

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, MARCH 21, 2006, 4:00 P.M., CITY COMMISSION CHAMBERS

Members Present: Chairman, Robert W. Summerhays, Jr.; Vice Chairman, Thomas K. Perona; Deputy Secretary, Pamela K. Cully; Mayor Robert J. Benton III.

Excused: Secretary, Darrell Drummond

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

Chairman Summerhays called the meeting to order.

The Invocation was given by The Reverend Moses Hill of Moses Hill Ministries.

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

1. Approval of the Minutes of the Special Meeting of March 2, 2006.
2. Approval of the Minutes of the Regular Meeting of March 7, 2006.
3. Electric Rate Comparison for the Month of January, 2006.
4. Bid 5582: Approve purchase of 9 protective relays and relay panel mounting kits from Wesco Distribution, Inc. as a sole source in the amount of \$31,482.

The following letters of appreciation were noted:

1. A note was received from The Reverend Sharon Britcher of Mustard Seed thanking FPUA for monies from Project Care in the amount of \$337.23.
2. A note was received from the Council on Aging thanking FPUA employees for their contributions of canned goods and non-perishable food items.

Mr. Frank Varella presented a request for approval of additional funds to DiBartolomeo, McBee, Hartley & Barnes for services related to the annual Audit. Mr. Varella spoke with Mr. DiBartolomeo, and he told Mr. Varella, with their current write off, they are about 25%, and if they receive the additional funds, it will drop them down to an acceptable 15%. Mr. Varella said we have reviewed the invoice, and it is in line with what occurred last year. They are billing us for additional services related to the procedures relative to the restatement, as well as, the services in preparing the Cash Flow. Staff believes the charges are reasonable.

Mr. Summerhays said he understands this is before the Board, because it exceeds the maximum in the contract. Mr. Varella said yes. Mr. Summerhays said he has a big problem with this. He, too, has reviewed the invoice, and the items listed are normally part of an audit. He doesn't believe additional charges are justified.

Mr. Perona said he doesn't remember receiving any addendums from the previous auditors coming before the Board. What was the commonality of that? He asked if Mr. Varella recalls it ever happening before. Mr. Varella said it was common in the past. The previous Auditors did bill us for services, such as this, beyond the Audit. It was a staff item. This Board requested that staff bring any

additional monies before you for approval, and that is why this is presented, today. The amount is within staff's authority to approve. Because you asked us to bring this to you, we are doing that. Mr. Perona asked if Mr. Varella anticipates anything in the near future that would, also, be addendums. Are there other things you may be working on now that may require extra fees, above and beyond the contract? Mr. Varella said there are services outside the contract that they will bill us for, such as an investigation they are doing. That was under \$1,000 and approved by staff. Any other type service we would request of them during the year would be billed separately.

Mrs. Cully said in the past there have been additional items. Mr. Varella said yes. We did not bring them before the Board, because the Board didn't ask us, specifically, and they were within staff's authority to spend. Mr. Boudreaux approves up to \$25,000, and Mr. Varella can sign up to \$5,000. Mr. Summerhays asked if this was for audit services beyond the maximum of the contract. Mr. Varella said they were services related to the cash flow statement, as well as, restatements. Mrs. Cully asked if Mr. Varella can explain the Auditors' statement that recovery of these charges will bring them down to 15%, that is acceptable to them. Mr. Varella said that means the Auditor incurred costs greater than the audit of about \$10,000, which represents 25% above the Audit. So, if they bill us for this, it would drop the under recovery amount of \$10,000 down to \$6,000 and bring their percentage down to a more acceptable 15%.

Motion by Mayor Benton, seconded by Mr. Perona that the payment of the additional amount of \$4,065 be approved to DiBartolomeo, McBee, Hartley & Barnes for services related to the annual Audit.

Under discussion Mr. Perona said he would like to continue having these matters brought before the Board, because he thinks everybody has an issue of making sure that the UA understands and can visit the issue of auditing our records and the extra expense above and beyond the contract. At least for this year, he would like to have everything dealing with this type of issue come before this Board.

