

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, MARCH 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.; Ex-Officio Member/City Manager, Dennis Beach.

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

Not Present: Mayor Robert J. Benton III

Chairman Perona called the meeting to order.

The Invocation was given by Nancy McConkey.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Motion by Mr. Drummond, seconded by Mr. Summerhays and unanimously carried that the items listed on the Consent Agenda be approved:

1. Approval of the Minutes of the Regular Meeting of March 6, 2007.
2. Bid 5697: Accept lowest and best bid as received from Gresco Utility Supply in the amount of \$31,620 for purchase of wire and cable.

A note was received from The Mustard Seed thanking FPUA for contribution of \$400.00 from Project Care.

Mr. Tim Perkins requested approval of a letter of agreement with FMPA on deep injection wells at the Mainland Water Reclamation Facility.

Mr. Perkins stated in October, 2005, FMPA and FPUA initiated an agreement whereby the Treasure Coast Energy Center will accept reclaimed water from FPUA and return the wastewater they blow down from the cooling towers to the UA for disposal. As a part of that agreement, FPUA was to construct, initially, two injection wells at the MWRF site. At the start up of the project when we went into design, we assumed that would be one industrial well and one municipal well; however, about a year into the project, we found out the Florida Department of Environmental Protection was changing its position on requirements, and that we might have to construct two industrial wells for the first phase. That would result in a \$900,000 cost increase and a 50% reduction in well capacity. We entered into negotiations with FMPA, and this letter of agreement is being initiated to keep our costs for providing the service constant with FMPA picking up any additional costs if we are required to construct a second industrial well in lieu of a municipal well. We have jointly entered into a variance procedure with FDEP to try to get the requirement lifted, but in order to meet FMPA's construction schedule, we had to initiate construction of the first well while we concurrently pursue the variance to allow us to use the municipal well for the second well. This letter of agreement lays out terms whereby FMPA will pay any additional costs incurred if we have to construct a second well and in the

future, due to loss of capacity, FMPA would reimburse FPUA for additional capacity we would have to build at the time we built a fourth injection well, which could be 15 to 25 years out depending on the rate of development. FMPA also agrees in this letter to pay the cost of the additional permitting and engineering to pursue that variance.

Mr. Perona said if he recalls this is the largest deep injection well in the State of Florida and more than efficient to do anything we wanted to do. Now, with this new requirement for an additional well, it seems like we are redundant. Mr. Perkins said we have to have two wells, because we have to have a back up well. The only difference in a municipal well and an industrial well is an additional interior lining. That provides an extra level of security in case there is a failure because of the nature of the waste you could be disposing of. However, in this case, we believe DEP is being overzealous in requirements for an industrial level well. That is why we are seeking the variance to allow us to avoid that. Because we may have a second industrial well as the back up well, that would increase the costs and reduce the capacity of our municipal well. Initially, we would have had to build only three wells, but if we have to have two industrial wells at start up, we will only have 18 mgd of disposal capacity instead of 27 mgd. We would then have to build a fourth well. We ran through all the costs and came up with a formula that held FPUA to the original costs we would have borne alone if we had gone without FMPA's participation. The financial risk is primarily borne by FMPA. It did delay us in our permitting and construction somewhat. The municipal well would be the largest, but if we have to put the liner in, it dramatically reduces capacity.

Mr. Perona said he has a problem with the fact that the material we are cooling that we put through three to four cycles, is not considered industrial, but when it comes down it is industrial. Mr. Perkins said the way FDEP interprets the rule is once that water enters the power plant site, it becomes industrial water. Mr. Perona asked if it becomes contaminated. Mr. Perkins said no. That is why we are pursuing the variance. It is essentially not any different. You are concentrating the solids somewhat, but it doesn't have any additional contaminants that aren't already present in the water. FMPA has hired an attorney they use for permitting, and they give us a good chance of getting the variance. If that is the case, the only additional costs would be the additional engineering and permitting costs to our consultant and about \$30,000 in modifications to the well that would allow us to install a liner at a later date just in case they didn't allow the variance. FMPA would bear that cost also.

Mrs. Cully asked what the timeframe would be for getting the variance. Mr. Perkins said probably four months. The drilling of the first well takes five to six months. We believe we have time to pursue that concurrently with construction of the first well.

