

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, MAY 16, 2006, 5:00 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, Mayor Robert J. Benton III; City Manager/Ex-Officio Member, Dennis Beach

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

Chairman Summerhays called the meeting to order.

The Invocation was given by Mr. Frank Varella

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Chairman Summerhays welcomed Commissioners Alexander and Coke to the meeting.

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 Special Meeting of April 18, 2006.
2. Approval of the Minutes of the Special Meeting of April 25, 2006.
3. Approval of the Minutes of the Regular Meeting of May 2, 2006.
4. Approval of the Minutes of the Special Meeting of May 4, 2006.
5. Approval of the Minutes of the Special Meeting of May 9, 2006.

Mr. Bill Thiess presented a request for approval of direct purchase of equipment for a third reverse osmosis skid at the Water Treatment Plant.

Mr. Thiess explained this is the \$2.6 million project that puts a third skid on the R/O plant. The third skid is bigger than the other two. The other two will be about 3 million gallons per day capacity. The third skid will have 4 million gallons per day capacity. In that project is quite a bit of major equipment, which is listed in the agenda item. By direct purchasing of the equipment, we save over \$70,000 in sales tax.

Mr. Summerhays said he assumes we do get credit on the contract. Mr. Thiess said yes. We work very well with Globaltech. Not only do we get credit, but they still maintain responsibility for receiving the materials. The materials are, essentially, theirs until they are in the ground and in service, even though we are paying for them.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to approve direct purchase of equipment in the amount of \$1,182,805 for the Globaltech contract to construct a third reverse osmosis skid at the Water Treatment Plant.

Mr. Thiess presented a request for approval of a Specific Authorization with CH2M Hill for design, permitting and construction services associated with a second deep injection well at the Water Treatment Plant.

He explained this is a contract for a second concentrate disposal injection well at the R/O plant. As you are well aware, in an R/O system, we have the permeate, which goes into the water system, and the concentrate, which has to go somewhere else. Right now, we have a single injection well. It performs very well. It can handle that plant, probably, until build-out, but if the injection well is down from time to time for mechanical integrity testing or for some other reason, we are hard pressed to put any water through the R/O plant. It is not problematic at this time. Our lime softening process has about 13 million gallons per day capacity. This last month we hit a new max day record of 11.4 million gallons per day. We still have a good buffer so that we can run the lime softening plant and meet our demands. The ability to do that will slip away from us very rapidly. We figure by 2008, our demands will be more than we can meet by running the lime softening plant and one skid, once that well is out of service. By our projections, this well needs to be on-line by 2008. We rolled this into the CH2M Hill project for the mainland water reclamation facility deep injection well, so they can be planned with the contractor at the same time. The design work will be done this year in 2007, and it will not be built until 2008. The services being requested today go all the way through services during construction and inspection. The only thing that is not being requested today is the contractor costs to build the injection well.

Motion by Mr. Perona, seconded by Mayor Benton and unanimously carried to approve Specific Authorization No. 2006-03 submitted by CH2M Hill in the not-to-exceed amount of \$378,605 for design, permitting and construction services associated with a second deep injection well at the Henry A. Gahn Water Treatment Plant.

Mr. Summerhays stated, as he is sure everyone is aware, Bill Thiess was the Board's selection as the new Director of Utilities, and he would like to offer congratulations. He advised the Board Members that through our Human Resources Department, we have formulated a contract, which he has given to Mr. Thiess to peruse. It will be discussed at our next Board Meeting. Everyone will receive a copy in their agenda packets, so they will have time to read it. Mr. Thiess said he is looking forward to it.

Mr. Bo Hutchinson of the Water/Wastewater/Gas Engineering Department presented a request for approval of a Specific Authorization with LBFH, Inc. for survey, design, permitting and services during construction for the 24 inch force main along Jenkins Road from Whiteway Dairy Road to Okeechobee Road.

Mr. Hutchinson explained this system will carry flow to our new water reclamation facility. It is depicted in the exhibit to the Agenda item. This will consist of approximately 5,600 linear feet of 24 inch force main, of which around 600 feet will be constructed via directional bore. It is proposed to go on the east side of Jenkins Road in a 20 foot utility easement, which Mr. Koblegard is assisting us in obtaining. LBFH was selected, basically, because just to the north is the Celebration Point project and

LBFH had completed design for that 24 inch force main. They are familiar with what we are interested in seeing in that force main. The proposed price is reasonable with a little negotiation involved. Funding is included in our capital budget for this project.

