

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY BOARD, TUESDAY, SEPTEMBER 19, 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; Mayor Robert J. Benton III; Ex-Officio Member/City Manager, Dennis Beach

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

Chairman Summerhays called the meeting to order.

The Invocation was given by The Reverend Bill McClain of St. Lucie Presbyterian Church.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Mr. Perona requested Item A-4 be removed from the Consent Agenda.

Motion by Mr. Drummond, seconded by Mr. Perona and unanimously carried that the items on the Consent Agenda be approved with the exception of Item A-4.

1. Approval of the Minutes of the Regular Meeting of September 5, 2006.
2. Approve Blanket Purchase Order to Florida Gas Utility for natural gas purchases in the amount of \$3,500,000.00 for Fiscal Year 2007.
3. Accept renewal quotation from American Home Assurance Company through Brown & Brown, Inc. for public officials and employment practices liability insurance effective October 23, 2006, in the amount of \$37,117.
4. Removed for consideration separately.
5. Approval to purchase a utility crossing license from Florida East Coast Railway for a fiber optic cable installation in the amount of \$30,000.00.

Item A-4 from the Consent agenda was considered at this time.

Mr. Thiess asked Mr. Tom Richards to explain the request to approve an increase in the power supply costs for FY 2006.

Mr. Richards explained this is a housekeeping item that results from our need to have a purchase order from which to pay our purchased power expenses. Those expenses are directly related to the budget item the Board passes at the beginning of each year. Over a period of time, our costs have increased over what we thought they would be a year ago. The purchase order has never been updated for this fiscal year. We are requesting to change these numbers, particularly, for two items. One is the St. Lucie Project, which is nuclear power, and is excluded from the All Requirements Project. The other one is for the All Requirements Project and is covered by our power cost adjustment. The combined additional amount requested is \$6,710,000.00.

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Mr. Perona said what caught his eye was regarding the St. Lucie Project, removal and replacement of steam generator and reactor. Since we are a partner in this, we also have to partner in all the expenses, as well as, unforeseen major expenses. Mr. Richards said that is correct. Mr. Perona said he knows we are just a small partner in this, so it must have been a very expensive repair. Mr. Richards said it absolutely was a major repair.

Motion by Mr. Perona, seconded by Mayor Benton and unanimously carried to approve increase in the power supply cost for FY 2006 for the St. Lucie Project and the All Requirements Project in the combined amount of \$6,710,000.00 for a new total of \$45,937,651.00.

The following expression of appreciation was noted:

A note was received from Mustard Seed thanking FPUA for contributions totaling \$264.58 from Project Care.

Mr. Thiess explained the next request for approval is in regard to the quote for insurance for the Fiscal Year 06-07. The total for automobile liability, general liability, property and Workers' Comp insurance is about \$1.3 million, compared to \$774,000 last year. The lion's share of that increase is in the property coverage, which increased 103%. Mr. Thiess asked Mr. George Erickson of Siver Insurance Consultants to explain this to the Board.

Mr. Erickson stated he would like to cover about three basic issues. Because it is such a large and out of the ordinary increase, he would like to discuss some of background behind the price increase and discuss in a little more detail, the changes and exactly how your property deductibles are going to work in the upcoming year in the new program. He would like to briefly touch on an issue we've addressed in the past, which is the financial condition of the Florida Municipal Insurance Trust (FMIT) as the League of Cities insurance fund.

Mr. Erickson stated with respect to the pricing changes, it breaks down roughly to the property portion going up 103%. That is almost entirely a rate increase pass-through from FMIT. Their reinsurance costs have gone up, significantly, proportionately. They warned us in advance that this was coming. This is very consistent with what we have seen statewide and not just with FMIT. This is actually much better than some of the programs some of Siver's clients are getting, which are limited to wind coverage in the amount of \$10 million or less. These types of increases, unfortunately, are the norm right now. FMIT did change some of its eligibility for new entrants, and he thinks this is worth noting. They put in \$50 million limits on losses for new entrants and have told us verbally that they would not accept any entrants now into their funds that had over \$70 million in insurable values. The significance of that is FPUA would need to understand that if you were to leave the Florida League of Cities, there is a very good chance they wouldn't take you back next year. He doesn't think there is a better program out there that could offer better pricing on your property insurance.

