has (operated). We are making no immediate changes to operations. And we think that is important."

7.

Gainesville Regional Utilities
Notes to Financial Statements
September 30, 2024 and 2023

1. Summary of Significant Accounting Policies (continued)

Regulatory Assets

Current and non-current regulatory assets consist of the following (in thousands):

	2024	2023
Electric service expansion	\$ 372	\$ 413
Net costs recoverable in future years	30,237	43,708
Unamortized debt issuance costs	9,342	9,812
Swap termination fees (Note 7)	25,088	27,216
Ineffective portion of Swap Hedges	102	100
Ineffective portion of Fuel Hedges	840	473
Pollution remediation	5,361	6,543
Other post-employment benefits	2,797	3,901
Pension (Note 14)	128,661	126,424
Total	<u>\$ 202,800</u>	<u>\$ 218,590</u>

	2024	2023
Current	\$ 1,288	\$ 1,266
Non-current	201,512	217,324
Total	<u>\$ 202,800</u>	<u>\$ 218,590</u>

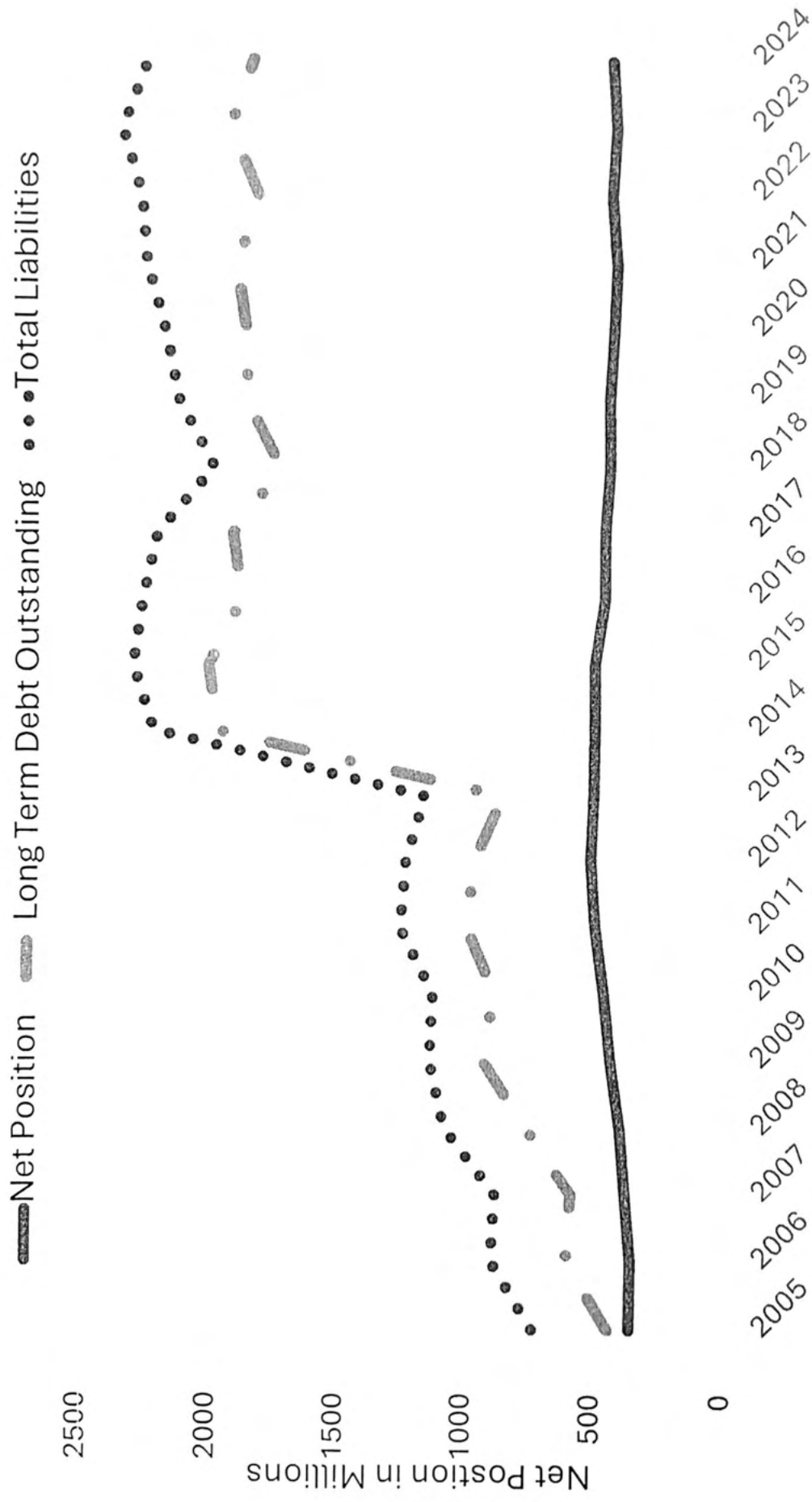
Costs Recoverable in Future Years

The amount by which depreciation on Deerhaven Renewable Generating Station (DHR) exceeds principal repayment on the related bonds is recorded as amounts to be recovered from future revenue. For the years ended September 30, 2024 and 2023, the amounts recoverable from (to) future revenue is \$(13.5) million and \$(3.6) million, respectively.

Capital Assets and Depreciation

Capital assets are recorded at historical cost and include utility plant, general plant, and right-of-use assets. The costs of capital assets include material, labor, vehicle and equipment usage, related overhead items, capitalized interest (fiscal year 2021 and prior), and certain administrative and general expenses. Maintenance and replacement of minor items are charged to operations and maintenance expenses. When units of depreciable property are retired, the original cost less salvage value is charged