Mayor Benton said one of the reasons we changed auditors was that we were looking at numbers. He hasn't seen anything through the City's audit, but he is going to check to see if City staff signed off on something. We felt we were getting a better deal. This isn't a lot of money, but he would hope next year things are a little closer to what we expected or what we were budgeting for. He is just wondering how often this happens. Mr. Varella said on difficult years, it happens more often. Because of the last two years, FEMA was a big issue, and that is where the additional billing occurred. He thinks the Auditors have always charged us for the Cash Flow Statement. We are doing it on a consolidated utility basis, rather than an individual system basis, so that made it a little cheaper. Mr. Summerhays asked if the Cash Flow Statement is an audited statement. Mr. Varella said it is an audited statement that the Auditors assist us in preparing.

Mr. Boudreaux said he is assuming, when the Board says they want items of this nature brought back to the Board for information, that it is only in reference to the audit. Mr. Perona said that was his intention. Mrs. Cully asked why the Cash Flow issue isn't put in the Audit in the beginning. Mr. Varella said it isn't put in, because it is outside the scope of the Audit. They are just bidding on Audit services. We were hoping we would not have had to pay for our Cash Flow Statement this year, but, because the new Auditor did not have a template, it required a whole lot more work than they anticipated. Next year, he is pretty sure it will be included in the price of the Audit. They now have a template made.

There being no further discussion, the roll was called with Mrs. Cully, Mr. Perona, and Mayor Benton voting yes. Mr. Summerhays voted no. The motion carried.

Mr. Boudreaux presented a request for approval of an agreement for sale and purchase of equivalent residential connections. He explained, back in the early 80's, two developers, one of which was Roger Toffolon, agreed to construct and pay for a water main south of the City limits to serve developments south of the nuclear plant. In exchange for their commitment to construct and pay for this water main, FPUA agreed to guarantee these two developers rights to water within the water main. He believes the total was around 1,400 to 1,500 units, which we will call Equivalent Residential Connections. One developer has, subsequently, used or sold all of his ERC's. The remaining ERC's, about 560, which initially belonged to Mr. Toffolon, have been sold a couple of times. Now ERC, LLC owns the 560 units and has offered to sell them to us at a discount. There is more capacity in the water line, now, than there was 25 or 30 years ago for a couple of reasons. One reason is we replaced the initial pipe with a larger pipe to serve that area. The other reason is the quantity of water in a standard ERC has been reduced over the years due to conservation efforts and reuse efforts. If we were to contest the value of these units with this developer, or a third party were to contest the propriety of having to go through ERC, LLC to purchase water rights, we would have a very nasty legal situation on our hands. When this gentleman came to us and offered to sell us these rights at a discount, we negotiated something that we think can eliminate any possibility of any future legal consequences. What we have offered and what the developer agreed to is approval of a contract for the UA to buy these 560 water units for a maximum amount of \$200,000, \$75,000 of which will be paid up front. The remainder will be paid out at a rate of \$230.00 per connection over the next five years. Anything remaining after five years, evaporates. It will no longer be paid. If we sell all 560 connections within the next two years, the developer gets the full \$200,000. If we don't sell another connection for 5-1/2 years, the developer gets only the up front amount of \$75,000. Most of the units will be sold. We collect impact fees for every connection we make, and we will pay the developer out of the impact fee money. He thinks it is money well spent, and due to the legal consequences we could have, he thinks it is a bargain.

Mr. Perona said he talked with Mr. Boudreaux about the legal issues. We could sell a lot more than 560 connections, and we would be competing with the intent of our agreement that took place 20 years ago. He thinks it is good business for the UA to stick to the spirit of the contract made way back then. He thinks that is a good sign for the UA to be able to do that. We are doing something the UA said it would do 20 or 30 years ago. We are following through with it. He feels good about that. He knows there is probably a way we could get around it, and he is glad that we are not even looking at that.

Mr. Koblegard said the original agreement popped up when he first started working for the Board. It was drawn by Charles R. P. Brown in 1983. There is no termination provision. It could be around forever, and it is a recorded document. There are some gray areas, and it is very nice to know that this has been put to bed.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to approve the Agreement for Sale and Purchase of Equivalent Residential Connections between ERC, LLC and the Fort Pierce Utilities Authority.