He explained General Liability went up 27%. A portion of that is about a 10% payroll increase, and the remainder, according to the Florida League of Cities, is due to about a \$90,000 increase in general liability losses over the past year. The auto liability went up 39%, although these numbers pale in comparison to overall affects of the program. That was due in large part to about \$38,000 in losses over the past year. The Workers' Compensation went down 4% in spite of a 10% payroll increase, and

that was largely due to the fact that the experience modification of FPUA went down from .92 to .89, and there were some rate decreases in the State of Florida.

In terms of pricing, the main thing we want everyone to understand is that this is largely a market function in Florida. The market barely exists for purchasing wind coverage. While FMIT is not a standard insurer, they buy reinsurance from the standard market, and they are having to pass these price increases along.

The one final point he would like to add in pricing is that they have insisted upon revaluations of all their member clients. This is underway at FPUA, although these prices are based on the current schedule. There is a revalue schedule which is going to be submitted. There is a very high likelihood that there will be a further increase in the new schedule. Construction costs have pushed appraisal values through the roof. The League of Cities has assured us they will not price it until they have the new values. They are not going to charge a full year at the higher value. But, they are insisting on appraised values going forward. If the new values are submitted too slowly, they have threatened to take away things like replacement costs, agreed value coverage and blanket coverage. They understand it can't be done overnight.

Mr. Erickson said in terms of the deductible, things have gotten incredibly complicated. The one thing that hasn't changed is properties within one-half mile of the Atlantic Ocean. They are still subject to a 5% wind deductible, which is also subject to a \$100,000 per building minimum. Staff has been looking at what buildings it makes sense to just drop from the schedule altogether, because there wouldn't even be wind coverage for them with the \$100,000 minimum. That analysis is on-going. For all properties outside of one-half mile, there is a 5% deductible, which is 5% of the value of all damaged locations in any given hurricane. They take them all, aggregate them, and apply a 5% deductible of all those values, which is subject to a \$100,000 minimum per occurrence deductible. Whatever your 5% is, it is the greater of 5% or \$100,000. That is the actual deductible for a named storm loss. This is a change from last year. Last year there was a 2% deductible for some properties, but it was all wind. This is named storm, only. For wind that is not caused by a named storm, such as a tornado coming through downtown Fort Pierce, that would be subject to a \$100,000 per occurrence deductible, but no percentage.

Mr. Erickson informed the Board there is one other change they only became aware of today. The stop loss, which is the limitation on property deductibles, last year was \$443,267, but last year that amount would not actually cap the 2% deductible. The 2% could go over that if you had a 2% deductible that was over that amount. This year it is \$782,719, which is much higher, but that is an overall cap on all property losses with exception of those within one-half mile of the Atlantic. Those are under a separate program that is underwritten by the State. Your 5% deductible is capped now at \$782,719 per year. If there were three hurricanes, and in the first hurricane you had \$782,000 deductible, you have no deductible after that. That is a positive change.

Mr. Erickson said it is a very difficult renewal in that you are getting less for more money. That is what the insurance industry is handing down in a sort of take it or leave it fashion.

Mr. Erickson stated that he would like to touch on the financials of the Florida Municipal Insurance Trust, which we had some concerns about several years ago. We have reported to the Board regarding this from time to time. At the end of 2004, they had \$57,000,000 in fund equity, which is, essentially, surplus. At the end of last year, they added \$30,000,000 to that and had \$87,849,000 in fund equity. As of their March 31, mid-year financial projection, they have added another \$11,000,000 and now

have \$98,456,000 in fund equity projected. They continued to grow. In Siver's opinion, they have continued to grow in a very positive fashion and weathered all the hurricane losses they had in 2004 and 2005 and still managed to add to their fund equity. The question is at what point do they reach what is an appropriate level of equity to level out at and pass that back in terms of rate decreases. We're not exactly sure, because they do retain quite a lot of their property exposure, up to \$20,000,000 per hurricane. That amount could come directly out of the fund.

Mr. Drummond asked if Mr. Erickson has a sense of what sort of percentage we might be looking at in terms of increase after the appraisals are done. Mr. Erickson said the only appraisal returns he is aware of are on some smaller properties. They are showing increases. All the increases on the smaller properties could be offset by decreases in some of the larger plants. He believes there are discussions that will have to take place regarding that. It would be very difficult for him to project. He advised the Board to prepare for an increase. I would look for every possible way to avoid one. That is going to require some discussion as to how we treat the power generation facilities and the wastewater plant.