to accumulated depreciation if there is outstanding debt that originally constructed or purchased that asset. If there is no longer outstanding debt, the net book value less salvage value is recorded as a gain or loss in the income statement. Removal cost of the old asset is added to the cost of constructing the new asset and amortized over the life of that new asset. Cost of removal of an asset that is not replaced with a new asset is recorded as an expense in the income statement. GRU has a capitalization threshold of \$2,500 for general plant assets and no capitalization threshold for utility plant.

8. GRU Financial Position 2005-2024



GRU Financial Position 2005-2024

Year	Net Position	Long Term Debt Outstanding	Total Liabilities
2005	352M	435M	726M
2006	347M	592M	885M
2007	366M	574M	869M
2008	384M	749M	1069M
2009	418M	916M	1127M
2010	441M	868M	1113M
2011	473M	977M	1244M
2012	490M	949M	1223M
2013	478M	835M	1146M
2014	474M	1969M	2217M
2015	475M	2004M	2295M
2016	435M	1874M	2257M
2017	436M	1907M	2198M
2018	419M	1722M	1980M
2019	423M	1849M	2114M
2020	409M	1853M	2165M
2021	399M	1890M	2237M
2022	420M	1803M	2256M
2023	402M	1915M	2333M
2024	419M	1825M	2233M

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7
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GRU Financial Position 2005-2024

Year	Net Position	Long Term Debt Outstanding	Total Liabilities
2005	352M	435M	726M
2006	347M	592M	885M
2007	366M	574M	869M
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IA

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III

II

GRU Financial Position 2005-2024

Year	Net Position	Long Term Debt Outstanding	Total Liabilities
2005	352M	435M	726M
2006	347M	592M	885M
2007	366M	574M	869M
2008	384M	749M	1069M
2009	418M	916M	1127M
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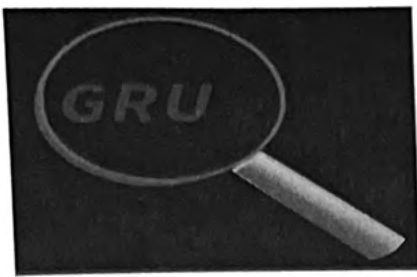


