

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,  
TUESDAY, NOVEMBER 7, 2006, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Chairman, Thomas K. Perona; Vice Chairman, Darrell Drummond; Secretary, Pamela K. Cully; Mayor Robert J. Benton III; Ex-Officio Member/City Manager, Dennis Beach.

Excused: Deputy Secretary, Robert W. Summerhays, Jr.

Chairman Perona called the meeting to order.

The invocation was given by Chaplain Jorge Crespo of Lighthouse International Worship Center.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Mr. Drummond requested Item A-7 be removed from the Consent Agenda for discussion purposes.

Motion by Mayor Benton, seconded by Mrs. Cully and unanimously carried that items 1 through 6 on the Consent Agenda be approved:

1. Approval of the Minutes of the Regular Meeting of October 17, 2006.
2. Excuse Mr. Summerhays from attendance at today's meeting.
3. Comparison of Residential Electric Rates for the Month of September, 2006.
4. Authorize replacement of existing 6 inch water main on North 6<sup>th</sup> Street between Avenue D and Avenue G in an amount not to exceed \$120,000.
5. Approve funding in the amount of \$120,000 for Ditchdiggers to perform repairs on three lift stations: Binney Drive, Wal-Mart and Taylor Creek Commons.
6. Purchased Gas Adjustment for Firm Gas Service for the period from November 1, 2006 through November 30, 2006 will be +\$.254/CCF.

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Item A-7 from the Consent Agenda, Approval of Independent Contractor Agreement, was brought up for discussion.

Mr. Thiess advised this item is for approval of an independent contractor agreement with Richard Smith of the Electric Transmission and Distribution Department. We did have an employment contract with Mr. Smith as a regular FPUA employee. When the City of Fort Pierce adopted the ordinance regarding work after retirement, it specifically prohibited that type of contract. We are not at the point where we feel we can do without Mr. Smith's services. The proposed contract is for three years during which we would train a replacement for Mr. Smith. He pointed out the contract is cost neutral to FPUA. The benefits are incorporated into the hourly rates. It is not a contract that authorizes payment of more dollars than under the straight employment agreement. There was a controversy when these contracts were first brought up, but he thinks the fact that the City specifically allows these contracts now, pretty well puts that controversy aside.

Mr. Koblegard said if this contract is approved by the Board, it would go to the Retirement Board for their attorney's review. It has to be approved by the Retirement Board before anything will happen.

Mr. Perona asked if this Board should approve it before it is taken to the Retirement Board. Mr. Koblebard said yes. It is subject to the approval of the Retirement Board.

Mr. Thiess said the format of the contract is very similar to the contract we have with Ms. Hayes. The hourly rates are different. Mr. Perona said the biggest thing to him is that we have key people in key positions and that the total philosophy behind these is that we are promoting some type of training so that, eventually, we have other people who can do these jobs, hopefully, equally as well. Mr. Thiess said a contract like this will be used strictly for the purpose of succession planning. They are short term, three year contracts. We intend by the time that three years is up, to have the replacement trained and in place and operating efficiently.

Mr. Drummond said he asked this be removed, because the first time a contract like this came before us, he was told it was a very unique situation and should only occur one time, and that this would not become a standard policy. Mr. Thiess is not the one that told him this. Mr. Drummond said he doesn't know Mr. Smith. He is sure he is well qualified and is no way suggesting that he is not supportive of retaining his services, but, as a general rule, he is not excited about approving these independent contracts. At some point, we should direct staff to work very diligently to have a succession plan in place, so there can be a smooth transition, and we would not have to extend independent contracts. Therefore, he cannot support it.

Mr. Perona said he has had many conversations with Mr. Thiess when he first took over as Director of Utilities, and he thinks one of the first ideas of vision is the fact that we have a lot of our key people, who happen to be the best in the industry, getting ready to retire, and we don't have suitable replacements for them. He can think of two others he would expect this type of format to come down the pike unless we can find somebody who has similar knowledge. He doubts that will happen. It hasn't been a philosophy of the Utilities Authority, because he thinks we kept somewhat of a moratorium on certain hiring practices to keep costs down. He remembers talking with Mr. Boudreaux, and we had a handle on it for a period of time. Here we are coming to some attribution where people are getting ready to retire, and we don't have suitable people to take their positions. Hopefully, that philosophy is changing and we can develop some kind of program to get people up to speed as soon as possible.