Mr. Drummond asked on the general liability, as well as, automobile liability, is that an a-typical year, or is it something we can address at this level. Mr. Erickson said to the extent that the League's numbers are valid, it is a-typical. He is not one hundred percent convinced that they may not revisit these and offer a credit down the road. He is not sure these valuations even make sense, completely. He is not one hundred percent sure the League is basing them correctly. Mr. Drummond asked if we have the ability to challenge. Mr. Erickson said yes. And, we will go forward with that to the extent we can. The League is very good about it if we can come up with a better valuation and with crediting that.

Motion by Mr. Perona, seconded by Mayor Benton and unanimously carried to accept renewal quote from Florida Municipal Insurance Trust through Florida League of Cities for general liability, automobile liability, property and Workers' Compensation insurance effective October 1, 2006, in the amount of \$1,301,921 for FY 2007.

Mr. Curtis Morris, Water/Wastewater Operations Superintendent, presented a request for extension of a contract with DitchDiggers, Inc., our unit price contractor.

Mr. Morris said we are requesting Board approval of a four month extension on the current contract with DitchDiggers. They take care of some of the capital projects in our water/wastewater system, as well as, some larger repairs. This contract was originally bid in September, 2003, under bid 5340 for a one year contract with two, one-year renewals with the intent for the contract to expire September 30, 2006. That time is quickly approaching, and we do not have the bid documents ready to go out. That is why we are requesting a four month extension in order to give us an opportunity to accomplish this.

Mr. Drummond asked if we've begun pulling those documents together. Mr. Morris said the documents are probably 95% complete. They will be ready within another two weeks. The process takes from 60 to 90 days once we go out to bid.

Mrs. Cully said she wondered why it has taken us so long. Mr. Morris said there are a number of reasons, but, probably, the most significant one is that we had a change in staffing of the people who take care of this particular contract. It kind of fell through the cracks, to be candid.

Mr. Perona said DitchDiggers has been doing a pretty good job for us if he understands it correctly. Mr. Morris said they have been doing an excellent job. They have agreed to hold the current prices for the next four months while we rebid the contract. Mr. Perona said if he is not mistaken, there was another contractor who did our work for years, and they kind of merged in with DitchDiggers. Mr. Morris said that is correct. The company was Barton Construction. Mr. Barton passed away, and the contract was no longer valid. DitchDiggers hired the staff from Barton Construction, so there was a fairly smooth transition for the remainder of the Barton contract. We went out for rebid and DitchDiggers was the successful bidder. Mr. Perona said that level of service has been as good as it was. Mr. Morris said it has been excellent.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to Approve extension of Water/Wastewater Operations Contract with DitchDiggers, Inc., Bid 5340, for a period of four months ending January 31, 2007 in the amount not to exceed \$250,000.

Mrs. Nina Hurtubise presented the July 2006 Operating Results.

Mrs. Hurtubise stated we are still in a time of rising costs with income falling behind, but not quite at the same rate the expenses are going out. The highest dollar increases are generally expenses we cannot control, such as purchased power and hurricane expenses. These are followed by the retirement contribution, employees' salaries, utility costs, and employee insurance. At this point our bottom line is supported by our contributed capital. In July 2005, we had \$4 million in contributed capital. Now, it is over \$8 million. About 55% of that is capital improvement charges. About 21% of the \$8 million is from non-cap contributions. These are for utilities that various developers throughout our service area have put in and passed along to us for operations and maintenance. That is quite a chunk. The final portion is money we charge for line extensions, meters and those sorts of things.

Mr. Thiess explained the salary increases we are requesting the Board approve today are for non-exempt employees. We handle raises for non-exempt employees on October 1st and exempt employees on April 1st of each year. This recommended pay plan is based upon a study performed by Cody and Associates comparing neighboring utilities and municipalities. He introduced Mr. Nick Pellegrino of Cody and Associates to the Board.