Motion by Mr. Summerhays, seconded by Mrs. Cully and unanimously carried to approve the Letter of Agreement with FMPA on deep injection wells at the Mainland Water Reclamation Facility.

Mr. Bill Thiess presented a request for approval of a South Florida Water Management District Local Government Agreement for utilization of Issues Team Grant. He stated we received an appropriation from the Legislature last year for \$7.9 million through the Issues Team. The Issues Team requires a contract to distribute those funds. We had our Attorney review the contract and our Risk Manager. We think the wording in the contract is fine. There is a statement of work attached to the contract. At this point it only includes the deep injection wells. We are going to modify that scope of work to include not only the injection wells, but the design for the mainland plant, itself, the better part of \$4 million worth of force mains, and possibly some of the master lift station at Orange Avenue and Jenkins Road.

We are going to expand it, because we found out the grant is a 50% match. Each invoice pays 50%. Our original intent was to have the grant go towards the deep injection wells and our match would be toward other facilities. Later we found out it is on a per invoice basis. We are going to expand the scope of work to include all capital items related to the mainland plant. We have a first draft on that revision and we will get that back to them next week. We have been told by the District that there is no problem amending the contract to change the statement of work. We are recommending approval of the contract, because everything from this point forward will be eligible for the grant. The District has told us everything back to July 2006, will probably be eligible for grant funding. Even invoices we've already paid for the mainland plant design may be able to be paid under the grant. We are requesting the Board to approve the contract and let staff modify the statement of work after approval.

Mr. Drummond said he is a bit surprised at the 50% match, as well. He knows we have another \$10 million before the State Legislature this year. Are all of our potential grants going to be 50% matching? Mr. Thiess said yes, they will. The grants coming through the Issues Team will be 50% match. A large part of this year's match will be met by FMPA's contribution towards the deep injection wells. Their contribution will be in the range of \$3.5 to \$5.3 million. The rest of the match would be in terms of our contract for design fees, which is already budgeted. That is \$2 million. We have \$4 million worth of force main. He believes the match could also be met by developer contributions. We intend to use all that we can in both our cost sharing and developer contributions to make the match. Mr. Drummond said he has heard all these grand hopes that we will be able to get from \$80 to \$100 million in grants to help us with the relocation of the wastewater treatment plant on the island. That is all sounding very good until you start saying it is a 50% match. Mr. Thiess said these specific grants are 50% match. Not necessarily all the money coming from Tallahassee or Washington would have that match requirement. The grants we are talking about today are strictly for phase one and have nothing to do with relocation of the island plant. If we could continue to get these, we will essentially get about half the plant paid for. That will reduce the cost considerably and help our rates.

Mr. Beach said Mr. Thiess indicated this grant is unrelated to the relocation of the plant. Isn't the investment you are making with this money, going to offset the costs that are going to be experienced ultimately when we relocate the plant? This supports that relocation in the sense of preparing future facilities to accommodate. Mr. Thiess said that is correct. We ran a cost estimate for a 25 mgd plant and 10 mgd of the 25 mgd or 40% is for facilities that will accept the 10 mgd off the island. Mr. Beach said this diminishes our future expense on that relocation. Mr. Thiess said yes it does. The part of phase one that is allocated to the 10 mgd on the island is about \$30 million out of \$80 to \$85 million.

Motion by Mr. Drummond, seconded by Mr. Summerhays and unanimously carried to approve the South Florida Water Management District Local Government Agreement for utilization of Issues Team Grant in the amount of \$7,865,235 toward construction of Mainland Water Reclamation Facility.

Mr. Javier Cisneros of Water/Wastewater Engineering presented a request for approval of Moore's Creek Linear Park Utility Relocation Project and funding in the amount of \$46,000.

Mr. Cisneros explained this is a City project that is partially funded through grants from various governmental agencies. This project will encompass widening of the canal from a "V" shape to a wide "U" shape. This will expose some of the utilities that are in the canal right-of-way. The limits of our construction are from 13th Street to 10th Street along Moore's Creek. We will be constructing a new 6 inch water main and a sewer manhole to the northernmost portion of the new right-of-way. The gas

main will be removed between 11th and 10th Streets. That is not shown on the map in the agenda packets. In order to expedite construction and avoid delaying the project, which could jeopardize the City's grant funding, our unit price contractor, Ditchdiggers, will complete the work.

