

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

Members Present: Chairman, Robert W. Summerhays, Jr.; Vice Chairman, Thomas K. Perona; Secretary, Darrell Drummond, Deputy Secretary, Pamela K. Cully.

Excused: Mayor Robert J. Benton, III

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

Chairman Summerhays called the meeting to order.

The invocation was given by Pastor Warren Bennett of White City United Methodist Church.

The Pledge of Allegiance was recited.

Motion by Mrs. Cully, seconded by Mr. Perona and unanimously carried that Mayor Benton be excused from this meeting as he is out of town.

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

1. Approval of the Minutes of the Regular Meeting of January 17, 2006.
2. Comparison of Residential Electric Rates for the Month of December, 2005.
3. Crude Oil Refund – For Information only.

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The following letters of appreciation were noted:

1. A note was received from the Reverend Sharon Britcher of Mustard Seed thanking FPUA employees for the donation of Christmas gifts for families.
2. A letter was received from Michael Mazziotta of the Colonnades Condominium Association praising the assistance they have received from Eileen Snoberger of the Customer Service Department during their reconstruction process.
3. A note was received from Mrs. Basil King of 1013 South 12<sup>th</sup> Street expressing appreciation for the excellent service she received from Ralph Goodson, Willie Long, James Harris, Ed Carswell and Eugene Knight of the Water/Wastewater Operations Department in repairing a sewer line to her home.

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Mr. Bill Abramowicz, Key Accounts Supervisor of Customer Service, updated the Board on Customer Service Budget Billing. Budget billing is now an optional service for our residential customers. It allows the customer to pay the same amount each month for a one year period based on location and average. In the average, we included 10% to make sure we have adequate coverage for PCA or PGA changes. All residential customers are eligible if they have a current balance with no amount past due. They have to be at their current residence for a minimum of 12 months. Each month the customer's bill

will show the budget billing amount due, the customer's actual current month consumption, and the budget bill variance account balance, which will change from negative to positive based upon the overages or underages paid each month. Any deferred balance or credit will be rolled over into the next year's budgeted amount when it is calculated. We have reserved the right to take people off budget billing for issues such as non-payment, theft of service, and returned checks, so they must adhere to their normal payment schedules in their budget billing amounts each month. We have also reserved the right to increase or decrease that amount over the year for large changes, such as rate changes, large increases in fuel charges, and large over or under calculations of amounts. We do expect those amounts to rise and fall. We will be monitoring it to be sure those balances don't get too out of whack.

Mr. Abramowicz said he has distributed some of the information on the budget billing promotional plan to the Board this afternoon. On the bottom of the bills, we now have the message: "Residential Budget Billing is now available." We will have a poster in the Customer Service lobby explaining that we now have residential budget billing. We have individual posters on each Customer Service station. We have pamphlets available in the lobby. On our cash receipts we have included the message: "Residential Budget Billing now available." We are going to have four weeks of advertising in both the *Hometown News* and the *Courier*. That is for the month of February. In March we will have an article in the "Utility Lines," which is distributed to all of our customers. The outer envelope of all bills sent out will have the message: "Residential Budget Billing is now available." We will also have the envelope message in June and August.

Mr. Drummond said he noticed the bill will suggest on a month to month basis, the over or under amounts. Is that cumulative? Mr. Abramowicz said yes, it is. That is to be used to smooth out the months where the bill is higher or lower than the budget amount. At the end of the year, we will take that amount and roll it into the next year's calculations, so if they have a large credit or if they owe us money, we will include it in next year's averaging calculations. It is a cumulative amount that will increase or decrease. If the Board will look at the copy of the utility bill he provided this afternoon, that customer's monthly budget billing amount will be \$319.25. The actual bill for the month came to \$235.16, making an \$84 difference. Mr. Drummond said next month if the bill were exactly the same, the number would be \$164. Mr. Abramowicz said that is correct. Mr. Summerhays said a negative number would be to the customer's good. He can see some people not being able to understand that, but they will get it after a while. Mr. Perona said he is trying to outline the advantages of this. For the UA, the customer would be paying 10% above what they would normally pay, so they can build themselves a little margin there. We won't have to worry about collections as much. To the customer it is an advantage for people on a fixed income. Mr. Abramowicz said correct. Our customers in many cases have budget issues. Many receive only one check per month. We feel it would be very helpful to the customer in that case. They will know that is the dollar amount they have to pay for utilities for the entire year, regardless of what they use. Mr. Perona said we can make a change if suddenly the price of gas doubles. Mr. Abramowicz said we can make that change if we deem it necessary. We have reserved that right in the agreement. Mr. Perona said at the end of the 12 month period if we have collected more money than the customer owed, the customer will have that credited to them for the following year. Mr. Abramowicz said correct. At the end of the year we will look at the customer's bills from the past year, create another average, add 10%, and include or credit the overage or underage to that total, and divide it by 12. Mr. Drummond said if there is a deficiency, we will average it out over the next year. Mr. Abramowicz said yes. Mr. Drummond said in December, for instance, the customer will not be charged an additional amount to bring their account to zero. Mr. Abramowicz said that is correct.