Mr. Pellegrino said we have conducted these studies for the Utilities Authority for the past fifteen years. We look at all the municipalities within your local operating area. These consist of St. Lucie, Martin, and Indian River Counties. We also look at utilities throughout the State from Lake Worth, Gainesville, Jacksonville, Orlando, Monroe County, and all that have similar positions to see where the trends are and to see where you have to be competitive. We also looked at some private utilities, such as Florida Power and Light, the gas companies, etc. It is a pretty comprehensive review. What we found is that, especially, in the last couple of years, salaries are increasing at a faster pace than they have in the past. This is due to many things, such as full employment. Supply and demand is dictating that you be very competitive. You have housing issues in various part of the State and in St. Lucie County. We completed a study for St. Lucie County last year and for the Sheriff's Office. We are finishing Martin County right now. We are finding that salaries are going to be increasing from 4.5 to 6 percent on an average through the region and State. In St. Lucie County last year, the salaries were projected to go up between 3 and 5 percent, but most agencies in this area, Port St. Lucie, City of Fort Pierce, St. Lucie County and Indian River County, exceeded that amount. We are not in a catch-up mode, but the amount recommended, today, would bring you to a competitive level.

Mayor Benton asked why Mr. Pellegrino didn't just say 6%, instead of 5.99%. Mr. Pellegrino said we can round it off at 6%. Mr. Summerhays said 5.99% is clearly less. Mr. Drummond asked what the City of Fort Pierce gave. Mayor Benton said it was 11%. Mr. Pellegrino said that was a result of negotiations and a pay plan study they did. They were trying to catch up.

Motion by Mayor Benton, seconded by Mr. Perona and unanimously carried to approve an overall salary increase of 5.99% in the amount of \$476,196.00 for non-exempt employees effective September 25, 2006.

Mr. Summerhays introduced a request for approval of a proposal for FPUA purchasing services. He stated the Mayor has asked for an opportunity to speak before we consider this item.

Mayor Benton said the City Manager distributed a letter to the Board this evening. He asked Mr. Beach if he would like to cover the request. Mr. Beach said at our Commission Meeting last night, the City Commission asked that the FPUA Board not take action on this proposal until the City has had an opportunity to assess the financial impact on the City. The letter he distributed states that. Mayor Benton said our meeting was over quite late last night, so, thinking today, the best route for us to go in his opinion may be to task our external auditors with evaluating this. We have memos from Frank Varella and Tony Barnes that differ. He would like to get the facts. We could have our auditor come in and look at this situation and see what is best for the UA and the City. They can come up with some accurate numbers and find out what is most cost effective. He spoke with them, and they told him they could do this. In that way, we will be basing our decision on facts. If this Board supports that, he will ask the City Commission to do this, also. He is sure it would take a short period of time.

Mr. Drummond said he doesn't have a problem with allowing an auditor to look at the financial aspects of it. He would just go on the record and suggest that his philosophy is that he would want it to be done in a way that would be cost effective. There were some issues brought up in the memorandum from Mr. Barnes that spoke in terms of the level of expertise and professionalism and things of this nature. He is not sure what an auditor can find out about that, and he thinks we need some input from staff. He wants to have a comfort level with regard to what we would have once we make that transition in terms of capability, particularly, as we move forward with some of these large projects that we can rest assured that we are not going to have any legal issues to deal with as we go through the bid process. He doesn't mind postponing it, but would want it to be some time certain, so it doesn't just linger out there.

Mr. Summerhays said, as a CPA, what we are asking for is an engagement to perform specified functions. It is something the auditor would presumably have the expertise to do, since they do audits of ours and other municipalities, although we are the only utility they do. He doesn't imagine that for this function the cost would be a lot different. He would suggest it is entirely possible that we could do this in-house, also. If we are getting into a he said, she said, we would have the comfort of having an independent third party to determine what the actual costs are and what their allocations would be. He doesn't believe it is going to be cheap. He asked the Mayor if he talked price with the auditors at all. Mayor Benton said no. He spoke with Mr. Hartley briefly, today, to see if they could do this in their scope of work. The UA and the City staff would have to sit down and define what, specifically, we're looking for. In this way, we would have a third party looking at it. It can, maybe, tell us if there is a better way for our Purchasing Department to do things. We have been doing it this way for 35 years. It must make sense. Why, all of a sudden, do we change it, unless it is cost effective.

Mr. Drummond asked if that is just looking at costs, or is it also looking in terms of percentage. Mayor Benton said right, and he thinks we should look at accurate numbers. He spoke to Mr. Thiess a month ago, and he thought our staffs were going to get together and fine-tune those numbers a little bit. We put together a budget very quickly this year, so maybe those numbers aren't as accurate as they could be. If we have an auditor come in, we will define those numbers a little better.

