

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, FEBRUARY 6, 2007, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Chairman, Thomas K. Perona; Vice Chairman, Darrell Drummond; Secretary, Pamela K. Cully; Deputy Secretary, Robert W. Summerhays, Jr.; Ex-Officio Member/City Manager, Dennis Beach.

Not Present: Mayor Robert J. Benton III.

Others Present: Director of Utilities; Director of Water/Wastewater Systems; Director of Electric/Gas Systems; Director of Corporate Services; Director of Shared Services; Risk Manager; Corporate and Community Relations Manager; FPUA Attorney.

Chairman Perona called the meeting to order.

The Invocation was given by Pastor Todd Smith of Common Ground Vineyard.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Mr. Summerhays requested Item A-2 regarding Electric Rate Comparison be removed from the Consent Agenda for discussion.

Motion by Mr. Drummond, seconded by Mrs. Cully and unanimously carried to approve the items listed on the Consent Agenda with Item A-2 being removed.

1. Approval of the Minutes of the Regular Meeting of January 16, 2007.
2. Removed for discussion.
3. Bid 5690: Accept lowest and best bid from Seacor Painting Co. for painting Garden City Substation #2 in an amount not to exceed \$44,240.
4. Bid 5636: Authorize rescinding of award to West Florida Maintenance in the amount of \$28,500 for repainting steel beams and sprinkler piping and rebid project.
5. Bid 5698: Approve piggyback of City of Boynton Beach Bid for purchase of pipe fittings and accessories from Ferguson Waterworks for a total award not to exceed \$200,000 annually for the period of 2/6/07 – 2/5/08 with one, one-year renewal option.
6.
 - a. Bid 5661: Authorize piggyback of Florida Sheriff's Association for the purchase of three Ford F-250 pick up trucks from Duval Ford in the total amount of \$71,090.00 for Water Resources/Wastewater Systems Department.
 - b. Bid 5661: Authorize piggyback of Florida Sheriff's Association for the purchase of a one-ton service truck with dual wheels and dump body from Duval Ford in the amount of \$25,637.00 for the Electric Transmission and Distribution Department.
 - c. Bid 5661: Authorize piggyback of Florida Sheriff's Association for the purchase of two 3/4 ton utility body service trucks from Duval Ford in the total amount of \$47,132.00 for the Water/Wastewater Operations Department.

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Mr. Summerhays said he would like to make note of the fact that in the comparison of electrical rates, 750 and 1,000 kilowatt hours of usage, FPUA falls between the municipal mean and median. Our rates for 2,500 kilowatt hours of usage are below both the mean and the median, as is normally the case.

Motion by Mr. Summerhays, seconded by Mrs. Cully and unanimously carried to approve the Comparison of Residential Electric Rates for the Month of December, 2006.

Mr. Perona said he thinks that item is very important to our customer owners, so they will see how we compare to other communities. He would like to see that listed outside the Consent Agenda and have it reported under regular business.

Mr. Perona said that includes the power cost adjustment. Mr. Summerhays said after we lower the power cost adjustment later on in this meeting, our rates will drop even lower.

The following letters of appreciation were noted:

1. A note of appreciation was received from The Reverend Sharon Britcher of Mustard Seed thanking FPUA for a contribution of \$249.49 from Project Care.
2. A letter was received from the Salvation Army thanking FPUA employees for their donations of toys for the 2006 Angel Tree effort to provide Christmas gifts for children 12 and under.

Mr. Frank Varella presented a request to decrease the Power Cost Adjustment.

He explained we set the Power Cost Adjustment back in September or October, and we did not know what the winter would entail, nor did we know how the average cost of power would work out. After going through October, November and December, it was obvious that our average cost of power was lower than what we had projected. After running the numbers again, using the averages that we had for the remainder of the year, staff is recommending that we reduce the PCA from \$25.76 to \$18.00. We have accumulated too much and have a balance at the end of December of \$3.5 million. We feel it would be a good thing to begin giving that money back for the rest of the year.