Mr. Drummond said he saw where FPUA is removing the gas main, but didn't hear anything about replacing the gas main. Mr. Cisneros said there is a portion of the main that will not need to be replaced, because there are no customers on that line. If there are additional customers for that line in the future, we would run the gas main. Mr. Drummond said if we don't have the gas main there, when customers come along, they would be required to pay the cost of bringing it to them, wouldn't they? Mr. Cisneros said FPUA absorbs the cost of most Residential gas main installations. Mr. Thiess said we typically pay for Residential gas mains. For Commercial, we work a deal with the customer and pay a certain amount. Mr. Drummond said he had heard something with regard to if it wasn't within a certain distance, you didn't bring it or it wasn't offered within Residential neighborhoods. Mr. Cisneros said that particular area is a very small area, two lots, about 200 feet. It would be a very short run. Mr. Drummond said so it would not be losing it between 13th and 10th, which are the parameters of the project. Mr. Cisneros said there is a gas main in that area, but it is fed from a different source. We are not relocating that gas main from the site. Mr. Drummond said so it will essentially be only two lots that are losing gas at this time. Mr. Cisneros said yes, sir.

Motion by Mr. Summerhays, seconded by Mr. Drummond and unanimously carried to approve Moore's Creek Linear Park Utility Relocation Project and funding in the amount of \$46,000 for relocation of underground utilities along Moore's Creek from 13th Street to 10th Street.

Mrs. Nina Hurtubise presented the September 2006 Quarterly Operating Report.

Revenues were up about \$11 million, which is about 11% over last year's revenues. That sounds real good, but regrettably most of it is related to power cost adjustment. We have \$8 million in expenses that also went up related to that, so that is somewhat misleading in what you see in extra revenue. It is instantly offset by expenses. The big story for this year is contributed capital. We brought in \$6 million in Capital Improvement Charges. It is unlike any other year we've ever had. We brought in \$2.5 million in non-cash contributions where developers contribute assets, such as lift stations and service lines. We have cash contributions of another \$1 million on top of that. These consist of meter fees and things we charge for. Unit sales were not up a tremendous amount, but they are up more than they have been in years past. We are hoping all those units that have been built will be occupied as time goes by.

Mrs. Hurtubise further stated you may have noticed there was a huge jump in depreciation at the end of the past fiscal year. As you are aware, we are planning to decommission the power plant in May of 2008. The Government Accounting Standards Board, GASB No. 42, tells us that if we have an impaired asset, an asset that might not be as valuable as it is today, we have to write it down. We wrote down the power plant about \$2.4 million. That cost shows up in depreciation expense. The way we determine what the value of the power plant is today is to look at the value of the capacity credits we receive from FMFA each month for being available to provide power to the All Requirements Project. We took the present value of those capacity credits and looked at that compared to what the book value was. That is how the write-down was calculated. This sounds like a lot of money; however, we knew this was coming. In 2003, we began accelerating the depreciation on the power plant. Unfortunately, at that time we were guessing it was going to be in the year 2015 when we would be decommissioning the plant. Because of changes in circumstances, we had to report a loss in this current year.

Mrs. Hurtubise said although we had a decrease in grant revenue, it was related to hurricanes, and we didn't have hurricane expenses, so that was quite a significant change from the previous year.

Causeway Sub No. 4 certainly wins the prize as being the most expensive improvement we did this past year at \$6.4 million. The circuit 1343 and duct bank, which is sort of related to that, was \$1.2 million. The R/O Plant expansion amount expended in 2006 was \$2.5 million. We definitely spent some money in the past year, but it was necessary.

Mrs. Hurtubise said she doesn't really want to touch upon the City distribution, as Mr. Hartley will address that in his presentation today. The distribution calculates out to \$4.2 million and will be presented at the next City Commission Meeting.