Mr. Frank Varella presented a request for approval of the Electric Power Cost Adjustment. Mr. Varella said this is a request to increase the power cost adjustment by \$4.38. He referred to a graph in the agenda item. Our power costs were pretty level between October and January, but still high, a little

over 7 cents, in February power cost jumped to a little over 9 cents. The reason we were over that amount in February is because our peak demand was high and our energy sales were low. That put a lot of demand charges in our costs and really jacked up our overall kilowatt hour rate. He referred to the next sheet. There you will see the monthly calculation. FMPA supplies us with their estimates for costs of power based on their rates. We take our estimated energy sales and demand levels for the next seven months and total them. Then, we add back any debits or credits, over collections and under collections. The over collections are things like the Department of Energy oil refund, the load retention credit and the sale of SO₂ credits. Our under collected in the amount of \$806,000 was from the month of February, because the rates on average were so high. This came to an average rate for the fuel adjustment of \$35.75. Our current rate is \$26.50; however, staff didn't feel comfortable asking for almost a \$10 increase, so we split it and came up with, roughly, \$4.38, which brought our average cost up to \$119.00 excluding taxes.

Mr. Summerhays said because of the way we work it, taking the peaks and valleys and trying to stop any sudden increases, he guesses this just rolls out a little longer. It is a little less volatile, but it takes a little longer to respond to price changes and the price of natural gas. He asked Mr. Varella if that is true. Mr. Varella said yes, sir. FMPA recently changed the way it passes through its energy charges and the way it calculates its adjustment. The reason we didn't want to come to the full amount is, because we are hoping we've hit somewhat of a peak here, and this amount will give us the ability to recover what we are paying out. We will watch it very carefully. In the event we do notice we are getting out of line with what our actual costs are, we will come back and ask the Board for an increase or decrease in the next three months.

Motion by Mr. Perona, seconded by Mayor Benton and unanimously carried to approve the Electric Power Cost Adjustment at \$30.88 for the period of April 1, 2006, through September 30, 2006.

Mr. Boudreaux presented a request for approval of salary increases for Senior Management and Exempt Status employees. We do a pay plan update twice a year. We use Cody and Associates to perform this study. Staff is requesting an over all salary increase of 4.01% for the exempt employees. This is, essentially, the same methodology we've used since 1989. Not all employees receive a 4.01% increase. Some get less, some get a little more. No one gets a raise less than 2% by design, because we want to make sure that we keep up, minimally, with the cost of living. There are no surprises in the pay plan study. There have been a couple of adjustments but nothing out of the ordinary. He did ask for one of the principals of Cody and Associates, Mr. Nick Pellegrino, to come here this evening to address the Board. Mr. Pellegrino has been our management consultant for pay plans ever since Mr. Boudreaux has been here and, probably, a few years before. He has asked him to give the Board a brief rundown on his methodology for delivering a pay plan to us.

Mr. Pellegrino said the procedure he uses is fairly standard. His firm does a lot of work throughout the State of Florida, a lot of utilities. He did the County's update three or four months ago, and it was implemented. The procedure he uses is pretty standard every year. They look to see if there are any changes in positions, any changes in duties and responsibilities. They look at it throughout the year, also. If there is a change, your Human Resources Department sends it to them, and they evaluate it. They keep refreshed throughout the year. Mr. Pellegrino said his firm looks at all the cities that have utilities, especially electric and water. They look at all the other agencies, as well. There is a list in the agenda packets. They have about 25 or 30 that they continually look at. They also look at national data. From that they update the pay plan. If it is done every year, there are not massive changes that occur. Some employees moved up a couple of positions this year. Some moved from one grade to another.

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That is based upon some changes in responsibilities and some market accelerations. He said they will be doing the non-exempt just before October.

Motion by Mayor Benton, seconded by Mrs. Cully to approve the salary increases for Senior Management and Exempt Status Employees at an overall salary increase of 4.01% in the amount of \$124,919 effective March 27, 2006.

Mr. Summerhays stated at this time the Board normally addresses the salaries of the Attorney and Director of Utilities. He thinks it is obvious that we need to at least maintain the inflation protection that we just gave to our exempt employees. That would bring Mr. Boudreaux to \$152,643 and Mr. Koblegard to \$81,424. If we wish to address merit increases or bonuses, those would be in addition to these amounts.