Debt Reduction, Target Capitalization Rates, and Proposed GSC Formula

Significant assumptions:

- GRU borrowings over the next ten years will conform to capital budgets submitted as part of the FY24 budget *No. They were reduced*
- Future capital improvement plans will be funded on a 50% debt/ 50% equity basis (?)
- There are no Integrated Resource Plan related costs in the projected borrowings No
- There are no plant decommissioning costs included in the projected borrowings No
- Adjustments to GRUCom structure will need to be incorporated into the other systems No
- Base rates continue as approved by ordinance No





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III. Electric Generation Assets

GRU has ten (10) electric generation plants and NO FIRM AVAILABILITY on the only Duke Energy Transmission line into the GRU service territory.

A 27mw solar project has been scrapped. Two (2) 17.5MW gas peaker plants are slated for retirement 12/26. A gigantic 232mw gas/coal plant is to be retired by 12/32.

The Integrated Resource Plan (IRP) has been cancelled and the former person in charge was fired. GRU is studying a 76mw gas plant slated for retirement December 2027 to see what it would take to extend that plant's useful life.

No cost, engineering, or risk analysis has been offered.

GRU has converted old coal plants to gas and retrofitted additional pollution control.

The DHR biomass plant cannot be converted to any other fuel.

Though the CEO/GM of GRU claims he is "long on power", GRU buys more wholesale than it sells due to high overall costs. It is frequently cheaper for GRU to buy wholesale electric rather than generate it itself.

GRU competes with modern combined cycle gas, nuclear, and solar generation and appears to buy more electric wholesale than it sells due to high fuel and operational costs. GRU nonresidential rates are exorbitant. Despite being "long on power", GRU is unlikely to attract new, large electric users due to uncompetitive nonresidential rates. GRU *overall* revenue growth in five (5) different systems is projected to be 0.5% next year in FY26.

Overview of GRU Energy Supply

Plant	Unit Number	Fuel Types	Expected Retirement	Contribution to Summer Peak Demand (MW)
John R. Kelly	CC1	Natural Gas	12/2051	112
Deerhaven	DH1	Natural Gas / #6 oil	12/2027	76
Deerhaven	DH2	Natural Gas / coal	12/2031	232
Deerhaven	CT1	Natural Gas / diesel	12/2026	17.5
Deerhaven	CT2	Natural Gas / diesel	12/2026	17.5
Deerhaven	CT3	Natural Gas	12/2046	71
South Energy Center	SEC1	Natural Gas	12/2039	3.8
South Energy Center	SEC2	Natural Gas	12/2047	7.4
Deerhaven Renewables	DHR	Biomass	12/2043	102.5
~~Sand Bluff Solar~~	~~Cancelled~~	cannot be converted to another fuel	12/2044	27
Unit expected to retire in next 5 years				666.7*

* 5.72% of Generation Shut Down By 12/2026

* 16.6% of Generation Shut Down By 12/2027

* 51.3% of Generation Shut Down By 12/2031

Note: GRU Goes

"Net Position"
Negative 12/2026

Energy Supply

Deerhaven Unit #2 (DH2)

- Unit is online.
- Unit is being operated briefly on coal weekly to ensure unit dual fuel reliability as well as operator proficiency with unit on coal. During recent cold weather events throughout January, we had to shift DH2 to coal numerous days to be able to support meeting customer load due to natural gas volume curtailment. This demonstrates how our ability to utilize multiple alternate fuel sources benefits our customers.

Deerhaven Unit #1 (DH1)

- Unit is online offline.
- Continuing building a currently unplanned outage scope to be conducted in FY2026. This originally planned outage was going to be deferred due to unit expected retirement at end of calendar year 2027, but with possible intention to evaluate needs to continue operation beyond this 55 years at end of CY2027, we will need this outage scope for evaluation of critical components to determine scope of work needed for possible additional unit life extension.

Deerhaven Combustion Turbines

No issues and all three (3) units are fully available.