Mr. Thiess said that specifically is the use of these short term contracts. They are a tool in succession planning. For a lot of years we held the line on hires. We are running a lot of departments very thin. We didn't allow ourselves the luxury of hiring Assistant Superintendents for the last three years. They would have been trained and ready to go right now, but we held the budget and didn't add those positions. Now, we are at the point where people are ready to retire in three years or so, and we are forced to put the succession planning into high gear. This is the first part of that.

Mrs. Cully commented that she agrees with Mr. Drummond that, although at this point in time, she will be for this, but, she thinks in the future, we should really look at having only one term of a contract for three years, instead of approving a second term of three years. We should be able to train people who could take someone's place who is leaving a position.

Motion by Mrs. Cully, seconded by Mayor Benton that the Independent Contractor Agreement with Richard Smith be approved based upon the approval of the Retirement Board.

Mr. Koblebard said Mr. Smith and UA staff understand this approval would be contingent upon approval by the Retirement Board.

The roll was called and the motion carried with Mrs. Cully, Mayor Benton and Mr. Perona voting yes. Mr. Drummond voted no.

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The following letters of appreciation were noted:

1. A note was received from Mustard Seed thanking FPUA for \$264.72 received from Project Care.
2. Letters were received from FMPA and Keys Energy thanking Bill Anderson, Power Generation Superintendent, for his participation in the Peer Review of their generating facilities.
3. A letter was received from APPA GAFA Committee thanking Frank Varella for his participation in the Business & Financial Conference in Minneapolis.

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Mr. Thiess introduced a request for approval of a contract for biosolids disposal at the Water Reclamation Facility.

Mr. Richard Stenberg, Water Resources Superintendent, stated for approximately six months in 2005, we had a lot of rain, and the fields where we normally apply the residuals or biosolids, were flooded. They were inaccessible to our land applicator. Ordinarily, under those circumstances, we would take the residuals up to Indian River County. At that time, Indian River County was having operational problems. They would not accept the residuals. At that time, we had become a member of the Treasure Coast Regional Utility Organization, and the bid prices had come in. The prices were much lower than what we ended up paying to take some of the residuals out of the plant. We made a conscious decision to start stockpiling residuals until the contract was accepted. During that time, we maintained solids at the wastewater plant, and we had thickened sludge that we placed into some of the empty digesters. We had a tremendous amount of solids at the plant that we wouldn't ordinarily have. When the contract was let, it was \$6 less than what we originally were paying. When we did finally start using the contract, we were disposing of a lot more residuals for quite a while. Normally, we figured about 200,000 gallons per week, and we were disposing of 325,000 gallons per week for about five months. We ended up spending a lot more money than we anticipated when we first put the contract out on the street. In that respect, approximately half the money we are requesting, would have been paid out in 2005. It is somewhat of a deferred payment. Using the new method of disposal and not land application, we had to run the solids content at about a half a percent lower rate. Instead of 3%, we were forced to operate at a 2.5% level. That did increase the amount of gallons we had to treat on a weekly basis. We have pretty much depleted the not to exceed amount, so we need to put more money into the contract in order to get through the end of the year.

Mr. Perona said it is getting increasingly more difficult to dispose of these residuals over time. They used to just dump them on fields, but he would imagine with all the requirements, it is going to get more difficult and more expensive over time. Mr. Stenberg said there is a movement afoot to ban the placing of residuals on fields in certain counties. Martin County has banned land application of residuals, and there has been a lot of discussion about St. Lucie County doing the same. We figured we had to find a long term alternative, and that was the reason we partnered with the Treasure Coast Regional Utility Organization in finding an alternate method for disposal.

Motion by Mrs. Cully, seconded by Mr. Drummond to approve increasing existing contract with Synagro South, Inc. in the amount of \$188,000 for the remainder of the first year, bringing the not to exceed amount to \$638,000 and increase each of the two remaining years of the contract to a not to exceed amount of \$595,000 from the original contract amount of \$500,000 per year.

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Mr. Bo Hutchinson addressed the Board regarding a request for approval of funds to complete roadway overlays for the White City water main expansion.

Mr. Hutchinson said the scope of the project is to overlay seven road cuts in the White City area. These are left over from the White City water main expansion project, which was, otherwise, completed in February, 2005.