Motion by Mayor Benton, seconded by Mr. Perona and unanimously carried that Mr. Koblegard and Mr. Boudreaux each receive a 4.01% salary increase for the coming year.

Mr. Summerhays said this is the last time we get to address this subject with Mr. Boudreaux. He, personally, feels that perhaps a bonus is in order recognizing his service over the last 12 years. Mr. Perona said he very much agrees with that. There are bonuses that are merited by the extra effort. We addressed this during the hurricanes, but that was, basically, for time spent, he felt. Mr. Perona said it is not an emotional response, but a business response, that he would like to recognize the extra effort we received from the executive position in the Utilities Authority. Mr. Summerhays said besides the efficiency with which the UA operates, and he has been impressed by that ever since he got on this Board, Mr. Boudreaux's activities at FMPA and FMEA have raised the status of FPUA, statewide. Those were pretty much extracurricular activities requiring extra time. He thinks that is another thing that needs to be recognized. Mrs. Cully said she has not been on the Board for a long time, but she has known of Mr. Boudreaux's reputation and his ability to bring the UA to the reputation it has, today. She has known that for a long time by word of mouth. She agrees that something extra should be done in the way of a bonus.

Mr. Perona said he would like to discuss amounts. Mr. Summerhays said he will throw out a number as a starting point. He thinks a bonus of at least \$20,000 is appropriate. Mrs. Cully asked how many years Mr. Boudreaux has worked here. Mr. Summerhays said he has worked here for 12 years as Director of Utilities. Mrs. Cully said she agrees with that amount or either \$2,000 per year for the 12 years he has been Director, bringing it to \$24,000. She asked how the other members felt about that. Mr. Perona said this is a multimillion dollar corporation, and if you look at amounts being paid to somebody in an executive position, if this was any type of private business environment, we would probably be looking at another comma and some more zeros in it. He has no problem with those figures. He thinks this Board needs to send a message to Mr. Boudreaux for a job well done, and it needs to be something more than just a handshake and a new watch. The \$20,000 is right in line with what he would say. He doesn't feel remiss, as a Board member, just throwing money out there. It is a good business decision and commensurate with the effort put forth. Mr. Summerhays said there is no question in his mind that it is entirely justified. A lot of the success of FPUA and a lot of our activities are due to the efforts of the employees of FPUA, but Mr. Boudreaux is the one who guided them, set the policies, and made sure they got trained, and provided the leadership. Mrs. Cully said from what she has seen, he is also very well respected throughout the UA by all the employees.

Motion by Mr. Perona, seconded by Mrs. Cully that Mr. Boudreaux be given a merit bonus in the amount of \$20,000.

Under discussion, Mayor Benton asked if that is a retirement bonus for the 12 years of great service that he will receive at that time. Mr. Summerhays said we didn't address the timing of it. Mayor Benton said he knows we gave Mr. Boudreaux a bonus last year because of the hurricanes and the additional work load and getting us through a very difficult time. He thinks his outstanding 12 years of service merits a retirement bonus. It just makes sense. Mr. Perona said he doesn't think the timing issue is that important. He didn't contemplate giving him the bonus upon his retirement, and he doesn't want to add that to his motion. Mayor Benton said he isn't concerned about when he receives the bonus. He just thinks it should be clear that it is in recognition and appreciation for 12 years of excellent service.

The roll was called and the motion unanimously carried.

Mr. Boudreaux thanked the Board for their generosity. He said he is overwhelmed and thanked them very much.

Mr. Bill Thiess presented a request for approval of a Specific Authorization with LBFH, Inc. Mr. Thiess said this is with one of our continuing contract engineers. The scope of work for this is all engineering services to construct two new Floridan Aquifer wells, acidize seven wells and deepen three wells. The not to exceed amount of fees is \$284,570. This includes planning, permitting, design, construction services and certifications necessary to complete the project. We had originally budgeted this for the next fiscal year, but we decided to put the engineering on the front burner and get it in this year. We had the funds available due to projects that have been delayed and won't be completed this fiscal year. It also gives us a chance to get into the alternative water supply funding cycle for 2007 and get another project in there. We will have two projects in 2007. We will have this one and the second concentrate well at the R/O plant.