Motion by Mr. Drummond, seconded by Mrs. Cully and unanimously carried that Specific Authorization No. 06-01 submitted by LBFH, Inc. be approved in the not to exceed amount of \$104,720 for survey, design, permitting and services during construction for the 24-inch force main along Jenkins Road from Whiteway Dairy Road to Okeechobee Road.

Mr. Frank Varella requested payment to FEC for nine additional railroad crossings in the amount of \$111,000.

He explained these are necessary in order for us to conduct our business. These are in addition to the railroad crossings we have paid for in the past. This is a lifetime fee negotiated by Mr. Koblegard. Staff believes it is reasonable.

Mrs. Cully asked if this includes all the railroad crossings now. Mr. Varella said it includes all the railroad crossings we have, currently. At times new jobs require new crossings. Mr. Perona said at one time we paid an annual fee, forever, and the amount charged got out of sight. One of the first things that happened when he came on the Board was the issue of how much these fees had gone up. Mr. Koblegard said it went from about \$1,200 to \$30,000, annually. Mr. Koblegard negotiated with FEC after a stand-off, and we came up with a one time payment plan. If he understands it correctly, we have to pay a one-time fee. Mrs. Cully asked if it has to be negotiated each time. Mr. Koblegard said it is a set fee set by FEC based on the type of crossing and the amount of space we are actually taking. At the time we negotiated the original agreement it was about \$6,000 per crossing for any one we needed beyond the date of the agreement. Now, as you can see, they are up to \$30,000. They've raised the price. A couple of the higher priced crossings were 200 foot diagonal crossings through the right-of-way. What we found was that there were 6 crossings FEC was trying to bill us new rates for, that we actually had in existence when we negotiated the original agreement, but they just hadn't been found. He got FEC to agree to go back and give us the old rate on those six. When they dropped that price down from \$90,000 down to \$30,000, it made the rest of the costs a little more palatable. We discussed it and agreed, subject to Board approval, to pay this and catch up all the old ones we've missed before and pay for the new ones we need at this time. We hope we won't need that many more down the road. We considered going to the Board and asking that they be condemned since the prices were so high, but when we found we could still get the old \$6,000 rate on six of the crossings, it didn't make sense to get into the condemnation discussion.

Mrs. Cully asked if there is any reason FEC was charging such a large sum. Mr. Koblegard said they are charging everyone all up and down the line trying to make money. If it gets out of hand, again, the Board still can consider condemning the crossing, because you do have the right to do that. He thinks if we condemn it, it would cost less than FEC is charging now for a one-time payment.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to approve payment to FEC for nine additional railroad crossings in the total amount of \$111,000.

Mr. Frank Varella presented the March 2006 Quarterly Operating Results.

May 16, 2006

Page - 4

Mr. Varella stated he is happy to say our income for this month is higher than last year's. However, you can see that our income levels are less on a year-to-date basis. Higher expenses are eroding our net income. The higher expenses are a result of higher pension costs, higher salaries, higher fuel – which we are passing through to customers – higher employee insurance, gross receipts tax, and, of course, we do have hurricane expenses. Our income is improving, but it is not as great as it was last year.

He wanted to make the Board aware of a couple of things. You can see in almost all utilities, except gas, our customer numbers are strong, all greater than last year's numbers. However, we have experienced a number of customers that we're not serving any more. The mobile home park across the river on the Causeway is gone. Pleasure Cove is gone. We lost a lot of restaurants for a period of time. They are now demolishing buildings like the St. Lucie Marine, Willy's Car Care building, the Shell across the street. There are a number of businesses that were there before the storms. There were a number of doctors offices, dentist offices, and other professional offices that were closed, and some of them remain closed due to the storm damage. The same is true of residences. There are more than 400 residences that he doubts will be back. That is counting gas services. In addition, we've lost Convergys, Southern Film Extruders, which was a big account, and six months ago after the gas incident, we lost Atlantic Coast Recycling. They are no longer taking our gas.

Mr. Perona said we have Harbour Isle and new construction at Gator Trace, so we will actually start recovering some of those customers. There is no gas on the island, though. It is not total doom and gloom. Mr. Varella said he is very upbeat about where Fort Pierce is going. We are noticing that when businesses or professionals or new buildings put in new services, they're using more efficient appliances. That has resulted in an overall slight decrease in sales, also. High efficiency appliances are good for our system. We are not wasting our resources.