Mr. Thiess said this came about following a meeting we had with the City Purchasing folks, probably, two and a half to three weeks ago. In that meeting City Purchasing staff were looking at three additional employees in Purchasing, which the City, subsequently, eliminated. We are, now, talking about the same group we have been working with for at least the past seven or eight years. Originally, we started looking at going in-house due to the cost that was tossed out to us, which was \$256,000 per year. That is a substantial increase over the \$68,000 per year we have been paying. Granted, the cost we are paying should have been increasing, because that amount was established back to 2001 or 2002. It was calculated on 33% of the budget of the Purchasing Department of the City. He is not sure where that fell down, but for some reason that 33% was not applied each year, as the budget of that department increased. We recognize our share of that cost, probably, should have been a little more. On the other hand, the \$256,000 gave us some severe sticker shock. Since then, the next time we talked about numbers was when the City, in their budget workshop, did not approve the three additional personnel. At that point, our cost, based on the 50% share the Purchasing Department was asking for, went down to \$207,000 per year, which still represented a 300% increase over what we have been paying. As a result of that, we thought we owed it to our customers to look at what the cost would be to bring that function in-house.

Mr. Thiess said cost is definitely a consideration, but he would like to stress that the other thing we wanted to look at was refocusing our purchasing efforts to look at a utility focused purchasing effort. This was a unanimous decision of all the Directors working under him. We want to do more work with FMPA, since the costs are very low when we go through FMPA. We want to look at more cooperative utility purchasing agreements that are focused on the utility industry. We are not saying the City hasn't done an adequate job to get us through over the past 34 years, but we think as we move ahead we could target the vendors, suppliers and contractors that serve utilities better and get more competitive bids by reaching the right audience. That was really the thrust behind staff's recommendation to move this in-house. We want to save money, but we really wanted to focus on redirecting purchasing services into the utility arena and not go with the approach the City has been using.

Mr. Drummond asked if we are suggesting that the City cannot target utility purchasing. Mr. Thiess said to some extent. Many times we have prepared a list of bidders or potential bidders and sent it over with our bidding documents to the City. Typically, those do go to those people. As a general rule, he thinks they do, although, he heard, today, there was one that didn't. The list went over there, but it did not get out to the potential bidders. Typically, if we give them a list, it will be sent to those people. That is part of the problem, but that doesn't solve the whole thing. Our staff feels if we had the function in-house, we could try a whole different approach, use a different system for getting the bids out. We would use the AURSI system we are using now for Materials Management, which reaches the suppliers and vendors that we want to reach. He thinks in the long run it would be more efficient, suit our needs better, and would result in more competitive bids. It would take us a little while to get up to speed. If we did decide to go in that direction, we would need a transition time where we would have to go monthly with City services. It would require a little work on our part. We feel in the long run it would better suit our staff and our customers as far as services rendered.

Mr. Drummond said his concern is how expensive it would be to have the City key in on those areas staff is speaking of versus creating a department. Is it that alien that they would not be able to transition and meet our requirements? Mr. Thiess said that would be something we would not be able to decide completely in this meeting, today. The City, obviously, could accommodate some of those things. He doesn't know if the City could refocus every thing they do as a standard procedure in the way of purchasing and focus things as hard as we want to focus things in the other direction. He thinks City Purchasing could probably accomplish some of those things. He feels they can certainly take the suggested bidders list we give them, as they have been doing. As far as getting City Purchasing involved in the software and internet based systems that we use, that may or may not be something they could do.

Mr. Perona said the way this is really supposed to work when you cooperate in any type of department, it is supposed to save both people money. We have some hard costs that it will cost us to do this in-house. He thinks if the City can provide us with similar services at a 20 to 25 percent savings on that cost, that is pretty much where he would like to be. If we can't get the savings.... This was going in the other direction: \$256,000 up from \$68,000. That would make us stop in our tracks, and say we have got to be able to do this ourselves and do it cheaper and better. If we're not going to save both parties money and let our ratepayers and taxpayers receive the benefit of it, then we may have to look in-house. That would be a dysfunction of that cooperative philosophy. He thinks the real issue is saving money. If we can get somewhat of a generic experience of whether the Purchasing Department can pick up on some of those specifics to the Utilities Authority as far as purchasing goes, we can get that generic type service, plus, some of our specialty needs at a discount, that is where we need to be. If we can't do it, it has to be something we're going to have to look at on our own.