Mr. Beach referred to page 11 of the Quarterly Operating Report. The figure is not \$4.209, it is \$4.760 on that page. He assumes there is an answer for that. Mrs. Hurtubise said the figure on page 11 refers to the 6% calculation. In the Audit on page 22, which will be presented next, there is both the 6% calculation as well as the 40% remaining revenue calculation. Due to our bond covenants, we may not distribute to the City in excess of 40% of our remaining revenue. The distribution is limited to that amount.

Mr. Perona said he knows we had to accelerate the depreciation of the power plant, but did we take into consideration any salvage of generators or things like that. Mrs. Hurtubise said no, but we also did not take into consideration any potential clean up costs. Some clean up was done when we were involved with Enron a number of years ago. One of the tanks was taken down and some clean up work was done at that time. Mr. Perona said he is sure we will have to have a plan for that type of clean up in the future. Mrs. Hurtubise said many of the assets at the plant are very old, and she doesn't know if we have anyone who would be interested in acquiring them. Even if they are interested in acquiring them, they are probably not interested in giving us very much for them. There may be some salvage, but we want to be conservative and don't want to expect to receive money we may not get.

Mr. Jim Hartley was present from the auditing firm of DiBartolomeo, McBee, Hartley and Barnes to present the audit report for 2006.

Mr. Hartley said they issued a clean report for September 30, 2006. He would like to touch on some variances. He referred to page 12 of the Audit Report, the balance sheet. Equity and pooled cash were down \$2.2 million. Due from other governments was down \$5.6 million, which is FEMA dollars. Restricted cash increased by \$6.2 million. Total current assets were up \$969,000. Capital assets increased \$13 million. On page 13, under Liabilities and Net Assets, Accounts Payable increased \$2.5 million. Loans payable in 2005 of \$4.8 million were paid off in 2006. There is an increase in deferred revenue of \$3.4 million. Overall net assets increased by \$5.9 million. On page 14 there is a Statement of Revenues and Expenses. You have an increase in operating revenues of \$9.6 million. There was an increase in costs of purchases for resale of \$8.2 million. GNA expenses were up \$2.3 million and depreciation was up \$2.4 million, which was impaired asset. Total change in that asset is \$5.9 million. There are a couple of items on the Statement of Cash Flows, page 15. At the bottom of the page you see total increase in cash was \$4.1 million. On page 16 you can see a breakdown of that for total cash at the end of the year of \$29 million. You can see the breakdown of restricted, unrestricted and cash for fiscal agent. On page 22 in the footnotes, we touched on Note E. It is the distribution to the City. The

top portion of that calculation is the 6% of gross revenues. At the bottom of that calculation you see the 40% limitation, giving you a total distribution to the City of \$4.2 million.

Mr. Hartley further stated in conjunction with the Audit they also issued a management letter. They had three items they noted. The first one was a reconciliation of subsidiary ledgers to the general ledger. You need to reconcile these in a timely manner. The second item is a review of construction and work in process. These need to be reviewed during the year to make sure you are capitalizing projects as they close. The third item noted was Capital Improvement Charges. It is their recommendation that the UA develop guidelines of how and when you are going to spend these dollars. Then a separate fund should be set up to account for these.

Mr. Drummond said on staffs' response to the management letter regarding capital improvement, it was suggested that they already have a separate fund in place. Mr. Hartley said at year end they did not. They were doing a separate accounting but did not have a separate fund. He doesn't know if a separate fund has been set up for this. Mrs. Hurtubise said no.

Mr. Drummond said as it relates to the management letter is there any formal action we need to take with regard to the recommendations by asking staff to bring back these items because it does speak to the Board setting up some policies with regard to it. Mr. Thiess said he thinks Mr. Hartley is satisfied with our responses, and these are things we've committed to implement in accordance with his recommendations. Mr. Hartley said yes. It would be up to staff if they want to bring that back for approval. Mr. Drummond said he is just one of those leery individuals when it is suggested policy needs to take place at the Board level, that the Board takes action to follow through on it, especially when it shows up in a management letter. Mr. Thiess said it is staff's intention to implement all these suggestions. If there is anything that gets out of that line of thinking, we will bring it back to the Board, but it is staff's intention to take the recommendations of the Auditor and implement those recommendations. Mr. Perona said maybe we should revisit this in the next two or three months and have staff report to the Board regarding what steps have been taken to comply. Mr. Thiess said yes, we can do that. Mr. Summerhays said particularly as it relates to segregation of funds.