Deerhaven Renewable (DHR)

- Unit offline in extended outage through Jan. 26. Unit restoration is in progress as of Jan. 27 with intent to fully release unit back to service by Jan. 30.
- We are continuing to conduct the required research and analysis to determine cost and scope to add both a Run Transformer and Run Breaker electrical scheme to DHR, like we have at all our other steam units. This project is needed to resolve impactful reliability issues at DHR. Currently without this electrical scheme DHR auxiliary equipment (fans, motors and pumps) have resulted in unit trips, this is due to voltage swings we experience on our grid that can impact logic to trip these auxiliaries. Our other 3 steam units (DH1, DH2 and JCC1) shift the unit equipment auxiliaries to their respective Run Transformers once unit is online, and therefore their auxiliary equipment is not impacted by these grid voltage swings.

Gainesville Regional Utilities
Notes to Financial Statements
September 30, 2024 and 2023

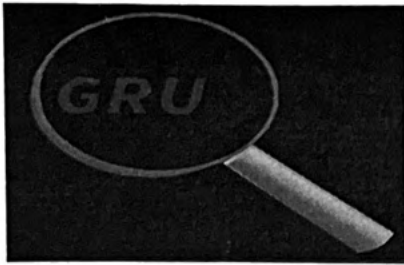
3. Investment in The Energy Authority

GRU has an equity investment in The Energy Authority (TEA), an energy marketing corporation comprised of seven municipal utilities as of September 30, 2024: Grand River Dam Authority (Oklahoma), Jacksonville Electric Authority (Florida), South Carolina Public Service Authority, Nebraska Public Power District, GRU, City Utilities of Springfield (Missouri), and American Municipal Power, Inc. (Ohio). TEA provides energy products and resource management services to equity members and non-members and allocates transaction savings and operating expenses to equity members pursuant to Settlement Procedures under the Operating Agreement.

In the Statement of Revenues, Expenses, and Changes in Net Position, GRU's sales to and purchases from TEA are recorded in sales and service charges and operations and maintenance expenses, respectively. Sales to TEA were \$2 million and \$4.3 million, and purchases from TEA were \$6.7 million and \$7.2 million, for the years ended September 30, 2024 and 2023, respectively. GRU's equity interest was 5.9% for fiscal year 2024 and 6.0% for fiscal year 2023, and accounted for using the equity method of accounting. As of September 30, 2024 and 2023, GRU's investment in TEA was \$11 million and \$9.6 million, respectively.

Through a combination of agreements, GRU guaranteed credit received by TEA for \$44.5 million and \$36.4 million as of September 30, 2024 and 2023, respectively. TEA evaluates its credit needs periodically and requests equity members to adjust their guarantees accordingly. The guarantee agreements are intended to provide credit support for TEA when entering into transactions on behalf of equity members. Such guarantees are within the scope of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, and would require the equity members to make payments to TEA's counterparties if TEA failed to deliver energy, capacity, or natural gas as required by contract, or if TEA failed to make payment for the purchases of such commodities. If guarantee payments are required, GRU has rights with other equity members that such payments be apportioned based on certain criteria. The guarantees generally have indefinite terms; however, GRU can terminate its guarantee obligations by providing notice to counterparties and others, as required by the agreements. Such terminations would not pertain to any transactions TEA entered into prior to notice being given. As of September 30, 2024 and 2023, GRU had not recorded a liability related to these guarantees.

Belarski: "We are long on power. Data Center are looking for this".



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IV. Annual GRU Long Term Debt Service

In a table titled "Debt Service Requirements for Long-Term Debt", the payments are split into 2 categories:

1. "***BONDS***"
and
2. "***DIRECT PLACEMENTS***"

I have combined these categories in order to reveal clearly the backloading of the massive GRU Debt through 2041.