Mr. Summerhays noted that drops us down to \$110 for 1,000 kilowatt hours of usage, putting us substantially below the mean and the median for the State.

Motion by Mr. Summerhays, seconded by Mrs. Cully and unanimously carried to approve the recommendation to reduce the Power Cost Adjustment from \$25.76 to \$18.00 per thousand kilowatt hours.

Mr. Tim Trewyn presented a request to approve an amendment to the Professional Services Agreement with R. W. Beck.

Mr. Trewyn said around this time last year, we negotiated a number of Professional Services Agreements with engineering firms and gained a good acquaintance with the different insurance provisions that the firms and our own Risk Management staff were comfortable with. R. W. Beck has

had an agreement with FPUA since 1986, and they, too, came forward at that time to propose some additions to their agreement that would limit their liability. Some of those we rejected, and we asked them to agree to our position that would allow us to develop specific authorizations that would give us the opportunity to be more exact in the budgeted amounts of the projects. He would say that the provisions that have been negotiated with Beck are not the most restrictive. R. W. Beck is somewhere between the most restrictive firms and the most insured firms.

Motion by Mrs. Cully, seconded by Mr. Drummond and unanimously carried to approve the Amendment to the January 21, 1986 Professional Services Agreement between R. W. Beck and FPUA.

Mrs. Betsy Schnebli presented a request for approval of a proposal from R. W. Beck to provide engineering services for Hartman Road Substation Upgrade, Phase I.

Mrs. Schnebli explained this request is for engineering services in relation to the upgrades at the Hartman Road Substation. A load flow study was performed by FMPA with the H. D. King plant decommissioned and with the upgrade of two new transformers at Hartman. Concurrently, FPL performed a load flow study for the impact of the Treasure Coast area, also. FPL is upgrading capacity on its transmission line from Midway Road to Hartman Substation increasing from 1,130 amps to 1,475 amps. They also want to add a third interconnection at the Hartman Substation. Our Hartman Substation is currently rated at 1,200 amps. This specific authorization is necessary for R. W. Beck to determine the full scope of necessary changes for all the equipment at the substation.

Motion by Mr. Summerhays, seconded by Mr. Drummond and unanimously carried to approve R. W. Beck's proposal to provide engineering services in the amount of \$28,200 for Hartman Road Substation Upgrade, Phase I.

Mr. David Mellert presented a request for approval of a Streetscape Construction project and proposal from Burkhardt Construction.

Mr. Mellert said this is a piggyback project with the City of Fort Pierce's contractor, Burkhardt Construction, for some of the utility improvements needed for the Sunrise/Ohio roundabout. The City Engineer told him this morning that this intersection is scheduled to be opened February 18th. The UA was required early in the game to go in and make adjustments and improvements. The City Commission approved this as a part of the Burkhardt contract. We now are asking our Board to approve the UA's portion of the project.

Mr. Drummond said this has been on the burner with the City for some time with regards to the roundabout, and he is curious as to why the Board wasn't involved in this early on versus the eleventh hour in terms of it being, basically, done. Mr. Mellert said the original project was with St. Lucie County. The County transferred the roundabout to the City of Fort Pierce. With that, the UA never had money budgeted for this project, not knowing when it was going to start. The actual funds for this are being taken from another project. We did coordinate with the City during the design project after they got it from the County. But the scope of the project wasn't even identified until the City completed the design. It was an eleventh hour situation where we did not make the budget for that. The payment for this has fallen late in bringing it before the Board for approval, because we were trying to keep things moving. This could have come to this Board three or four months ago for payment, but the actual project was well beyond our control as to when it was going to happen. That is

very typical. There are many projects where we work with the City and the County that we don't budget, because we don't know when they are going to happen.