Mr. Bill Anderson with Power Generation presented a request to waive the formal bidding process and approve a contract with Foster Wheeler for repair to Unit No. 8 steam boiler.

Mr. Anderson used a power point presentation to show the Board what repairs will be made. He said the Board is probably asking themselves why with one year remaining in the life of the King Plant, we would consider repairing the Unit No. 8 boiler. Currently, we receive for capacity credits for the Unit No. 8 boiler and turbine combination, \$158,000 per month. We haven't been receiving those payments since December 10th when FMPA stopped making those payments because the unit was unavailable. We propose to repair the boiler and receive back payments for those withheld capacity credits and move forward for the remaining eleven and a half months. We estimate for those remaining months approximately \$1.6 million. What we are looking at as a total cost savings is about \$2.4 million. Our main concern is to bring that money back to the citizens of the City of Fort Pierce. Mr. Anderson said we also receive variable O&M credits for the starts and operating hours of that unit. The total credits we received for Unit 7 and 8 for Fiscal Year 2006 amounted to approximately \$421,000, so there are some additional monies we could recoup for operating the unit. He displayed a general arrangement drawing of the Unit 8 boiler and pointed out areas of concern. He showed a view of the tubes that were pushed out of the boiler during the accident event in September 2006. Foster Wheeler proposes to replace these two tubes and repair an additional couple of tubes in there that were damaged by the

moving tubes. These tubes are physically rolled into the drum by mechanical means. The proposal from Foster Wheeler is to go back and back weld all of these tubes across the entire mud drum. They also recommend going back into the steam drum and back weld all those tubes, also.

Mr. Anderson said as a side note, the City of Vero Beach has an identical boiler to our Unit 8 boiler. It is their Unit 4 boiler. He visited their site, went into their wind box, investigated their mud drum, and they have the similar occurrences we experienced with the weeping around the tubes. Vero could have an event like we experienced, and they are working with Foster Wheeler right now to back weld all their tubes, also. Vero Beach personnel were at our plant site on the first Monday after the event occurred, because they have the identical boiler.

Mr. Anderson showed a view underneath the floor of the boiler. During the event the boiler floor tubes raised approximately 20 inches due to the rapid release of pressure in an area that it doesn't normally release. Foster Wheeler engineers recommend, since we're only going to operate for a year or two, that we don't need to make that repair.

Mr. Anderson said we don't have a lot of time before our summer run comes around, so we had to be proactive and are working on making some automation control upgrades so we can operate the unit more safely without having our operators around the unit. We are adding additional flow and pressure measurements that we used to record every hour manually. We are going to bring those into our DCS system and, also, we are going to modify operating procedures restricting access to the boiler area when the unit is above 600 pounds of operating pressure. After our normal start up and when the unit is ready to go on line, we will not have any personnel near the unit operating.

Mr. Perona said it is contemplated we have insurance after a large deductible. He assumes this will be funded largely by our insurance proceeds. Mr. Thiess said there is a \$100,000 deductible. Mr. Anderson said we feel all the items listed in the proposal will eventually be covered by insurance, plus some additional auxiliary equipment that was damaged during the event.

Motion by Mr. Summerhays, seconded by Mrs. Cully and unanimously carried to waive the bidding process, declare an emergency and approve in substantial form the contract with Foster Wheeler Constructors, Inc. for repair of Unit No. 8 steam boiler in an amount not to exceed \$448,238 subject to our Attorney's review.

Mr. Craig Brewer requested approval of additional funding for unit price contract for installation of underground electrical conduit systems with Utility Lines Construction Services.

Mr. Brewer stated this company does half of our underground contracting. We also have a contract with Mastec. Based on our projections of our needs for the remainder of the year, we feel we will need another \$100,000 to finish the year. We think we will probably spend more than that, but we will bring those items back to the Board on an individual basis as those projects come up. This will cover miscellaneous smaller projects such as service conversions and things like that.

Motion by Mr. Drummond, seconded by Mrs. Cully and unanimously carried to approve additional funding under Bid No. 5575 in the amount of \$100,000 for unit price contract for installation of underground electrical conduit systems with Utility Lines Construction Services.