Mr. Perona asked for a ten cents tour of what acidized means. Mr. Thiess said we did this on two wells when we put the wells in on the canal for the R/O plant. Acidizing the well is putting some fairly concentrated acid down the casing into the screen. It gets out to the formation, gets the encrustation off the screen and cleans out the formation. We had remarkable results in the other two wells. The percentages were on the order of 30 to 50 percent increase in yield of the wells. That is money very well spent when you compare it to getting that same amount of capacity by constructing other wells. Mr. Perona said it is a form of rejuvenation. You can probably only do it so many times until your screens won't hold up. Mr. Thiess said we also found when we drilled wells a little deeper into the formation, we got better yield, too. The combination of deepening and acidization was almost like having two wells out of one, not quite that much, but almost. A lot of times we acidize the day the wells are installed, because it is not just encrustation from use on the screen, it gets out into the formation and loosens it up. From our experience, it is money well spent. We can probably take the wells we have with these two additional wells and go out 20 years without having to drill another well.

Motion by Mr. Perona, seconded by Mrs. Cully to approve Specific Authorization with LBFH, Inc. in the not-to-exceed amount of \$284,570 for preparation of plans, specifications and permit applications for construction of two new Floridan wells, modifications to seven existing Floridan wells and submittal of South Florida Water Management District Alternative Water Supply Grant Application.

Under discussion, Mrs. Cully asked how long after the acidization can you use the well. Mr. Thiess said it is pretty quick. The acid is purged and disposed of properly. We don't leave it down the hole or in the aquifer. The well is back in service in a short period of time, days, not weeks.

The roll was called and the motion unanimously carried.

Mr. Frank Varella presented the December 2005 Operating Results. On the Summary Sheet our operating income for this month is very good; however, our year to date is less than last year. He referred to page 8. There you can see our revenues are higher. That is, basically, because fuel costs are higher, and we are passing that number on to our customers. Operating expenses are higher because we paid more fuel bills, but, also, our expenses are higher in the depreciation area by a couple of hundred thousand dollars, general and administrative by a couple of hundred thousand dollars, field operations by \$30,000 to \$40,000, and plant operations are down a little bit. You can see purchases for resale are way up there. In the non-operating areas, you can see that our grant revenue and hurricane expenses are high compared to last year at this time when they were \$0. That is all Wilma related and some of the previous storm related. Our income before capital contributions is down. We are down almost a million dollars from last year. You can see from our statistics that our electric sales are up a little bit, but our water, wastewater and gas are all down. In October we had a storm and were out of power for a day or two. Normally, after a storm it is very hot and muggy. After that storm it was very cold and stayed rather cool for the remainder of the quarter. That is why revenues are down.

Mr. Summerhays said revisiting the fuel increase, the fact that we eat part of the fuel increase when it is rising, is that affecting the financials, also? Mr. Varella said no. It doesn't affect the income statement. It affects the balance sheet, because we run all of the fuel through the balance sheet by the calculation of the true up. It ends up in the over or under recovery on the balance sheet. That holds true for gas, too.

Mr. Boudreaux explained to the Board that the award of Bid 5575 was originally brought before the Board on January 17, 2006, and we told the Board at that time that there was a bid protest. We requested the Board award the bid with the understanding that staff would be working on resolution of the bid protest. Mrs. Betsy Schnebli will detail this for the Board.

Mrs. Betsy Schnebli addressed rescinding Bid No. 5575 and awarding it to the two lowest bidders. There was a 1% difference between the two low bids. We feel this would be the fairest method of resolving the protest. Each contractor will receive 50% of the work. This contract has grown over the last five years from \$750,000 to \$1.5 million.

Mr. Perona asked if both companies are happy with the resolution. Mrs. Schnebli said she has a written agreement from both companies indicating they are willing to work together.