Mr. Drummond asked if we generally have it come to this Board ahead of it being done. What would happen if this Board said no? Mr. Mellert said you are right. We could have left the utilities the way they were, but there would have been some conflicts that we would have had to solve no matter what. We are in the public right-of-way. We would have had to adjust the utilities one way or the other. He doesn't know if we would have taken the opportunity to do the things we did, because with the asphalt being removed, it gave us the opportunity to make adjustments, as well as, make improvements in old infrastructure that we normally would not have done. This does come after the fact, but he doesn't know to what degree we could have said no.

Mr. Thiess said he thinks what Mr. Drummond means is that when the project is identified and the budget is known, and we are getting close to striking a deal with the City's contractor, the Board would like to be informed at that time. In that way we can get Board approval of the estimated amount before the project begins.

Mr. Perona said if he is not mistaken, this happens frequently that projects are not budgeted, but it happens inversely, too, where projects we have budgeted don't ever get off the ground during that budget year. There are times things move independently of the UA, and we have to jump in at the last minute and take advantage of their construction to be able to save some money and upgrade our systems.

Mr. Thiess said to avoid this to the extent that we can, we have had discussions with our Directors to try to identify these projects early on and get an estimated budget and bring it to the Board at that time. We hope to use that procedure in the future and get the project approved up front.

Motion by Mr. Drummond, seconded by Mr. Summerhays and unanimously carried to approve the Streetscape Construction project and proposal from Burkhardt Construction for water and wastewater utility improvements at the Sunrise and Ohio Roundabout in an amount not to exceed \$102,085.00.

Mr. Tom Richards requested approval of a form of public notice for a hearing to consider Standards 14 and 15 of the Public Utilities Regulatory Policy Act of 1978.

Mr. Richards explained this is a regulatory item, which we informed the Board about on August 1, 2006, to put you on notice that we were starting to study this. Today, we will be setting a schedule if the Board approves this notice, to get us to a decision point before the regulatory deadline of August 8, 2007.

Mr. Richards said by way of background, we are talking about the Public Utilities Regulatory Policy Act of 1978, more commonly known as PURPA, which was modified by the Energy Policy Act of 2005. That was signed on August 8, 2005. The Energy Policy Act of 2005 is a 1,700 page document, very comprehensive, and includes sections on energy efficiency for buildings and appliances, renewable energy, along with traditional sources like nuclear and fossil, transportation sections, energy R and D sections, a tax incentive section, and lots of things that affected many different parts of our economy. There are sections that apply specifically to municipal utilities, because some of the standards that were promulgated in this Act, fall on the State regulatory agency to implement, and they

are not regulated by the PSC for these items. They come directly under federal jurisdiction. Each city government has to have some kind of a determination.

There are four standards we are working on, specifically. Standard 11 is something called net metering. It is netting the energy to a customer who has generation behind his meter. We don't have any at this time. It would allow their meter to either run forward if they are taking more energy on a net basis, or, actually, run backwards and net it out if they are generating more energy at that moment than they need for their own facility. It is much more complex than that, but is something we are going to be studying.

Standard 12 is fuel diversity. The Act requires that all utilities minimize their dependence on one fuel source for power generation, and, furthermore, that they study and develop plans for diversity in fuel technologies, including renewable technology. The compliance deadline for these two standards is August 8, 2008.

The reason we are here today is to consider Standards 14 and 15. Standard 14 requires that we look at smart metering. Smart metering is a phrase that asks us to look at different kinds of time/space metering systems for customers. It might be a time of use rate or a time of day rate, and they would get instantaneous pricing information. There would be the requirement that we look at that kind of metering for each class of customer. We're not talking about high class or low class, we're talking about Residential class and Commercial class. Those are our two basic classes of customers. There are several subclasses, but those are classes of customers in ratemaking terminology.

Standard 15 is an interconnection standard. It requires us to look at having interconnection standards that would allow customers who want to have their own generation running in parallel with ours and behind their meter to have that option. These are primarily technical standards for safety, and operational purposes there would be some commercial terms and conditions.

Standards 14 and 15 are the ones we are looking at. Compliance deadline for these two standards is August 8, 2007.

He hasn't talked about Standard 13. That standard requires each utility to develop a ten year plan to increase the efficiency of their fossil fuel generation. We don't have any, because we buy all our requirements from FMPA. It is FMPA's job to come up with that.

Today, he is asking for the Board to approve a notice of hearing. Ultimately, we're trying to get to a point where the Board can make a decision on these standards. You are not obligated to implement any of these standards. What you are obligated to do is have a process that allows the public to have notice for public hearings and input. Then, you will make a determination based on staff recommendations and any public input you get on whether you do or do not want to implement any of these standards. You may decide to reject them. He is not here to tell you what we think you ought to do, but is asking the Board to accept the schedule. The decision point we are looking at is the regular board meeting of July 3, 2007. That gives us one more meeting after that, assuming the second meeting in July is cancelled due to the FMEA/FMPA conference. He would suggest we schedule a public hearing on June 5th at the regular meeting to take public input and staff information. We will come back with a recommended decision on June 14th, and you can issue your decision on June 19th and actually make the adoption at the meeting of July 3rd.

Mr. Perona asked if there is anybody that actually generates their own power. He has seen ads on television for a device you can purchase and generate your own electricity, and you can sell it to a utility company and they have to buy it from you. Mr. Richards said we don't have anybody on our own system that generates their own power behind the meter that we know of. There may be some rare instances where people have some generation, but for the most part, it is very expensive for them to do that. It doesn't work very well. Under the old PURPA laws in 1978, there were some specific standards that required utilities to purchase power at pretty high rates. There were some states that took that quite aggressively like California. That did encourage a lot of people to install generation behind the meter that was solar powered or wind powered and try to sell it back to utilities. Those standards have been set aside. It was very expensive for the utility to buy this power, and it didn't really help their customers that much. We don't have any. It is a pretty rare occurrence. We have had inquiries from some potential industrial customers. In the past ten years we've probably had three inquiries from customers who wanted to locate in this area and wanted to interconnect some kind of generation behind the meters. They decided not to go through with those plans.

Motion by Mr. Summerhays, seconded by Mrs. Cully and unanimously carried to approve the form of public notice and schedule to be published in local media for a hearing to consider Standards 14 and 15 of the Public Utilities Regulatory Policy Act of 1978.

Mr. Thiess stated the next item for discussion arose from the January 2nd City Commission Meeting when we presented the rates. We were given some direction to get with the City's Auditor, and the report to be presented by Mr. Varella is a result of the work done by the City's Auditor.

Mr. Varella distributed a copy of the Auditors' report to each of the Board Members. Mr. Varella said this report is pretty much what the Board reviewed electronically. Mr. Varella said the comments to follow are his. He doesn't want to put words in the mouths of the Auditors or Rate Consultants. He will present his analysis of the report.

He referred to the Letter on the first page of the report with specified procedures.

The first procedure was to compare the UA's budget to the rate study. The second procedure was to analyze the cash flows for the last five years. As Mr. Summerhays knows, the auditors are very limited as to what they can express opinion on; therefore, the procedures had to be very specific.

Mr. Varella stated in my opinion, the auditor did not identify any discrepancies between the budget and the rate study. The differences noted on page 2 of the report are presentation differences. The budget is presented on a GAAP (Generally Accepted Accounting Principals) basis, which is an accrual basis. The rate study is presented on a revenue requirements basis or cash basis. As you can see from page 2, the adjustments and other differences between the two (2) bases are accounted for through grants, capital contributions, which are cash and non-cash, and other additional revenues generated in other reports, like the AGRC (Accrued Guaranteed Revenues). This is one of the problems with the GASB 34. Several Years ago, we implemented GASB 34 to be in compliance with GAAP. GASB is the Governmental Accounting Standards Board. That is for government accounting standards. For the business accounting standards it is FASB, the Financial Accounting Standards Board. That reporting model, basically, put everything on the income statement, including cash and non-cash capital contributions, which really confused the issue. That is what the first sheet does. It takes from a final budget accrual basis over to a cash basis, revenue requirement basis. They have identified everything in the notes that brings those to each basis so you can see that, and that is proper.

Mr. Varella referred to Page 3. The auditor noted the rate of growth in customers increased twice as much as the rate of growth in water sales between 2006 and 2011. The Public Resource Management Group (PRMG), the rate consultant, explains that there are differences between residential and commercial customers and that 99% of our anticipated customer growth during the forecast period is residential. PRMG satisfied the auditors' question regarding why that was so different. The reason is because we have extreme residential growth, but we don't have much general service or commercial growth.

Mr. Varella referred to Page 5, Notes 2 and 3. Regarding commercial customer increases and average water use, the auditor was concerned that PRMG understated these items. PRMG satisfied the auditors, since such information was based on the latest engineering estimates available, which yields only a few commercial customers during the forecast period. When the rate studies were done, PRMG asked both our Electric and Water/Wastewater Engineering staff what type of growth we are expecting in the upcoming year. Both engineering groups had detailed schedules of all of the projects and developments that were on the horizon. They went out 3, 4, 5, 7 years. The engineering groups estimated for the rate consultants which ones they thought would come to fruition within that period. As you can expect, we had a large number of residential developments. Some of them have materialized and are located on Hartman Road and Jenkins Road or Weatherbee Road; whereas, commercial development has been very slow. As discussed above, residential development is growing more than commercial development. PRMG used the three (3) year average instead of last year's residential average use, and outside-the-city uses less water than inside-the-city; outside-the-city is growing faster than inside-the-city, therefore, reducing the total residential average usage per household. The reason may be that they have irrigation pumps. Lastly, there are a lot of unoccupied units due to the housing slow-down and to seasonal residents. That is why we added the Inactive Account Fee.

Going to Page 6, Cash Flow from Operating Revenues, Mr. Varella pointed out cash receipts from customers increased \$22.5 million from 2002 to 2006. You can see that on the first line, that the first line in 2002 was \$72.2 million and in 2006, it was \$94.7 million. Payments to suppliers for goods and services increased \$26 million from 2002 to 2006. You can see that in the middle of that block where it went from \$37.9 million to \$64.1 million. This basically resulted in a reduction of \$3 million in our net cash provided from operating activities; from \$22 million in 2002, to \$19 million in 2006. This cash trend supports reduction in FPUA's operating margin, which decreased from 25.7% in 2002 to 18% in 2006. As you have noticed in 2006, every month when we brought the financial statements to the Board, we would note there was less and less operating income. That is a sign that you are not making as much money. With an increase of over \$22 million in revenues, one would expect an increase in operating margin, however, this was not the case. This sheet shows payment to suppliers for goods and services and illustrates the increase relative to energy costs and other materials and supplies over the last 5 years. We have seen how the fuel adjustment has gone up in the last three years. Also, since the hurricanes, we've noticed several times that our operating materials and supplies have increased dramatically, especially chemicals and things of that nature.

Regarding cash flows from non-capital financing activities, you can see from this sheet, the hurricane receipts and disbursements, we basically received \$10 million from 2004, and we paid out about \$10.5 million. You can see in the first line this has increased almost \$10 million in 2005 from \$13 million to almost \$23 million in 2006. We had a tremendous increase in capital spending in the last year. In 2002 the capital spending was \$22 million. That is because that is the year we installed the new R/O

train at the water treatment plant. Capital contributions increased from \$1.276 million in 2002 to \$6.848 million in 2006. This is a dramatic increase. In 2006, we experienced significant growth. In 2005 and 2006, it was \$4 million. In 2003 it was less than \$1 million, and in 2002, it was \$1 million. In the first four months of this year, we've probably booked another couple of million dollars, because all the developers were trying to run in here and pay under the old fee schedule instead of the new fee schedule.