Mr. Thiess said staff's level of comfort on achieving those goals and refocusing their efforts is not very high, because of the fact that when we had our meeting with Purchasing, they said they needed to hire three people to keep up with the expected workload. With the existing staff in City Purchasing taking on this whole new focus and incorporate additional software and working through FMFA more, we don't see how they have the staffing to do that at the current level of staffing.

Mr. Drummond said that he would like to ask the City to come back to us. He doesn't know what the staff was increasing for, but he doesn't know that it was all geared toward anything to do with that. Mr. Beach said what he would ask, is to follow what the Mayor has proposed and let's let our auditor assess the workload that is generated by either of these organizations. How much of the Purchasing Department burden is placed on us by the utility operation and how much is placed by the City? Let's see what those figures look like. His suspicion is that FPUA has an excellent management staff in all types of different areas and expertises, but purchasing is not one of them. His suspicion is that the City's Purchasing Department understands that process and understands what is required to a much greater extent than what the FPUA staff understands. He doesn't know that. He is just thinking that, because that is what they do. That is their total focus and responsibility in the City organization. An audit or at least an analysis of the demands of the two organizations on that would tell you whether or not the figures you are being provided by FPUA staff are realistic. His suspicion is if the UA agreed to go forward with its own Purchasing Department, in a year to two years, you are going to be paying twice as much as you are paying right now to the City. That is going to be the demand of staff time and effort it takes to get the job done. Your organization is now a \$120 million per year operation. That is a tremendous amount of work load to flow through a Purchasing Department. Mayor Benton said when you are looking to create a new department, usually, the initial number comes in kind of low. Once you get the expertise, you will be looking at a \$200,000 to \$400,000 department when you are

talking about employees and benefits required. Let's get the numbers and the facts. He thinks both the City Commission and this Board want the best bang for the buck for the ratepayers and taxpayers, who are the same people. He doesn't think our staffs have the ability to give us accurate numbers. He doesn't know how much experience department heads have when it comes to purchasing. How can department heads tell you that money will be saved by doing it in-house. Let's have an independent group look at it, come back with the numbers, and we can make an educated decision.

Mr. Summerhays said the CPA firm is not going to be able to tell us much about the efficiency of Purchasing. Unless it is a huge international firm, they don't have a purchasing department. They really don't know a lot about it. They would be able to tell us what the costs really are and what work load is being generated and who is generating it. He thinks if we're going to pursue that we need to have City Purchasing work with FPUA staff to better serve our needs. If he is hearing this correctly, a big part of the question and problem is not just the cost. It is that utilities and city are not really the same thing. The purchasing needs to be directed a little more.

Mr. Beach said he thinks he understands what Mr. Summerhays is saying. The issue is about efficiency and whether or not the Purchasing Department is as efficient as it should be. He can't answer that question. He tries to put himself in the Utility Director's position. If he had a function over here that did not respond to him when he needed something, he would take immediate steps to start adjusting that. If we're having that issue in the Purchasing Department, if they're not responding to the needs of the Utility, you should separate and create your own Purchasing Department. You really can't function unless you have people responding to you in a way that works for the department.

Mrs. Cully agrees we should receive an analysis, but she was wondering if the analysis would include more employees in the Purchasing Department or would it only include those who are there at the present time, taking on more work load as both bodies' projects become larger. Mr. Beach said he sees the analysis as breaking down the workload between the two organizations. If we get into the efficiency area, we'll have to study that further.

Mr. Drummond said one of his concerns is what the CPA would be able to provide is an historical perspective. He is concerned from a going-forward standpoint and the needs of the Utilities staff, whether or not we are able to analyze whether or not the City's Purchasing Department will be able to meet our needs and at what cost. He agrees with Mr. Perona from a cost-saving standpoint, but he wants to be sure we have both the staff and the expertise in order to know we are getting a good price for that service. Mr. Beach said, again, the whole point of this sharing is to gain some efficiency. If we do not succeed at that, it's pointless.

Mr. Summerhays said he understands the reason for bringing up using an outside CPA firm, but he really thinks our combined, internal staff, our finance people, could do the same thing, particularly, if they work together. He has the highest regard for the competence and technical ability of both Mr. Bergalis and Frank Varella. He has no reason to believe they couldn't do it, unless there is an overwhelming urge to have this independent, third party look at it. It is an additional cost.