Motion by Mrs. Cully, seconded by Mr. Perona and unanimously carried to Rescind award of bid 5575 from January 17, 2006 and award to the two lowest evaluated bidders: Mastec of North America, Inc. in the amount not to exceed \$750,000 and to Utility Lines Construction Services, Inc. in the amount not to exceed \$750,000 for the period from April 1, 2006, through September 30, 2006, with five, one-year renewal options with annual increase based upon *Engineering News Record* Index.

Mrs. Schnebli requested approval of bid 5598 for a unit price contract for installation of overhead electrical systems.

Motion by Mrs. Cully, seconded by Mr. Perona and unanimously carried that Bid No. 5598 be awarded for unit price contract for installation of overhead electrical system to Glades Utility Services, Inc. in the amount not to exceed \$1,500,000 from March 21, 2006 through September 30, 2006, with five, one-year renewal options.

Mr. Frank Varella presented Resolution UA 2006-03. He explained that staff brought Resolution UA 2006-02 before the Board at the last meeting. We didn't realize we had not updated the correct resolution. The resolution, today, rescinds Resolution UA 2006-02 and establishes a new resolution.

Motion by Mr. Perona, seconded by Mayor Benton and unanimously carried that Resolution UA 2006-03 be adopted updating Capital Improvement Charges.

Mr. Boudreaux said he would, again, like to extend his appreciation to the Board for the generous bonus award.

Mr. Boudreaux reported that Mr. Drummond called him yesterday afternoon from the hospital, and sounded very chipper. He told Mr. Boudreaux that he had been walking without the aid of a walker or cane, and for the first time in many years was able to stand erect with no pain in his knees. Mr. Boudreaux asked him how tall he is now, and he said he is 6'2". He sounded very, very good. He thanked the Board for the flowers they sent to him.

Mr. Boudreaux stated this past weekend was the Florida Linemen's competition in Kissimmee. We had a team participating. The competition was on Saturday. Mr. Boudreaux was there cheering them on. He is pleased to say that no one was injured. We had a great time. The team gave a great accounting of themselves and kept us very proud. We all had a lot of fun. We didn't win any prizes, but did pick up a safety award, which is one of the best prizes you can win. We will present that to the Board at the next meeting.

Mr. Koblegard thanked the Board for his salary increase and commended the Board for their merit/retirement bonus for Mr. Boudreaux. It is very, very well deserved.

Mayor Benton asked if we have had any contracts of interest expressed in the Southeast Bank Building. Mr. Koblegard said when the contract fell through with the Adams family, the Board decided not to go any further with it at that point. There is nothing going on at this time as far as advertising or setting up any new bid requests. Mayor Benton said he had a meeting with Judge Roby and Judge Connor about a week and a half ago. We threw every option out there. It is very important for the City of Fort Pierce to keep the majority of the court system in the City and downtown. They are looking at a needs study for the next 20 years. One of their concerns is moving part of the court system out near the jail. We don't need to create a new city out there, so he put some options on the table. We have the federal courthouse right now. The City Commission went to Washington last week. We are trying to push for our federal courthouse. The plans are done. The property has been purchased. If it wasn't for the war it would probably already be in the construction phase. We are pushing to get it in next year's budget. We hope in the next few years that construction will free up the Southeast Bank Building. There are a couple of courtrooms in there, but there is enough vacant land over there right

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now that, maybe, part of the court system could be expanded across US 1. He would like to say maybe we should take that off the market to hold on to that until we get through this. This is very important for the future of Fort Pierce to keep the court system. Mr. Summerhays said he thinks we took it off the market several meetings ago. Mr. Boudreaux said we are not actively marketing the building. Mr. Summerhays said there's no way it is going to become less valuable. Mayor Benton said the market has flattened out right now, anyway. All of a sudden when government is interested in property and something is on the market, everyone is willing to become a buyer real quickly. He just wanted to make sure we had options in that area. Mr. Summerhays said he, personally, doesn't see any reason to be in any urgent need to sell it. Mrs. Cully said there is a lot of good parking in that area that would be helpful. Mayor Benton said there is a lot of ability to develop over there. He thinks we woke up the judges to look at these options. Plus, we are looking to allow them to go a little bit higher in that area, maybe, six or eight stories. We will bend over backwards to keep the court system in downtown Fort Pierce.

There being no further business, the meeting was adjourned.

ATTEST:

Secretary

Chairman