Gainesville Regional Utilities
Notes to Financial Statements
September 30, 2024 and 2023

6. Long-Term Debt (continued)

Debt Service Requirements for Long-Term Debt

Annual debt service requirements to maturity for long-term debt as of September 30, 2024 (in thousands):

A. BONDS

Year Ending September 30,	Principal	Interest	Total Debt Service Requirements
2025	\$ 21,835	\$ 52,309	\$ 74,144
2026	17,250	50,723	67,973
2027	16,460	49,875	66,335
2028	12,595	49,141	61,736
2029	30,300	48,056	78,356
2030-2034	176,770	194,948	371,718
2035-2039	274,450	140,573	415,023
~~2040-2044~~	~~262,915~~	~~67,419~~	~~330,334~~
2045-2049	220,700	25,021	245,721
2050-2054	35,405	2,713	38,118
2054-2058	-	-	-
	<u>\$ 1,068,680</u>	<u>\$ 680,778</u>	<u>\$ 1,749,458</u>

Total
Annual
Debt
Service:

A+B

(See
next two
pages)

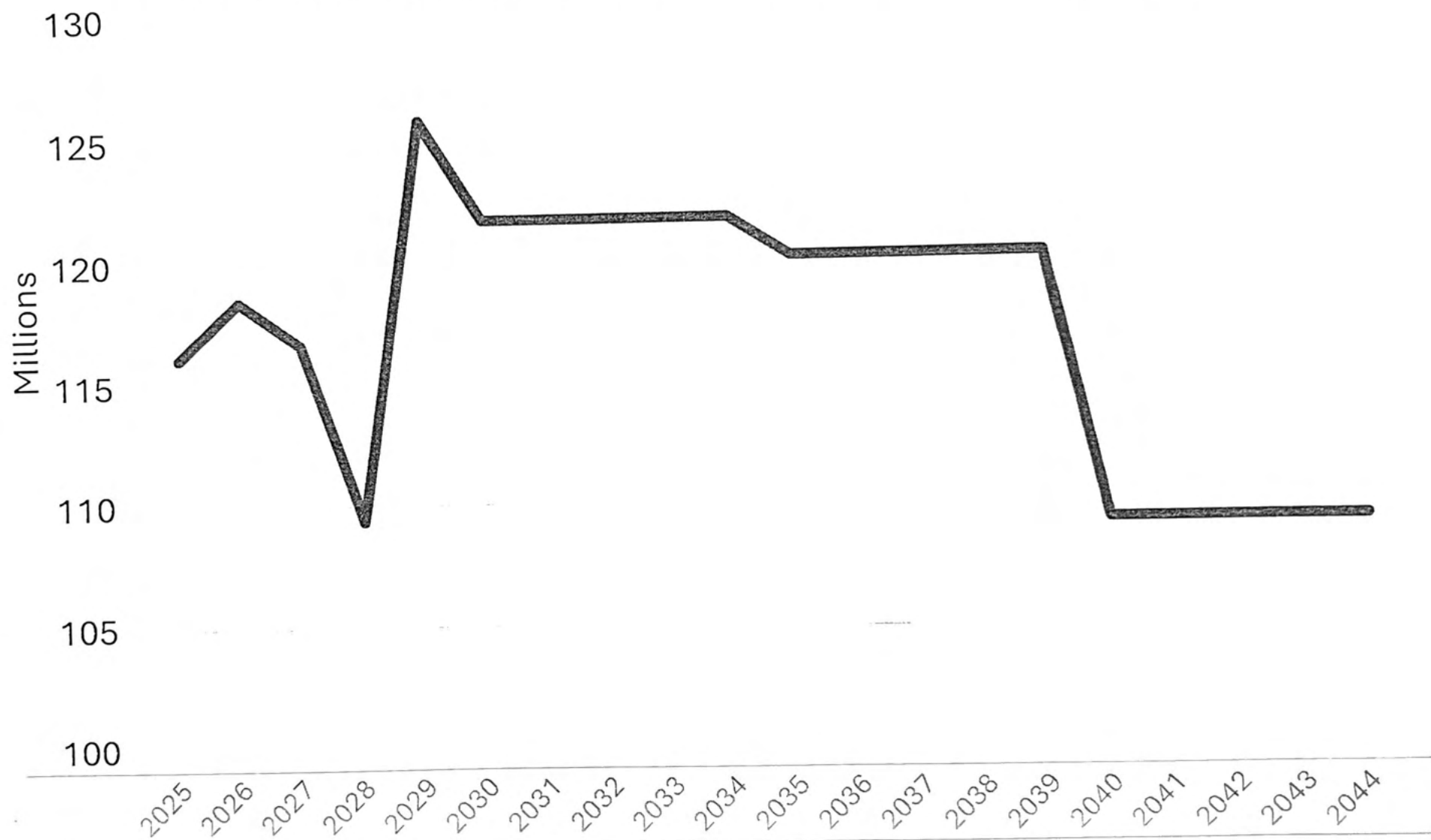
B. DIRECT PLACEMENTS

Year Ending September 30,	Principal	Interest	Total Debt Service Requirements
2025	13,505	\$ 28,492	\$ 41,997
2026	22,470	28,059	50,529
2027	22,805	27,555	50,360
2028	20,510	27,082	47,592
2029	20,905	26,638	47,543
2030-2034	112,225	125,205	237,430
2035-2039	76,550	109,487	186,037
2040-2044	122,745	93,452	216,197
2045-2049	161,385	51,026	212,411
2050-2054	132,080	18,107	150,187
	<u>\$ 705,180</u>	<u>\$ 535,103</u>	<u>\$ 1,240,283</u>

See Note 7 Hedging Activities for additional debt service requirements for interest rate swaps.

Annual GRU

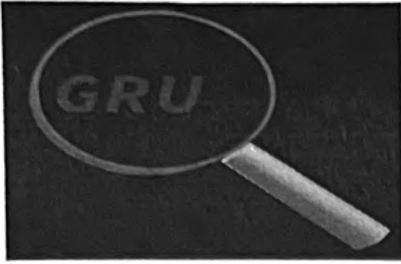
Bond & Direct Placements: Total Debt Service



Annual GRU

Bond & Direct Placements Total Debt Service

2025	116,141.00
2026	118,502.00
2027	116,695.00
2028	109,328.00
2029	125,899.00
2030	121,829.60
2031	121,829.60