Mayor Benton said some of us have been talking about this for a month, now. He doesn't know whether there has been a follow-up meeting from the original request. Mr. Thiess said no. We have had some phone conversations with Purchasing, but we haven't sat down at the table. Mayor Benton said to him this was a priority to get straightened out and have the numbers more accurate. It seems neither staff has gotten together. If 50% of the job is buying for the Utilities, there is no reason

Purchasing staff couldn't get a little better educated on what they're going to be dealing with in the future.

Mrs. Cully said she was wondering how the figure started at \$256,000 and, now, has dropped so much lower without any analysis. Mayor Benton said Mr. Barnes might want to come up here, but he knows once the City had their budget meeting, they decided not to add those additional people. The numbers might have come down for that reason, or we asked them to re-think it.

Mr. Barnes said the \$256,000 came about as a result of an analysis Purchasing did. They found out that 50% of the department's work was utility driven. We asked for the additional three people. That budget went away and is now \$407,000. That is how we came to the figure of \$134,000 at 33%.

Mr. Barnes said he would like to say one thing. His staff has taken a beating here. No one has ever asked us. We serve the Utility as well as it can be served. He wants to make that perfectly clear with everyone sitting up there. Of the 20 years he has been here, there have only been three months that our level of service dropped, and we were operating, then, at 50% of staff. Every time we have talked to the Utilities Authority departments, we have taken their ideas, implemented their ideas, and done the things that are necessary. We have knowledge of what is going on in the Utilities Authority. He does take exception when you are saying we don't serve you. He doesn't think you can find anybody else who can serve you better.

Mr. Perona said he doesn't think the level of service from the City has been questioned. He thinks what was discussed was that you use Demand Star for your bidding processes, and there are other sources out there that the Utilities Authority thinks might be able to provide better service in the future. He doesn't think for a moment that the Purchasing Department was ever considered to be other than a good provider. Mr. Barnes said he heard words like "efficiency" and things of that nature being used. He might have misunderstood, but he wanted to make it perfectly clear that we have taken every idea and pursued every idea. Currently, based upon our numbers, we have saved by using an E-service. We might be able to find a better E-service. We don't have a problem with looking into that. That was never suggested to us. We serve the Utilities Authority from 15% to 40% with the current E-service provider. If you want us to look into some others, we would be more than happy to do that.

Mr. Perona said he is trying to get a confidence level with the figures we were given regarding bringing the services in-house in order to be as close to realistic as we can. What sources did we use to build these figures? Are they staff driven? Did we go outside the area and talk to other municipalities that might use their own purchasing department?

Mr. Thiess said he had that same discussion with Frank Varella. Mr. Varella prepared this estimate. We have an employee now, our Purchasing/Warehouse Manager, who has 29 years experience in purchasing. He already has a solid background in purchasing. We would hire two new employees and the Purchasing/Warehouse Manager would supervise those two new employees. We feel very confident, with his direction and two fulltime employees focused on UA purchasing, that we could serve ourselves very well with very quick turnaround times. That was the basis of these figures. We went through with this with our employees, as we do with our other budget items, and add on all the benefits that apply. This would also include trailers for temporary housing. Mr. Varella was very confident that these are good figures for annual expenses. Mr. Varella has noted in his memorandum that the figures don't include start up costs. These start up costs would include getting up to speed, some training, the overlap with the City where we would have to go on a month to month basis. Long term, Mr. Varella was very confident, with the two new employees, we could handle the function in-

house very efficiently under the direction of our existing Purchasing/Warehouse Manager who has 29 years experience in purchasing.

Mr. Thiess said if we do decide to look into staying with the City and working it out, we would have to do that with our objectives in mind, not just what City Purchasing is doing now, but we would want certain things incorporated. That is where we want to go. We can't just look at the past and divide up the transactions and say we're going to split this at this percentage. If things are not directed toward a different focus, we will not get anything different out of it. The services we have received from Purchasing, obviously, have been adequate. We have gotten our bids out. Sometimes the turnaround times aren't as quick as we would like them to be, but we run into that everywhere. What we are really looking at is a different focus. Perhaps, we can work that out with City Purchasing. We were concerned with the staff they had and wanting to add three additional folks, they may not have time to give us the focus we wanted.

Mr. Summerhays said he would like to see a little more study and some harder numbers and an attempt to work this out with the City to see if we can get what we want from City Purchasing. We have been doing this for 35 years, and he had never heard of a hint of any problem until the price quadrupled. They may have been there and may not have gotten to the Board level. He would like more information. He doesn't want to make a decision when we have conflicting information. He would like to see an attempt for the UA to work out an arrangement with City Purchasing if they can. There should be some economies of scale here. There may not be, but there ought to be. If we determine there aren't, and we're better off on our own, so be it. He would like to take a little harder look at it before we do that.