Mr. Summerhays said he is still a little concerned, because although our income is up, our expenses are up more. It has been a disturbing trend with our net continuing to be eroded. Eventually, we will not have any choice but to address that. Mr. Varella said that is true, but we have been trying to hold off as long as we can in order to bring some relief to our customers and not put any more burden on them than they are already experiencing due to higher energy costs.

Mrs. Cully said although we talk about Harbour Isle and some of the new homes, the real estate market is now taking a turn, so it may be a couple of years down the road before we see those monies coming in. Mr. Varella said it does take a couple of years from the time an apartment complex or condominiums are constructed, until they start being inhabited.

Mr. Summerhays said Mayor Benton has asked that he be allowed to speak regarding the next item, *Discussion of North 25th Street Project*, before it is addressed by the Board.

Mayor Benton requested that the Board allow him to bring all parties into the conference room upstairs in City Hall prior to the next UA Board Meeting and have this discussion. He thinks where things could go today would be very unproductive. He doesn't think it would be good for this Board or the City Commission. He sits on both boards. The Directors and Attorneys all answer to him, just like they do to the rest of the Board Members. He thinks we can get together and straighten this problem out, and he would like to have the opportunity to do that. There have to be issues discussed, and he doesn't think it would be very productive, today, to do that. We have Board Members and Commissioners here, and he would like to see what he can do about clearing this mess up before we have a public debate about it.

Motion by Mayor Benton, seconded by Mr. Perona that the Discussion of the North 25th Street Project be delayed until the next UA Board Meeting to give all parties an opportunity to meet and work out this issue prior to having a public debate.

Under discussion, Mr. Perona said he doesn't know what the Mayor has on his mind, but something like this is a sensitive issue. There are many underlying issues happening here. He has read the minutes from the City Commission Meeting, as he is sure all the Board Members have. We can't recite exactly what we are trying to accomplish here, so if the Mayor thinks he can get these issues resolved before it comes back to the Board, it would be greatly appreciated. At the last Board Meeting he tried to enter into an discussion about this and received a response from Mr. Beach such that there was a discussion, and it is being handled. After that, he thought this was a moot point, and that we were joining in a partnership to have this resolved and move forward for the benefit of our ratepayers and the City of Fort Pierce, but he guesses that hasn't happened.

Mayor Benton said he thinks we might need to come to some solutions, too, not just some of the language in this issue, but where we are going in the future. There need to be solutions on how we are going to do this. It is going to be done. Underground utilities are going to happen. It is just how we are going to pay for it. He has talked to some staff members, and, hopefully, he will have some answers within the next couple of weeks. Mr. Boudreaux will be gone for the rest of this week, and Mr. Beach will be gone next week. Our meeting will probably take place the first week of June. The City's meeting is the second week of June. Mr. Summerhays said he will be gone, then. Mayor Benton thinks a debate, today, could be very unhealthy. There need to be some questions answered by both Attorneys, and by putting them together, he thinks we can straighten this out and come back with some solutions at the next meeting for this Board and the City Commission. If not, we can have a debate then.

Mr. Perona said he understands the issue of undergrounding is time sensitive. Do we have enough time to be able to do this kind of thing or does it need to be worked out sooner? Mr. Boudreaux said the correspondence he received from the City Manager over the last month indicated that it was pretty urgent to decide whether the utilities were going to be designed to be placed underground or to be relocated in an overhead configuration. Mayor Benton said he thinks the issue is that they will go underground. It is just a matter of who is going to pay for it. His suggestion is that it be designed to go underground. That is what the City has said. That is what the ordinance says, but it is how it is going to be paid for. He thinks that is a debate that needs to be held behind closed doors. Mayor Benton asked Mr. Hector Arias, the City's Director of Engineering, how much time we have. Mr. Arias stated the DOT has been calling him every week for that information. He believes they are going to start the project in 2008. The time is getting very short. Mayor Benton asked if we have two weeks. Mr. Arias said he thinks we can have two weeks. He advised the DOT there is a great possibility it is going to be underground. DOT needs to know, because they need to design, accordingly. That would be a good opportunity to have everything put underground.

Mayor Benton thinks the big issue is money, for everyone. He thinks if we can find solutions to the money problem, everybody will come around. He thinks we should have that debate upstairs, first, and, then, at the next meeting.