Mr. Hutchinson explained St. Lucie County had a requirement for a 100 foot asphalt overlay. That covered any road cut, whether it was a three foot road cut or something more significant. You would have to go 50 feet in either direction of that road cut with your asphalt overlay. Staff felt and still feels that is an unreasonable request. We pushed to do a good patch, as opposed to an asphalt overlay. We ended up with a compromise of cutting the 100 foot overlay, down to a 50 foot overlay. That would amount to 25 feet in each direction. Unfortunately, it is not really going to help us with this project. Since the project ended, the asphalt prices have gone up significantly. In future projects, it will save us money. The total cost for these overlays is \$72,177.

Motion by Mr. Drummond, seconded by Mrs. Cully and unanimously carried to approve \$72,177 to complete roadway overlays for the White City water main expansion.

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Mr. Tom Richards addressed the Board regarding an agreement for purchase and sale of benefits derived from participation share in Public Gas Partners Gas Supply Pool No. 2 with FMPA.

Mr. Richards told the Board they have seen this item before, but it has been a while. We had it before the Board in July, 2005, for information, and, again, in September, to get your okay on the conceptual plan to try to get this little piece of gas supply for our local distribution company, our retail gas. After all this time, we have reached an agreement with FMPA. Our original thought was that we would enter into a Public Gas Partners Project with Pool No. 2 with some other cities. As it turned out, all the other cities we thought might enter, dropped out. We were the only city, who resells gas, that was interested in getting PGP in Pool No. 2 in Florida. FMPA offered it through their auspices to tag our volumes onto theirs. They have done that, and now we need an agreement with FMPA to get the cash for that benefit from them. That is the purpose of this agreement. It was a dollar pool where they actually went in and drilled in undeveloped, but proven areas, for wells. We did enter into the 2005 Apache program with a partnership with Apache. That was very successful. We did not enter into the 2006 project, because there were some tax issues attached to it. It wouldn't have been advantageous to them. Some of the money we thought would get spent on this process is not going to get spent unless the project is restructured. Our original commitment was for \$1.8 million. Approximately \$600,000 of that will not be spent. Our maximum is \$1.2 million, and that is not all spent. We still have some to go on that if they are able to find the right prospects. We have gotten about the volume we thought we would get, even though we haven't spent as much money as we thought we would. Right now, PGP is actually selling the gas and re-buying and giving the benefit to the members to buy gas locally. FMPA has a check waiting for us if we can get this agreement in place.

Motion by Mayor Benton, seconded by Mr. Drummond and unanimously carried to approve the Agreement for Purchase and Sale of Benefits Derived from Participation Share in Public Gas Partners Gas Supply Pool No. 2 with FMPA.

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Mr. Bo Hutchinson addressed the Board regarding funding for construction of 5,600 feet of 12-inch PVC force main along Edwards Road from Jenkins Road to Selvitz Road.

He stated this main will provide service to several new developments in the area, as well as, provide a first interim connection to the new plant. The total estimated cost for this main is \$202,703. We plan to construct it using our unit price contractor. We are constructing this with five feet of cover to, hopefully, avoid the kinds of conflicts we've had on 25<sup>th</sup> Street and U. S. 1 with very expensive utility relocations.

Motion by Mrs. Cully, seconded by Mr. Drummond and unanimously carried to approve funding in the amount of \$202,703 for construction of 5,600 feet of 12-inch PVC force main along Edwards Road from Jenkins Road to Selvitz Road.

Mr. David Mellert requested approval of a Water/Wastewater Supply Agreement for Midway Industrial Park, Phase III North Project.

He explained this is a standard Water/Wastewater Supply Agreement with a few modifications. One of those is that the UA is requesting to participate in the amount of \$53,420 for over sizing of a force main that will be servicing the new wastewater treatment plant. Midway Industrial Park is located adjacent to the UA's mainland water reclamation facility, as well as, the FMPA power plant. The developer was intending to build a small pipeline, but we saw an opportunity to increase the size of the line, because we are going to need to bring pipelines into the plant, anyway. We worked up an estimate, along with their consultants, on what we think it is going to cost. This will take us from a 6 inch force main to a 12 inch force main. The developer has signed an annexation agreement, and it may have already been recorded.

Motion by Mr. Drummond, seconded by Mrs. Cully and unanimously carried to approve Water/Wastewater Supply Agreement for Midway Industrial Park, Phase III North Project with an FPUA contribution not to exceed \$53,420.