Mrs. Cully said she agrees to a certain extent. Now that it is open and out, she believes we should study it, so we can all feel better about in the end, whatever the results may be. She is concerned about the timeline. What are we talking about to get a study accomplished?

Mayor Benton said in his opinion, our staffs can start talking tomorrow. Unfortunately, he hasn't seen that as a priority in the last month, but to him, that should be a priority. If we can hash it out amongst ourselves and come back with some accurate numbers we can live with, fine. If not, do we bring in an independent source? By our next City Commission meeting, that discussion can take place. He is sure we can gain some headway by talking. Mr. Drummond said in his mind, it would be a world of just how committed the City Manager and the Director are in accomplishing it. Mr. Beach said the difficulty with staff doing this is both staffs have predetermined outcomes. We both are going to analyze this from what we want the outcome to be. That is what you are looking at today. You are getting figures based on what we want the outcome to be. That is why they are inconsistent and different. You need an independent assessment of this if you want unbiased data. Mrs. Cully asked what the cost would be to do something like that. Mayor Benton said he spoke with our auditors about it briefly, today, to see if it is a scope of work they could deal with. Mr. Drummond said as we have talked over the last half hour he has become more and more convinced that it is not something that our auditor is capable of doing. He thinks we are more concerned about finding out exactly what we need, the cost for that, and whether or not the City Purchasing Department can provide it. He doesn't think that is something an auditor can be tasked with. Mr. Summerhays thinks there are some severe limitations there, too. The auditors would end up having to bring in outside expertise. He has been partners with people who do exactly this type of thing. It would cost a lot of money, he thinks. He would really like to see our staffs try to work together. If by our next Board meeting it becomes apparent that they can't, we need to take another step.

Mr. Barnes said within our national and state group of purchasing we can have the purchasing team come in and look at and evaluate the system. He can provide numbers you need to call to set up something of that nature. They do have independent teams who will come and look at and make evaluations of purchasing departments. Mr. Summerhays said that might be a better choice than engaging our auditor. Mrs. Cully asked about utility companies having some kind of team. Mr. Thiess said we might be able to get some assistance from FMPA on that. He and Mr. Richards will be attending an FMPA meeting on Thursday and Friday and can start making contacts to see if FMPA can assist us. Mr. Summerhays said if not FMPA, APPA should certainly have some expertise in that. Mr. Thiess said one of those groups should be able to come in and give an assessment of the UA side of the house, he believes. Mr. Summerhays said he would like to see both bodies direct staff to get together to see if they can work this out. Mr. Barnes said we need to be sure we are not doing just materials, only. We need to look at contracts and everything, a full service type of department.

Mayor Benton said the UA needs to put on paper what it expects out of the Purchasing Department and see what their willingness and ability is to do that. Mr. Barnes said most times people don't ask for extra work, but he is more than willing to do whatever it takes to make this happen. Mr. Perona said he thinks the UA has done their research and is prepared right now to go to task on that. He has read a comprehensive report of exactly what the UA's needs are, so time is of the essence, and he thinks by directing staff to get this going as fast as we can, he thinks the UA is ready to start talking. Mr. Thiess said we probably couldn't get started in earnest until next week, because Frank Varella is out of town until Friday and Tom Richards and he will be out of town beginning around noon tomorrow for the rest of the week. A lot of the key players are in that group of people. We can start listing the focus we want to achieve and specific directions we want to go with Purchasing. Mr. Perona said he definitely doesn't want this to shift off our agenda. It needs to come back. He would imagine by the next meeting we would have some answers and a plan of how we're going to accomplish this. Our next meeting is October 3rd.

Mr. Summerhays said he would like to see a report in which both staffs have participated no later than October 3rd. The Mayor said he is willing to make a motion to that effect.

Motion by Mayor Benton that FPUA and City staffs get together as soon as possible and come back with a report for the City Commission at their next meeting and for this Board and its next meeting with a status report. Mr. Perona seconded the motion, and it was unanimously carried.

Mayor Benton said we've been doing this for so long if there were any flaws in it, he thinks we would have heard about them before the price went up.

There being no further business the meeting was adjourned.

ATTEST:

Secretary

Chairman