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Mr. Thiess said at the last meeting we brought an item before the Board to negotiate a contract for a deep injection well with Youngquist. That is not quite ready yet, but we have gone through the numbers with them, and it looks like the negotiated price is going to be around \$10.9 million. We had budgeted \$13.75 million. That also included the engineering. With the \$10.9 million and the site work that was approved at the last meeting and the engineering, we're about \$11.88 million or \$1.87 million under the budgeted amount. He expects the Youngquist contract to come to the Board at the next meeting.

Mr. Thiess said he attended the Linemen's Rodeo in Ocala this past weekend. For those of you who haven't seen one, it is quite an event. Our guys did a stellar job. We were in the top half of the teams competing. They did bring home a trophy for one event. It is quite impressive. He told the Board Members if they wish to attend one of these sometime, he will make the arrangements.

Mr. Thiess introduced the new Human Resources Manager, Mr. Ed Cox. He has been on the job for two days now. We would like to welcome him aboard.

Mr. Koblegard said he has two items for the Board today.

One concerns the Independent Contractor Agreement with Rick Smith. The contract went to the Retirement Board, and they did not have a full body present. There were not enough votes to pass it. They suggested we have a tax attorney look at the contract to see if it would pass muster with the IRS and the State of Florida. He secured a firm out of Palm Beach to review the contract. He sent it to them around the first of February and because of their work load, they were not able to get back with him until now. They feel the contract that Mr. Koblegard had drafted passes muster even though they have suggested four minor changes that might make it even better than it is. He will pass this to Mr. Thiess to see if he wants to make those changes, and we will bring it back to the Board for approval. Then, it will be resubmitted to the Retirement Board. He feels, based upon their letter, which he has provided Mr. Walker a copy of, that the Retirement Board will not have a reason not to go forward with approval of this contract.

Mr. Perona asked if Mr. Smith is still working through a temporary agency. Mr. Koblegard said yes. He felt very good about the letter he received from the tax attorney.

Regarding the next item Mr. Koblegard has to present, he stated since this is a public meeting items can be discussed and voted upon by the Board that have not appeared on the Agenda. We have been negotiating with Donna Houseworth to purchase approximately 16.26 acres on South 37th Street. It actually starts at Okeechobee Road and runs back almost cattycornered from the Energy Services Center on the east side of the road. We had to have an appraisal, so he asked Dan Fuller to do an appraisal for us. He came back with a price for the full 16 acres of approximately \$2.5 million. We made a tentative offer to Donna Houseworth. Mr. Thiess asked Mr. Koblegard if the first appraisal was for the back 12 acres. Mr. Koblegard said yes. At first we attempted to buy only the back portion of 12 acres. Ms. Houseworth came back and asked us to make an offer on the entire parcel. Then, we had the entire tract appraised, which is the \$2.5 million. Ms. Houseworth said she was looking for roughly \$3.3 million, and he asked her what her basis was. She said it was assessed at \$200,000 an acre. He really felt that sounded high for that area, and asked if the County was going to reappraise that

property and maybe reduce it. She told him no, that they were sticking to that price. There is no hard and fast rule as to what we can offer. You usually try to offer no more than the appraised value. He thinks the County has the position that unless there are some unusual circumstances they won't go over 10% of the appraised value. We decided to make a counter offer to her of \$2,883,881, which is kind of half way between what we had offered and what she was asking. She has now come back and accepted our offer. The contract would be subject to our being able to have the property rezoned and site plan approval, which can be a lengthy process. She had a problem with that. We checked on the zoning and the property is currently zoned C-3, which is Commercial. One of the permitted uses in that is public utilities structure and public works maintenance facilities, public facilities and semi-public facilities except for hospitals. He doesn't believe we will have to do any rezoning. He thinks what we are going to put there will fit under the current zoning. Bill is going to meet with the City and confirm. There are no immediate plans to build anything there, so there is no issue about site plan approval.

Mr. Koblegard said what he proposes for the Board to consider is purchase of that property up to \$2.8 million with a 30 day feasibility period where we can check it out and see if we get a favorable feeling from the City. If not, we don't have to close.