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Mr. Mellert presented a request for approval of a Specific Authorization for design-build services related to replacement of high service pump variable frequency drive #3. Globaltech is one of our continuing consulting engineers. We have a variable frequency drive that runs high service pump #3. It is nearly 20 years old. It is in the standby mode right now. Spare parts are nearly impossible to obtain. The unit, although it is usable, comes with a risk. It is, also, our largest unit. We have planned to have this changed out for quite a few years, but this year we thought it was serious enough to make it happen. Globaltech has done work for us at the water treatment plant over the years on the expansion of the R/O facility. They are presently on site. We negotiated a price with them. We feel a combination of their services in design and construction is a good move for us. The high service pump is what delivers water to the city. It is the last pumping device as the water is delivered. It has served its useful purpose. With the new technology that is available, we are going to be putting it into an air

conditioned room where dust and moisture can be controlled. It offers us the ability in the future to add additional variable drives as we go forward.

Motion by Mayor Benton, seconded by Mrs. Cully to Approve Specific Authorization GT-10 with Globaltech for design-build services related to replacement of high service pump variable frequency drive #3 in an amount not to exceed \$237,890.

Mr. Drummond asked how often we revisit these contracts with consulting engineers. Mr. Thiess said they are three year contracts with two, one-year renewals for a total of five years on the continuing contract. The last year of the contracts ends August, 2007. Mr. Mellert stated we will be going out in April or May for RFQ's.

Mr. Perona asked what the life of this will be. Mr. Mellert said the pump, itself, is fine. We are getting a control mechanism to vary its pumping range. It is the brain of the pump. It tells it how to respond and what to pump. He would think the life would be well beyond 20 years. These are, typically, electronic components, so that when you have a problem, you pull out a board and put a new board in. We are finding now, that as we try to find spare parts for the older units, they are not manufactured anymore. We are having to create some things ourselves.

The roll was called and the motion unanimously carried.

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Mr. Mellert presented a request for approval of a Specific Authorization with Globaltech for service related to replacement of surficial wells.

He explained these wells are 40 years old. In this particular location, last year, we replaced wells 16 and 19. This year, we're looking to replace 18 and 21. These are some of our largest producing surficial wells. Originally, these wells combined provided about 1,000 gallons per minute to the plant. Today, they are running around 200 to 300 gallons per minute. They have been rehabbed on an annual basis. The bottom line is you put a lot of energy into them and get a little out of them. They have served their useful life. It is time to replace them. This will be an on-going program where you will see us back here on an annual basis to replace some of these wells.

Motion by Mayor Benton, seconded by Mrs. Cully and unanimously carried to approve Specific Authorization GT-11 with Globaltech for design-build services related to replacement of Surficial Wells N-18 and N-21 for an amount not to exceed \$439,930.

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Motion by Mr. Drummond, seconded by Mayor Benton and unanimously carried to approve payment to Florida Municipal Electric Association annual dues assessment in the amount of \$32,500.00.

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Mr. Thiess requested approval of Bid 5633 for an additional \$30,000 for concrete and sidewalk curb replacement. This item was brought to the Board, previously, in the amount of \$20,000 a while back. That was an error in our agenda item. We really needed \$50,000, so this request is for an additional \$30,000. This is for our Water/Wastewater Operations group.

Mr. Perona asked if this was a clerical error or an oversight in estimation. Mr. Curtis Morris said what appears to have happened is the number 2 on the keyboard was hit, which is just below the 5 on the

keyboard. It took a while to catch it. This started out as a \$50,000 request back in June. Because of the typo, the \$20,000 purchase order within Mr. Thiess' signature authority was being routed around. When we looked at the amount of projects that exceeded \$20,000, we looked at the purchase order, and that is when it was caught in the Finance Department.

Motion by Mr. Drummond, seconded by Mrs. Cully and unanimously carried to approve an additional \$30,000 for concrete and sidewalk and curb replacement contract with Hanley-Martin Corporation under Bid 5633.

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Mr. Thiess reminded the Board of the Special Joint Workshop with the City Commission scheduled this Thursday, November 9<sup>th</sup>, at the Energy Services Center at 9:00 a.m. The presentation will be slightly different than the one made last time. We brought it up to date and took out some of the laborious numbers and tried to get directly to the point.

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Regarding the purchasing situation, Mr. Thiess advised the Board UA staff met with the City Purchasing Department last week. FMPA completed their work. They did an excellent job at a very reasonable price. FMPA came up with 34 to 45 percent of the efforts in City Purchasing being directed toward FPUA projects. The offer that was extended to us by the Purchasing Department was 33%. We told City staff last week that we will go with the 34%, which amounts to about \$2000 more than the offer made to us by City Purchasing. If we went to the middle range of FMPA's estimation, we would be \$15,000 to \$20,000 higher than our costs to do it in-house. If we stay on the low end of the range, it is still a savings to the UA. Jan Gorham said they would work with us regarding some different things we want to do as far as getting our purchases out to different vendors that aren't on their list. We think it will work out. That recommendation has gone back to the City. He doesn't think it has been taken past Purchasing. He thinks the next step is for them to take it to the City Manager and the City Commission.