Mr. Summerhays asked what kind of response we are getting. How many takers have we had? Mr. Abramowicz said our promotional campaign started this month. We haven't had a lot of bills go out yet, so we haven't started to receive an influx of customers calling. We have had several customers who are aware of it and signed up for it. At this point we probably have ten or less, including Mr. Drummond. We hope those numbers increase as the promotional plan moves forward.

Mr. Boudreaux reminded the Board this is one of the seven points we developed as a result of the question of how to deal with the high bill complaints following the storms in 2004. Mrs. Cully asked if this goes by calendar year. Mr. Abramowicz said it is done, annually, based upon when the customer signs up. Mr. Perona said he would be interested to see in three months, how many we have signed up for this program. He would like to know that our customers are taking advantage of this after we have done everything we can to get the information out to the customers. Mr. Abramowicz said we can bring a report back in a few months to let the Board know how many customers have taken advantage of this program. Mr. Drummond said he will let them know how happy he is as the year goes on.

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Mrs. Betsy Schnebli requested approval of a contract with Overland Contracting, Inc. On December 20<sup>th</sup> the Board authorized staff to negotiate an open book type contract with Overland for the construction of Causeway Substation and our transmission line crossing the river. Staff negotiated this contract for the target amount of \$4.1 million. The open book contract has incentives built into it to complete the project at 80% of the target price, bringing the total cost down to \$3.6 million. Risk Management, Siver Insurance Consultants and FPUA's Attorney were all involved in the negotiation.

Motion by Mr. Drummond, seconded by Mrs. Cully and unanimously carried to approve the contract with Overland Contracting, Inc. in the amount of \$4,180,000 for construction services for Causeway Substation addition and related 69Kv transmission line construction.

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Mr. Frank Varella presented a request for approval of emergency purchase orders greater than \$25,000 for Hurricane Wilma restorations. We lumped a lot of payments together, because they have been submitting payments to us weekly, and he wanted the Board to see the magnitude of bills we have been paying.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to approve emergency purchase orders greater than \$25,000 for Hurricane Wilma restorations.

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Mr. Varella presented the September 2005 Quarterly Operating Results.

Mr. Varella explained that this report is for the final month of the year. As you can see from the statements, our expenses were up more than our revenues, and we have lower operating, as well as, net income, or change in net assets for the year. Most of the increase in revenues was related to fuel increases. Most of the increase in expenditures was related to fuel increases, as well, as gross receipts tax and insurances and other administrative charges . We didn't have an increase in our sales levels that we were expecting. That is because of the hurricanes. In October people were recovering from the hurricanes, and still are to some degree. That is why our sales are down; however, it was not a bad year. Our financial ratios are still very strong; our debt service is almost double what our bond covenants require, which is 1.25. Our debt service coverage is currently 2.46, so we're very strong. If

you look at our statistics in the back of the booklet, you will see our electric was up slightly; water was down slightly, gas was down and wastewater was up slightly. Even though we had two storms in 2004 and 2005, we held our own for our service and lives being disrupted as much as they were.

Mr. Drummond asked if all the funds we expended and monies we received from FEMA, are a part of this. Mr. Varella said no. As of 9/30, 98% of the project work orders were submitted to FEMA. In October, November, December and January, we received a substantial amount of money. We have received in cash from FEMA, \$8.4 million. Mr. Drummond asked if that will be reflected in this budget year. Mr. Varella said no. If you go to the income statement on page 8 and look down to the item listed as Grant Revenue --- we had to restate 2004's financial statements. The reason we restated them is because we did not match our revenues and our expenses. We put our revenues in 2004 in revenues; however, expenses were in construction work in progress, because we weren't sure at that point if they were capital or operating expenses. This year, we found out most of them were operating expenses, so we had to go back to last year. Last year we had \$4.8 million in revenues in our operating statement. We matched \$5.488 million expenses to last year's revenues. This year, we've got grant revenue we booked at \$5.3 million and expenses at \$4.8 million. Now, these numbers include all of the accruals that we know about as of 9/30/05. We have received in cash from FEMA \$8.4 million. There are still projects that are open where we have not received the monies. When those are completed, we will submit the proper paperwork to get reimbursed. They don't advance you the money, they give it to you on a pay as you go basis.