2032	121,829.60
2033	121,829.60
2034	121,829.60
2035	120,212.00
2036	120,212.00
2037	120,212.00
2038	120,212.00
2039	120,212.00
2040	109,306.20
2041	109,306.20
2042	109,306.20
2043	109,306.20
2044	109,306.20



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V .Legal Quagmire

While the Authority does mention a recent City Commission Referendum and related litigation, there is important context not provided:

The Authority has been hampered by a barrage of private nuisance suits filed by cronies of Gainesville City Commissioners assailing HB1645. This is despite a resounding defeat of a \$500,000+ Gainesville City Commission legal challenge to HB1645.

A referendum was launched by the Gainesville City Commission. There was no timely Authority legal action undertaken to keep it off the ballot. This referendum passed by a 72% margin. The referendum purportedly repealing HB1645 (Article VII of the Gainesville City Charter) was temporarily enjoined by a lawsuit the Authority filed. A recent split decision finding the referendum fatally flawed yet plausible is to be appealed by the Authority.

Management's Discussion and Analysis

Currently Known Facts or Conditions that May Have a Significant Effect on GRU's Financial Condition or Results of Operations

On June 28, 2023, Florida Governor Ron DeSantis signed Bill CS/HB 1645 into law as Chapter 2023-348 (2023-348) which took effect on July 1, 2023. 2023-348 changes the governance of GRU to a governor appointed board known as the Gainesville Regional Utilities Authority (GRUA), upon installation of the Authority's members. The law replaced existing governance of the Gainesville City Commission with the Authority.