On Page 7 it shows that the cash and cash equivalents at the end of the year reflect the figures presented to the City Commission on 1/2/07, which were distributed to you. You can see an apples to apples comparison of current equity in pooled cash and investments of \$8.5 million in 2006 vs. \$15.6 million in 2002, a \$7 million decrease. He would like to note that the \$8.5 million presented here includes \$3.3 million of the PCA and Purchased Gas Adjustment over-collection. PRMG presents things differently than the Auditors. PRMG backed the \$3.3 million out of the \$8.5 million to come to a figure around \$5 million. The Auditors are looking at it as a pure cash balance excluding payable. The only difference between the \$8.5 million and the figure presented on January 2nd, is the \$3.3 million in PCA and PGA over-collection. The total cash of \$29 million at the end of 2006 is consistent with what you have reviewed previously.

Mr. Varella referred to Reconciliation of Operating Income on the bottom half of this sheet. You will note that if you take 2006's \$5.7 million in operating income and reduce it by the \$6.8 million of capital contributions on the previous page, you actually have an operating loss of \$1.1 million. As you can see from this operating income line, FPUA's operating income has been decreasing yearly, and that is one reason why we need a rate increase. Noted above, the other reason is the significant increase in capital spending. As he stated earlier, we spent \$23 million worth of capital in 2006. If you recall, the capital budget for 2007 is about \$50 million, so capital spending more than doubled in this next year. That was due in large to a new mainland water reclamation facility, as well as, substantial substation improvements.

Mr. Varella stated in conclusion, it is his opinion that the Auditors verified the assumptions made in the rate study by tying out the budgets as noted on Page 2, and verifying the declining trend in cash. One has to remember that the Auditors used actual cash balances at the end of the fiscal year, whereas, the rate consultant used estimates, because they were working on the rate increases for the third and fourth quarter of the fiscal year. The end result is FPUA needs the rate increases as previously presented to the Board for water and wastewater.

Mr. Summerhays said one thing Mr. Varella didn't mention that he found extraordinarily significant is on page 8, footnote 2. The Auditors take note that our cash and cash equivalents decreased \$823,000 from 2002 to 2006, which by itself is a large number, but compared to our other assets and the size of the UA, is not particularly large. However, they have not separated restricted and unrestricted cash, and that is an increase of \$6.2 million in reserved cash and a decrease of \$7 million in our unrestricted cash. Our actual reduction in money we can spend on operations is \$7 million, not \$800,000. Even for us, that is a significant number.

Other than that, Mr. Summerhays agrees that this report basically says that the numbers we used in our rate request are all valid, which he believes is what the City Commission asked for.

Mr. Thiess said he thinks it would also be good to point out that number 5 on that page, the 40 days of operating cash on hand, if you factor out the over-collection for the PCA, goes back to the 25 days that we presented to the City Commission on January 2nd. The 40 days has the over-collection built into it,

and it really needs to be backed out for rate calculation purposes. Mr. Summerhays said that is correct. Basically, our rate study was brought back to cash flow, and our financial statements are accrual.

Mr. Perona said he thinks we are going to have to take some time and make sure that correlation is made and the difference is very clear. It would be nice if the Auditors can also identify the fact that the \$8.5 million does include the over-collection. Mr. Varella said he spoke with the Auditors this afternoon regarding that, and what will happen now is the Auditors, over the next week or so, will get with the City Commissioners and go over the report with them. The Auditors will make that very clear. That will be one of their points to show that the cash balance is \$8.5 million; however, that does include the \$3.2 million, bringing it down to the \$5 million the UA previously showed them.