Mr. Summerhays asked if the "due from other governments," on the balance sheet, is the FEMA and State reimbursement. Mr. Varella stated he would say yes, the majority of that is.

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Mr. Tim Trewyn presented a request for award of Bid 5557 for purchase of nine AC high voltage circuit breakers. In addition to the information in the report, he would like to clarify that there are three budget sources for these nine breakers. Four are reserved for the electric system Var control program. Three are for the annual oil circuit breaker replacement program. The remaining two are for the Causeway Substation project.

Motion by Mrs. Cully, seconded by Mr. Drummond and unanimously carried that Bid 5557 be awarded to the lowest and best evaluated bidder, Mitsubishi Electric Power Products, Inc., for nine AC high voltage circuit breakers in an amount not to exceed \$169,308.

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Mr. Frank Varella presented a request for approval of Resolution UA 2006-01, the Final Budget Amendment for FY 2005.

Mr. Varella said this is a housekeeping issue we take care of at the end of the year. We match our budgets with our actual expense and revenues. This just trues them up, so we are in compliance with the Charter. The numbers reflected here are the numbers that were reflected in the Operating Statement presented earlier. As you can see, when we did the original O&M Budget or the amended budget last year, we didn't include hurricane expenses. We are including them this time, as well as, revenues. We did not overspend our total spending authority. The spending authority was originally in the capital budget, but this is the way it had to be reported. There are a couple of line items on page 8 that are higher than the estimates, such as employee insurance. We incurred more costs than anticipated because of some extreme cases. Property and Liability Insurance is down a little bit. The hurricane expenses are the major reason it went from \$90 to \$93 million.

Motion by Mr. Drummond, seconded by Mr. Perona and unanimously carried that Resolution UA 2006-01, the Final Budget Amendment for FY 2005, be adopted.

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Mr. Boudreaux advised the Board that we did sell our SO<sub>2</sub> credits for \$1,425 each for total proceeds of \$293,436. The target was \$1,500 per credit, so we came pretty close.

He also reported that back in July when staff asked the Board to approve a 3% retirement multiplier factor, we told you that the increase in the retirement cost would not take effect until October, 2006. In the past that is the way it has been working. Any cost born in a budget year would be added into the next year by the Retirement Actuary. After we told the Board this and after they published the payroll contribution requirements, which we based our statement on, the Retirement Board's Actuary went back and decided it would be better to pre-fund these benefits. Consequently, the UA's contribution went up to 11.42% as opposed to the 6.23% we were expecting this year. This put us over budget for retirement benefits. That is not a problem, because it can be trued up in the August budget amendment. He brings this to the Board's attention, because we told you one thing, and something else happened.

Of the four employers: the City General, Police, Utilities Authority, and Fire District, the UA, as a company, is still contributing the least percentage of any of the four.

Mr. Summerhays said he thought we went to 3% to catch up with the others. Mr. Boudreaux said we did. The retirement multiplier went up to 3% for the UA, and now all of the employers have the 3%, except the bargaining unit of the City General employees is still at 2.5%. Mr. Varella said that is correct. They are in negotiations. Mr. Boudreaux said our employer's contribution is the least of the four.

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Mr. Perona said he would like to state for the record that the response that Mr. Boudreaux made to the interoffice memorandum from Hector Arias was very responsive. It made him feel good for the Utilities Authority and it really presses the fact that all the agencies need to do a little bit better job of communicating with everybody. The answers were sitting there to get very easily, and an e-mail or telephone call would have solved a whole lot of problems. We need to come out of the dark ages and move forward, and he wants to commend Mr. Boudreaux for his response.

Mr. Boudreaux said the letter was drafted by David Mellert and there are lots of fingerprints on it. The true credit does belong to the Engineering staff for keeping up with the project and working very closely with the City. Unfortunately, there was not the attempt on the part of the City to match what our staff had done.

There being no further business, the meeting was adjourned.

ATTEST:

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SECRETARY

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CHAIRMAN