Mrs. Cully said she wasn't aware that a decision had been made, totally, one way or the other. Mayor Benton said, because the City has an ordinance that requires new development and redevelopment to put utilities underground, the way the City sees it, legally, there is no question it has to go

May 16, 2006

Page - 6

underground. Mrs. Cully said that's what the City says, but is that what FPUA believes? Mr. Perona said that is what we are trying to avoid. Mr. Koblegard said if you want to get in the discussion at this point, he would have to state that he does not agree with the City's position for a number of reasons. Mayor Benton said that is why he has suggested we have this discussion with our Attorneys, upstairs, first, and, then, bring it to the Board, so it is not in a public realm.

Mrs. Cully said that is okay as far as she is concerned, but Mr. Beach said it is already resolved at our last Board Meeting, but, it's not resolved. Mr. Beach said what was resolved was the confirmation by the City Commission at a previous meeting that the utilities would go underground, and that they would require that the Fort Pierce Utilities Authority pay for it. That is what was resolved. It was a decision made at a Commission Meeting with a letter sent to Mr. Boudreaux indicating that. He believes Mr. Boudreaux has that letter. Mrs. Cully said we have that letter.

Mr. Perona said he would like to call for the question. It is an excellent chance for the Mayor to step in and try to resolve the issue before it comes before this Board and before we all start stating our positions. Hopefully, that will be a moot point, and we can get on and partner this thing with the City like we always intended to do. Mr. Summerhays said we have some serious issues here, and he would rather see if staff could work it out and come out with a joint recommendation palatable to both Boards. It does have the opportunity to be a very contentious issue. He would agree with the Mayor's suggestion.

Mrs. Cully asked what we are voting on. Mr. Summerhays asked that the motion be repeated. The motion was restated as follows:

Motion by Mayor Benton, seconded by Mr. Perona that the Discussion of the North 25th Street Project be delayed until the next UA Board Meeting to give all parties an opportunity to meet and work out this issue prior to having a public debate.

The roll was called and the motion unanimously carried.

Mr. Frank Varella requested approval to award bid for comprehensive banking services to Riverside National Bank of Fort Pierce, Execute Banking Services Agreement and Authorize Director of Corporate Services to sign any supplemental agreements. Mr. Varella explained this is a three year and three month banking agreement.

Mr. Varella explained the Utilities Authority recently went out for proposals from area banks. We did receive six responses. Two of them, Harbor Federal and Bank of America, declined to give us a proposal. Riverside, Wachovia, Bank Atlantic, and First National did give us proposals. Staff analyzed the proposals and looked at the following criteria: completeness of the RFP, location, qualified depository, financial strength, availability, timeliness, and financial impact. Pretty much they all met the first five requirements. The sixth one is what it came down to, and that is financial impact. As you can see from the agenda packet, on the last page of the letter is the financial impact. The net financial impact to Riverside was \$5,526. Wachovia had two: \$4.8 thousand and \$4.2 thousand. First National was \$4.5 thousand. Bank Atlantic was \$5.2 thousand.

It is staff's recommendation that the best deal for FPUA is Riverside National Bank. They have been our bank since 1990, and we've had a good relationship with them. With the new agreement, we make

May 16, 2006

Page - 7

about \$45 per month more than we were previously making. That is because Riverside restructured their service costs.

Motion by Mr. Drummond, seconded by Mr. Perona and unanimously carried that award bid for comprehensive banking services be given to Riverside National Bank of Fort Pierce, Execute Banking Services Agreement and Authorize Director of Corporate Services to sign any supplemental agreements.

Mr. Boudreaux advised the Board that the City Commission Chambers are going to be closed for renovation during the month of June, so it will not be available to us for our meetings. We are going to set up the War Room at the Energy Services Center to accommodate the Board Meetings for the month of June. The address is 1701 South 37th Street. Our next meeting is June 6, 2006. Mr. Summerhays said he might be out of town at that time.

Mr. Perona said the selection process for the Director of Utilities was a very comprehensive one. One of the side benefits he got out of the process is feeling a lot more comfortable being part of this organization with the caliber of people who are behind our key operations. We got to speak to three of them, and any one of them could have led this organization down the line. He feels even more comfortable than he did before. We measured them against people on the outside who were the best of the best, and we have the best right here. It made him feel good. It is a good feeling to have that much ability in this organization.

There being no further business, the meeting was adjourned.

ATTEST:

Secretary

Chairman