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Regarding undergrounding electric on 25<sup>th</sup> Street, UA staff met with City staff and worked out a compromise. The compromise is along the lines of the way we've done projects in the past where the City installs the conduit, equipment pads and conversion of services from overhead to underground, and the UA provides the wire, cables and equipment and removal of the overhead. We have done that on quite a few projects, including Georgia Avenue, Avenue D, the roundabout at Sunrise and Ohio. That results in about \$656,000 for the City and \$692,000 for the UA. We think it is a reasonable split. It has gone to the City Manager and, eventually, will go to the City Commission for action.

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We are planning a trip to New York City to talk to the bond people a week from tomorrow. Mr. Perona, Mr. Richards, and Mr. Thiess will talk with the bond rating companies and insurers and give them an assessment of where we are with the utilities and paint a bright picture of our future for them, so we can keep a good rating.

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Mr. Koblegard said two weeks ago we had a presentation from Mr. Tompeck about some of the cost overruns on the Causeway Substation where we had some delays by some of our contractors on that project. One of those was Tampa Armature Works. It was a deliverable issue where some things were being built off site to be delivered to the control house. He looked at the project and time schedule.

We have yet to pay them. The invoice is for approximately \$146,000. It was supposed to be delivered on November 25<sup>th</sup>, he thinks, and because we weren't ready, we put off that delivery. We announced to them in January that we were ready for it. They had a 75 day timeframe to manufacture it based upon the bid documents. It looks like they had moved on to another project and weren't ready to go when we told them we were ready for it. The delay was going to be into May. We accepted delivery the first of May; however, they didn't get it on the site until the latter part of June. There is a timeframe in there that they did actually cost us additional monies. Betsy Schnebli is still trying to determine what that figure would be. We still have an argument under the term of the contract if they did cause us additional damages as a result of their delay. Since we are still holding their money, he was planning to write them a letter and tell them at this point, we are not prepared to pay the invoice and would like to sit down and discuss it with them. We have nothing to lose. It is not a terribly strong position on our part, but he does think it worth pursuing further. He can bring the Board up to date as it moves along.

Mr. Perona said, absolutely. He recalls the UA had to spend many thousands of dollars because of the delays. That was the big problem he had in looking at the issue. He felt we should at least get a response from them. He asked if Mr. Koblegard needs a motion from this Board. Mr. Koblegard said he doesn't believe he does at this time.

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Mayor Benton asked when it comes to building of the new power plant with FMPA, do we have any idea if equipment like generators are going to be brought into the port. There have been statements made by Indian River Terminal and, also, the people working at Mr. Bell's property, that some equipment is going to be brought into their property. He needs to know, because he is going to visit the Governor next week, and he would like to be able to say this is coming into Indian River Terminal and not onto a piece of undeveloped land. We are going up there to try to prevent this berth from being approved by the Governor. It would be very embarrassing if they were able to say equipment was being brought in for the power plant to this piece of vacant land. Mr. Thiess said he has heard the same thing through the grapevine, nothing official. He put Mr. Beach in contact with our people who should be in the know on that. That would be Ed Leongomez.

Mr. Beach said it appears the subcontractor with FMPA is currently soliciting proposals from different water borne transportation companies for the delivery of some pretty major equipment. One of those proposals has apparently come from Ravelo. The FMPA folks and their subcontractor, Voight, are trying to run that down right now. They are aware this is problematic and are working on it. They are also trying to get any documents that exist, so the Mayor can take them to Tallahassee with him.

Mayor Benton said it is very important that we do business with licensed people.

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Mr. Perona said by motion the UA Board is meeting in the City Commission Chambers for future possibilities of videoing and making this meeting accessible to the public. He didn't know if we were doing anything about that. Mr. Thiess said he sent a memo to Mr. Beach about this issue. He thinks the next step is to determine the cost. Mr. Beach has to follow up with Comcast, because they work for the City, not for the UA.

Mr. Beach said all of our production activity is run through St. Lucie County television staff. We have a contract with them to do that work. Their price is based on the number of productions involved. We will probably have that price within the next 30 days.

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There being no further business, the meeting was adjourned.

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Secretary

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Chairman