Mr. Drummond said he realizes there are certain things accountants will not say as relates to opinion, but he believes one of the concerns regarding, “ you submitted a budget to us in October, and here we find you in January saying you are in a crisis mode.” That is not what this is saying at all as he is understanding it. The budget was balanced, and we have no difficulty in meeting the budget; however, the cash reserves are decreasing. In order to replenish the cash reserves, there is a need for a rate increase. Mr. Varella said there is a need for a rate increase in order to generate enough cash to be able to make the City transfer that is estimated in the budget. In other words, the way that our rate covenants are written, it says that the City transfer is calculated on 6% of the revenues. It also says in our bond covenants that you can only transfer up to 40% of your net income, as defined. By net income as defined, they take net income from an accrual basis and modify it, adjust it so that it is on a cash basis. In that cash basis number there has to be a 40% figure big enough to make the City transfer. It can't exceed that 40% of cash generated. Therefore, if the rates aren't increased to generate the cash needed, we will not meet the transfer as presented in the budget. Mr. Drummond asked if our bond covenants are driving this or the maximum of 40%? Mr. Varella said it is both, and the ability to have enough cash on hand to be able to meet our budget. That's what's driving it. Mr. Drummond said in the budget we presented, which was balanced, it had a transfer to the City. Mr. Varella said yes, based on the 6% transfer. Mr. Summerhays said the transfer is based on 6% or our accrual basis and 40% of our cash basis. The cash basis is in our bond covenants. The 6% is provided in the City Charter. We cannot contractually exceed that.

Mr. Varella said staff requests direction from the Board. Staff believes and it is our recommendation that the rate resolutions that have been previously adopted by the Board, are addressed again on February 13th to be resubmitted to the City Commission on February 20th.

Motion by Mr. Summerhays, seconded by Mr. Drummond and unanimously carried that Resolutions UA 2006 – 13 and 14, modifying the schedule of fees for Water and Wastewater rates, respectively, be re-presented to the Board for approval at the Special Meeting and Public Hearing of February 13th with no changes and re-presented to the City Commission at their meeting of February 20th.

Mr. Frank Varella presented a request to declare an emergency and approve waiver of the bidding process and authorize staff to purchase a new fire suppression system at the Energy Services Center.

He explained that we installed a fire suppression system when the Energy Services Center was built. It is outdated. We need a new one, and based upon a visual inspection, as well as, confirmation from two vendors, we need one soon. We have quotes from two vendors. The quotes are between \$17,000 and \$18,000. We are recommending the higher quote, which approaches \$18,000, for a new fire

suppression system at the Energy Services Center gas pumps. This approval would be contingent upon our Attorney approving the contract.

Mr. Perona asked what is the difference between the bid process and waiving it and starting the contract. Mr. Varella said from a time perspective, probably three months. From a process perspective, we would have to put together specifications and submit those to the City and advertising, and evaluate the bids. We have asked these two companies to submit quotes based on their visual inspection and submit like bids. One bid contained a control panel. They both excluded electrical work, and they are pretty comparable. It is the time period that is important, because we don't want to have a disaster occur out there.

Mr. Drummond asked why we are recommending the higher bidder. Mr. Varella said it is because we have worked with that vendor in the past. His quote was more detailed, so we could have a better view of what we were getting for our money, and he has the company that handles our other fire systems.

Mrs. Cully asked if this is something that comes up as an emergency every so often. Mr. Varella said it is something that we have overlooked in the past that came to our attention recently. When we get the new system in, we will put it on a preventative maintenance contract to make sure it is kept up to date. He doesn't think that has occurred in the past.

Mr. Perona asked what the difference between the two bids is. Mr. Varella said \$630.00.

Motion by Mrs. Cully, seconded by Mr. Summerhays and unanimously carried to waive the formal bid process, declare an emergency and authorize staff to proceed with purchase of a new fire suppression system at the Energy Services Center subject to our Attorney's approval of the contract.

Mr. Thiess informed the Board there will be a meeting of the Regional Utility Task Force next Monday at 10:00 a.m. He and Mr. Perona usually attend that meeting. There has been relatively no information provided since the last meeting. Hopefully, we will have some at the coming meeting, and he will keep the Board updated.

There being no further business, the meeting was adjourned.

ATTEST:

Secretary

Chairman