Mr. Koblegard said Bill Thiess has signed the contract, but all contracts are subject to Board approval and that is in the document. It is not a binding contract upon the Utilities Authority unless the Board approves it. Mr. Koblegard distributed copies of the contract for the Board's review. He said it is a desirable location in relation to where your other facilities are in that area. Mr. Perona said this makes a statement as far as our commitment to a campus idea from the study we had several months ago. Mr. Thiess said yes. This is the site recommended by CH2M Hill. We looked at all of our options to continue with our satellite operations, expand them, expand on 6th Street, build something on the cooling tower site, and of all the options we have when we get out to 15 to 20 years of additional staff, none of the existing options will handle that. The option of purchasing these 16 acres on 37th Street and having one campus was the least expensive option and the most convenient option both for UA employees and for our customers. When a developer comes in now, he has four utilities and goes to four or five different places to get everything approved. If we move to 37th Street with an administrative complex with operations across the street, the developer goes to one area. It will make our operations much more efficient and will be much more customer friendly and it will be the lowest cost alternative for our future needs.

Mr. Koblegard said another thing is if you don't need the full 16.2 acres, the valuable part would be on Okeechobee Road. It is possible in the future you would want to sell a portion of that.

Mr. Beach asked if the plan anticipates disposal of the UA's existing properties around the city. Mr. Thiess said yes. That plan involves locking up the 37th Street site. It was recommended that we do that this year. If we wait, we might lose the opportunity. We will lock up the site this year, but not build anything or start any architectural work until we have a fixed horizon as to when we need to be in there. He is guessing it would be four or five to ten years out. With the courthouse being built at US 1 and 5th Street, we think our properties downtown will appreciate significantly. We would probably dispose of all properties downtown, including the cooling tower site.

Mr. Perona said we are not in the land holding business, so we will eventually get out of our real estate holdings and we will have a campus. He likes that idea from all the scenarios we had presented. That makes the most sense. We don't need to be on Second Street. He is sure the area around the cooling tower can be used by a private developer. To have satellites all over the city seems to be counter productive. Mr. Thiess said we will keep some payment locations downtown similar to what we are

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doing with Jackson Drugs. We will have some satellite paying stations where customers can pay their bills, but we intend to consolidate almost the entire staff other than plant operations and MOEC at the campus on 37th Street. That is the ultimate plan.

Mr. Summerhays thinks the amount we are offering for the 37th Street property is less than we had budgeted for real estate acquisitions this year. Mr. Thiess said yes. We had budgeted \$3 million in this fiscal year, and we have spent \$180,000 for the little piece behind the Water Treatment Plant that we bought from Abbiejean Russell Care Center. That was for a future deep injection well site. With the two, together, we will be right at or a little under our \$3 million budget amount.

Mr. Perona asked what kind of inspections of the property will we do in the next 30 days. Mr. Koblegard said we will look at environmental issues, and there is a question about a wetland on the property. He doesn't think it is a real issue, but we need to look into it. Mr. Thiess said we have already looked at the site and drawn the wetland out of the developed area. CH2M Hill thought we could use that wetland and possibly route our storm water in that direction.

Mr. Drummond said he likes the 30 days. He would want staff to provide a financing plan in terms of exactly how we are going to fund this so he can have a comfort level. It seems to him a portion of it would have to be borrowed, and he would like to know exactly where we are getting it and what we will pay in terms of debt service and what staff has in mind as to how we will recoup that. Mr. Thiess said we can bring that to the next meeting. His first thought was that this should be an FMPA Pooled Loan. We could refinance that in another way, but we can come up with a more detailed financing plan. Mrs. Cully said she thinks this is a great site and a good price and we should take advantage of it now at a time when real estate is going down and not up.

Mr. Thiess said we were thinking ahead back in the 90's when we bought the mainland water reclamation facility site. He believes that was somewhere in the \$1 million range. At the values we are looking at for acreage out in the industrial park it would be between \$5 and \$8 million in today's prices. There are slumps and dips in the real estate market, but, generally, it is going up long term.

Motion by Mrs. Cully seconded by Mr. Summerhays and unanimously carried to move forward with purchase of the 16.26 acres on 37th Street at a price of \$2,883,881 with a 30 day feasibility period and request that staff bring back a financing plan to present to the Board.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN