

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, FEBRUARY 20, 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.; Mayor Robert J. Benton, III.

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

Chairman Perona called the meeting to order.

The Invocation was given by The Reverend John Lee of Mount Olive Baptist Church.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Mr. Frank Varella presented the highest award achievable in governmental financial reporting, and that is the GFOA Certificate of Achievement for Excellence in Financial Reporting for FY 2005. We have received this award since 1994. It is getting harder and harder to comply with this program, but it is definitely beneficial. It is a feather in your cap when you go to Washington or New York and tell the Wall Street people that you have this certificate. He thanked the Board for their support and UA staff for their diligence and hard work in order to achieve this award.

Chairman Perona congratulated Mr. Varella and his staff.

Motion by Mr. Drummond, seconded by Mr. Summerhays and unanimously carried to approve the items listed on the Consent Agenda:

1. Approval of the Minutes of the Regular Meeting of February 6, 2007.
2. Excuse Mayor Benton from the Regular Meeting of February 6, 2007 and the Special Meeting of February 13, 2007.
3. Approval of the Minutes of the Special Meeting of February 13, 2007.

The following letter of appreciation was noted:

1. A letter was received from Mustard Seed thanking FPUA for contributions in the amount of \$251.00 from Project Care.

Mr. John Tompeck presented a request for approval of final project costs for Causeway Substation Addition and 69 kV overhead and underground transmission line construction.

Mr. Tompeck explained this request is for final job costs associated with the project. The Board approved the original contract of \$4.18 million during the February 7, 2006, Board Meeting. Change Order Number One for \$695,099 was approved during the October 17, 2006, Board Meeting. The project was completed with Overland's demobilization on November 3, 2006. FPUA was advised in

Overland's letter dated December 12, 2006, that additional costs were incurred that were not included in their change order. This included work related to final energizing of the new lines and substation equipment and construction labor for demolition. Staff requested and received all documentation associated with the additional cost request. Documentation reviewed included timesheets, material invoices, rental costs for equipment and subcontractor costs. Staff review of the documentation indicated that Overland had done a poor job of estimating the remaining costs when they developed Change Order Number One. Many of the subcontractor invoices were late invoices for work completed much earlier in the job. There were invoices for Bob's Barricades, for instance, that were used when we were working on Second Street, Avenue E, and across Indian River Drive when they were digging the duct bank. That work was completed in mid July, but the invoices only hit Overland in the September/October timeframe. Overland didn't account for those when they put together Change Order Number One. In addition, staff believes Overland did not do a good job in estimating subcontracted testing costs. Although these additional charges were late in coming, the documentation and costs are legitimate and accurate. By contract, FPUA is obligated to pay Overland the incurred cost of all cost of work items. Although we are disappointed these costs weren't identified earlier, they are legitimate and due under terms of the contract. Because of the work savings overrun incentive provisions of the contract, Overland wound up absorbing about \$210,045, which essentially reduced their fee/profit on the project to 5.8%.

Mr. Perona said he remembers when this came before the Board the last time. We had a supplier that cost us a lot of money due to delay of delivery of a structure. Mr. Tompeck said it was TAW for the control house. Mr. Koblegard said we have not paid the invoice, and he has put the ball in their court to respond to us. He expects to hear something, since we haven't paid them. The invoice is over \$100,000. He told them we had other issues, and they have not gotten back with us yet.

Mr. Perona said the \$690,000 was a hard pill for him to swallow. We went through all the overruns, but it is so unlike anything else we have done as a utility and as a Board. It seems that this provider has been inefficient in many areas. As a Board Member, he would like to be assured we are not paying for anything we are not getting. Mr. Tompeck said he went through every one of the invoices and timesheets. He made sure he recognized every one of the contractors they used. He made sure he recognized all the people involved. All the bills were from companies he knew had worked on the project in the timeframe. He thinks what happened was in late September and early October when we were pushing Overland to get the final costs, they looked forward from there to what they needed to do to finish the project. That is when they put together Change Order Number One. He doesn't think Overland went back to see what they had outstanding that hadn't been paid.

Mr. Perona thinks there was one other issue of timing. We paid money for everybody's being off their time schedule, such as the building not being here on time, and it ended up costing overtime on other issues. Is that true? Mr. Tompeck said yes. Mr. Perona said we were paying for somebody else's problem at the time, and it was difficult for him, but we understood that this was our project and we had a responsibility to go ahead and pay our vendors. Now we come to the third issue, and we are looking at it again. It seems this will never end. Mr. Summerhays said he is a little disturbed that the final ends up being almost one-third over the original estimate. It sounds almost like we got lowballed so they would get the contract. Mr. Tompeck said it was a complex job, and anytime you are digging a duct bank like the one they dug or doing the kind of line work they did, based on all the things we talked about in last October's Board Meeting, there are going to be some things they can't do a good job of estimating. He thinks they did a terrific job on the physical project. He is disappointed that Overland's accounting system was so bad that in October they couldn't identify these costs. Unfortunately, it doesn't relieve us of our duty to pay it.

Mrs. Cully asked if we have done quite a bit of business with Overland at other times. Mr. Tompeck said Overland is part of Black & Veatch. We've used Black & Veatch extensively for electrical engineering and the power plant. We have a general services agreement with them to do work for us. He thinks this is the first project we've used Overland on.

Motion by Mr. Summerhays, seconded by Mrs. Cully and unanimously carried to approve final project costs for Causeway Substation Addition and 69 kV overhead and underground transmission line construction in the amount of \$178,965 increasing the contract with Overland Contracting, Inc. from \$4,875,099 to \$5,054,064.

Mrs. Betsy Schnebli presented a request for approval of an increase in funding limit for the Unit Price Contract for installation of underground electrical conduit systems.

Mrs. Schnebli explained staff is asking the Board to increase the limit for this contract in order to construct a conduit system for communications for the Treasure Coast Energy Center and for electric to the Water Reclamation Facility.

Mrs. Cully stated the agenda request states this is due to the accelerated need for electricity to drill the deep injection well. What was the need for acceleration? Mrs. Schnebli said the timeline for the Treasure Coast Energy Center changed. They are moving right along out there.

Motion by Mayor Benton, seconded by Mr. Summerhays and unanimously carried to approve increase in funding limit for the Unit Price Contract for installation of underground electrical conduit systems to Utility Lines Construction Services, Inc. in an amount not to exceed \$179,046.14 for installation of conduit, electric and fiber optic services for Treasure Coast Energy Center and Mainland WRF.

Mr. Thiess asked that the next item requesting award of Bid No. 5684 to Cobra Power Systems, Inc. be pulled from the Agenda. We received a copy of a letter from City Purchasing from a bidder who indicated they were going to protest the bid award. We need to get through that process, and this will come back to the Board at a later date.

The Board agreed the item would be withdrawn.

Mr. Dave Mellert presented a request to piggyback City of Port St. Lucie bid for construction of Floridan Wells under RFP No. 5702.

Mr. Mellert explained in the FY 2007 budget, we budgeted for two new Floridan wells. You also may recall a couple of months ago South Florida Water Management District came down and presented us with a \$516,000 grant. That grant application was put together by Lindahl Browning. Mr. Michael Bennett of Lindahl Browning is here today. As part of that, we have a very tight timeframe to get these two wells completed. The deadline is August 1st. We were fortunate enough to find out the City of Port St. Lucie is using a contractor by the name of All Webb's Enterprises, Inc. This company is very familiar with Fort Pierce in that they drilled our last five to seven wells. We were able to piggyback Port St. Lucie's contract. We are very comfortable with Mr. Webb, who is also present this evening.

Motion by Mr. Drummond, seconded by Mayor Benton and unanimously carried that authorization be given to piggyback the City of Port St. Lucie bid under RFP No. 5702 for construction of Floridan Wells F7 and F9 by All Webb's Enterprises, Inc. in an amount not to exceed \$1,942,920.

Mr. Thiess reminded the Board that we will be taking our Electric, Water and Wastewater Rate Resolutions to the City Commission this evening. The meeting starts at 6:30 p.m. He welcomed all Board Members to join him. We are pretty late on the agenda. Mr. Drummond asked if it is possible for the Mayor to move us up on that agenda. Mr. Thiess said we seem to be consistently dead last in "Miscellaneous Reports and Requests" section. Mayor Benton said it would be fine with him, but the other Commissioners make the motions. Mr. Thiess said we will work on that as we make our future appearances before the Commission.

Mr. Thiess said we are starting to make reservations for the APPA Conference in San Antonio this June. He asked the Board Members to be thinking about that so we can book the rooms. It is important to book the rooms in the conference center early.

Mr. Perona said today he had lunch with Buck Bryan. Since he knew that Mr. Bryan was author of the portion of the Charter that allows the City Commission to endorse our rate resolutions, he took the opportunity to speak with him about his intent when that was put in the Charter. Mr. Bryan said it was an opportunity for the City Commission to look at the same facts the FPUA Board looks at when recommending rate increases. He told Mr. Bryan there is some conflict between the FPUA Board and City Commission regarding rate adjustments, and Mr. Bryan said he did not see that coming. He was very clear that if the City Commission does not endorse the resolutions set forth by the FPUA Board, it becomes their charge to come up with a viable alternative that will immediately support the Utilities Authority until it is able to function in the manner it has functioned in previously. Mr. Perona told Mr. Bryan that may not come about. Mr. Bryan said the Board should be persistent and present the information we have available to us.

Mr. Perona told Mayor Benton that this Board is very interested in the City Commission's reasons for their vote this evening. He would charge the Mayor not to leave the UA without viable alternatives to immediately help get the utility in the shape it needs to be in, so it is as dependable and as shored up as it possibly can be to offer our ratepayers the type of service they have grown accustomed to. If it seems our resolutions will not be successful this evening, he asks that it comes back to this Board with some type of alternative that will help us out immediately.

Mayor Benton said to address that, he met with Bill Thiess this afternoon and told him if it did not pass that he would meet with Mr. Thiess again tomorrow morning. He has offered a compromise. He offered one he would support last week. He thinks we can get where we need to be. In talking with the Auditors, he doesn't think it is going to hurt us. He will work on that compromise tomorrow and thinks the City Commission would go along with it. He thinks by phasing things in and educating the public – we have a television channel we can get on and talk to people and explain to them how they can conserve, so the ones that can't afford a big hit, which are families, will know what to do. It was one thing when he represented half of this community, but now he represents the other half of the community. There are a lot of grandparents bringing up grandchildren. As he showed with his family, we are talking \$30 more per month on his November water and sewer bill. That could be \$40 or \$50 if you have three or four or five children. Yes, we have to educate our kids. You don't take a 20 minute

shower. He thinks it can be done, and he is sure we can get where we need to be. He thinks we need to educate the public. We saw the rates in Palm Beach County. Unfortunately, we didn't see this in our budget. There should have been a fair warning in the budget that we would be looking at a drastic increase or we can't meet our budget. Our budget is three or four months old. There are too many questions, and he isn't going to point any fingers. We know why there is a problem, and, hopefully, that won't ever happen again. We should have insisted on increases in the past, but we didn't know it was that bad. He thinks we've learned. He thinks by putting something in place where there is an automatic increase at a small percentage, this won't happen again. He spoke with the Auditors and didn't get the doom and gloom that he gets from UA staff if we phase this in as quickly as we can.

Mr. Perona asked if the Auditors gave Mayor Benton an opinion regarding an alternative plan. Mayor Benton said there have been alternative plans that have been offered on the table by the City Commission with the Auditors that they would go along with. When we had our first workshop, he was told a lot of this had to do with new growth. He said we can't afford these rate increases to this point to support new growth. He has stacks of documents on his desk coming up with many reasons for these increases. New growth is part of it and capital. He thinks we can get where we need to be, but he thinks we are going to have to look at the phasing in method.

Mr. Summerhays asked if we had an analysis that said a phase in would essentially terminate the transfer to the City. Mayor Benton said our Auditors disagree with that. Mr. Summerhays said until last year these Auditors had never seen a utility. Mayor Benton said they asked why this wasn't caught in our budget. There should have been a line in our budget that said we're going to be in a financial crisis if we don't look to some steep increases. All the budget said was we are looking at rate increases. We are put in a predicament. It is our goal to straighten this out and not hurt the utility.

Mr. Drummond said he would agree the Commission is in a very precarious position, and he doesn't envy them in their task. But, he would like to be sure on the record that it is stated that what we sent over to the City in the form of a budget was balanced. He doesn't want it to be suggested that the budget in some way was misrepresentative of the picture. It did indicate a balanced budget. There are some assumptions that could have been placed in there. He won't suggest whether that should or should not have been, but he certainly doesn't want the public to think the UA didn't send over a balanced budget. He would ask staff if he is incorrect with regard to that statement.

Mayor Benton said it was a balanced budget. But, just like the time we told the City Manager we were cutting the millage rate a full mill before our budget was put together, he doesn't think there has been any discussion about amending the FPUA budget or asking for things to be cut from our budget.

Mr. Summerhays said we have done that as we've gone along. Mr. Summerhays asked if we have fewer employees than we had five years ago. Mr. Thiess said about twelve years ago we had 275, but we've crept up a little above that, today, but we have a lot more work to do. We don't have a fat staff at the UA. Actually, in a lot of departments, we don't have enough people to get the job done. Mr. Summerhays said our benefit percentage is less than the City's.

Mayor Benton said he is one vote. We know how we got here. Those days are over, but, unfortunately, he thinks we were misled for a few years. There should have been rate increases when there weren't for whatever reason.

Mr. Perona said we had a public hearing last week, and we had one person in the audience and nobody spoke. That gets him to the conclusion that a small part of our customer/owners may object to a rate

February 20, 2007

Page - 6

increase, but 100% of our customer/owners demand a reliable utility service. He thinks that is where it ends. The 100% will demand, not expect, but demand, a reliable utility service. Those are the decisions we've made as a Board to this point. If the City Commission does not support those, then we accept from them viable alternatives that will immediately help us to be able to maintain that reliability. That is his mindset and, he thinks, that of most of the Board. He told the Mayor, as our liaison, that is where most of us stand.

There being no further business, the meeting was adjourned.

ATTEST:

Secretary

Chairman