In June 2024, the City Commission of the City of Gainesville passed Ordinance 2024-448, which submitted to voters an amendment to the City of Gainesville Charter deleting Article VII which had established GRUA in its entirety. GRUA filed a Complaint for Declaratory Judgment and Injunctive Relief on September 10, 2024, followed by an Emergency Motion for Temporary Injunction and a Request for Expedited Hearing on September 23, 2024. A hearing was held on October 23, 2024, and a temporary injunction was put in place to prevent the City of Gainesville from enforcing the charter amendment until resolution of the issues in the legal case. The parties are engaging in discovery and preparing competing Motions for Summary Judgement. Expected timing of the hearing is April 2025.

GRU implemented a new billing system that went live in April 2023. Some benefits include improving customers' ability to: view billing history; signing up for eBill or paper billing; updating email, mailing addresses and phone number; starting, stopping or moving service and paying their bill.

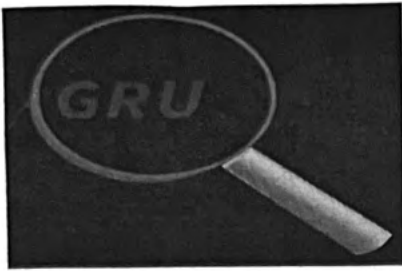
GRU is implementing an Advanced Metering Infrastructure that upgrades GRU meters to digital and equips these meters with wireless communication technology. This will allow collection of usage data daily as opposed to manual monthly readings. AMI will increase the efficiency of obtaining meter readings used in generating bills for our customers, improve safety conditions for staff and reduce wear and tear on vehicles. Customers will not be inconvenienced by GRU reading meters and be able to easily monitor their usage.

GRU and its operations are subject to federal, state, and local statutory and regulatory requirements with respect to the siting and licensing of facilities, safety and security, air and water quality, land use, and other environmental factors.

GRU's long-term energy supply strategy is to provide safe, reliable, cost effective power, while meeting regulatory requirements. GRU has a diverse portfolio of generation including renewable energy. Based on the most recent forecasts, GRU has adequate reserves of generating capacity to meet forecasted loads plus maintaining the regulatory required reserve margin through 2031. This forecast incorporates new population forecasts and changed economic circumstances.

✧ Requests for Information

This financial report is designed to provide a general overview of GRU's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Gainesville Regional Utilities, P.O. Box 147117, Station A-105, Gainesville, Florida 32614-7117.



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VI. Government Service Contribution (GSC)

Note 12 Titled "Transfer to the City of Gainesville General Fund" fails to mention that the City Commission ask of \$15.3 for 2024 was reduced for a 10 year clawback of City Commission Direct Transfers of \$68.5 million more than the utility earned between 2018 and 2022. Moreover, additional deductions for Authority Attorney's fees and set off for a breached MOU with the City over payment for County Streetlights has reduced to annual direct transfer to about \$7 million. A new Authority created formula based on GRU earnings has been promised but not delivered. The City's formula for a transfer was based on the theory the City should receive what would be paid if GRU was a private investor-owned utility.

Gainesville Regional Utilities
Notes to Financial Statements
September 30, 2024 and 2023

12. Transfer to City of Gainesville General Fund

GRU transfers monies monthly to the City's General Fund. The General Fund Transfer (GFT) may be made only to the extent such monies are not necessary to pay operating and maintenance expenses and to pay debt service on the outstanding bonds and subordinated debt or to make other necessary transfers under the Resolution.

On July 19, 2021, the Commission approved Resolution No. 210116. This resolution reduced the general fund transfer by two million dollars a year through fiscal year 2027.

On May 4, 2023, the Commission approved Resolution No. 2023-417. This resolution renamed the GFT to the Government Services Contribution (GSC) and established a formula to determine the level of the GSC from GRU to the City's General Fund. The formula consists of a property tax calculation component and a franchise fee component. The property tax calculation component will use the total insured values included in the most recent property insurance policy, discounted to 70% of total insured values. The franchise fee component of 5% will be applied to the most recently audited electric system revenues less fuel and rate stabilization fund transfers.

For the years ended September 30, 2024, and 2023, the transfer was \$15.3 million and \$34.3 million, respectively.

