

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,  
TUESDAY, SEPTEMBER 18, 2007, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members present: Chairman, Thomas K. Perona; Vice Chairman, Darrell Drummond; Deputy Secretary, Robert W Summerhays, Jr.; Mayor, Robert J. Benton III; City Manager/Ex-Officio Member, Dennis Beach.

Excused: Secretary, Pamela K. Cully.

Others present: Director of Utilities; Director of Electric/Gas Systems; Director Water/Wastewater Systems; Director of Shared Services; Acting Director Corporate Services; Risk Manager; MOEC Curator; Purchasing Manager; FPUA Attorney.

Chairman Perona called the meeting to order.

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

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Mr. Drummond requested item A-1 be removed from the Consent Agenda.

Motion by Mr. Drummond, seconded by Mr. Summerhays and unanimously carried that Ms. Cully be excused from the meeting.

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

1. Approval of the Minutes of the Regular Meeting of September 4, 2007.
2. Approve termination of Independent Contractor Reimbursement Agreement between Fort Pierce Utilities Authority and Florida Municipal Power Agency effective September 30, 2007.
3. Accept renewal quote from National Union Fire Insurance Company of Pittsburgh, PA, through Brown & Brown, Inc., for public officials and employment practices liability insurance effective October 23, 2007 and approve funding of \$33,446.00.
4. Approve a separate post-budgeted work order in the amount of \$65,000.00 for the potable water system interconnection with Martin County Utilities with funds to be transferred from the A1A project.
5. Approve a post-budgeted work order in the amount of \$381,960.00, to be transferred from the existing capital budget for the installation of an underground electric distribution system to provide service to Indian River Community College Safety Complex.
6. Approve a post-budgeted work order in the amount of \$118,875.00, to be transferred from the existing capital budget, for the installation of an

underground electric distribution system to provide service to The Greens at Gator Trace Project.

7. Bid No. 5262: Approve a five-year agreement with Advanced Utility Resources & Supply, Inc., as a sole source, to provide an Internet Online Material Standards Manual and Quotation Service in the amount of \$8,905.00 per year, for a total not to exceed \$44,525.00 for the period of August 30, 2007, through August 29, 2012.
8. Approval of an Education Services Agreement with the St. Lucie County School Board for Environmental Education provided by the Manatee Center for the period of July 1, 2007, through June 30, 2008.

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A letter of appreciation was received from Mr. George Gunther of the Colonnades Condominiums Association 3, Inc. commending Al Dykes, Crew Supervisor of Transmission & Distribution, for excellent and courteous service. Also, the Service Crew consisting of Bill Kaeff, Terry Keck, Rick Hall and Antonio Gonzalez, who actually transferred equipment to a pole on their grounds, was deemed very efficient and safety conscious. FPUA's use of state of the art equipment was also appreciated.

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Mr. Perona postponed item C.1 of the agenda until after an award of bid; therefore Item D.1 under new business was considered next.

Mr. Thiess explained that this item rose out of a meeting between FPUA and City staff on moving ahead on the demolition of the King plant. This is a specific authorization to obtain a demolition specification on the plant.

Mr. John Tompeck explained that there are two items today relating to the decommissioning of the King plant. The first item is development of a demolition specification. Subsequent to the discussion of the memorandum of understanding of the King plant decommissioning at the August 7 Board meeting, FPUA met with the City to discuss the details of the MOU. That meeting took place on August 31. During the meeting the cost of demolition of the plant was discussed. Several years ago, Black & Veatch developed a detailed estimate for demolition which staff now feels is outdated and very conservative. Staff has contacted Jacksonville Electric Authority which has recently demolished two plants. Feedback from their Project Manager indicated that the costs of demolition have sharply decreased due to the increased salvage value of equipment and materials. Based on the age of our original estimate and the change in the market, the City requested FPUA to prepare a demolition specification and proceed with sending the specification out for bids as soon as possible. To expedite the process staff decided to use Black & Veatch for specification development for the following reasons. First, we have professional services agreement in place with Black & Veatch; Black & Veatch prepared the demolition specifications for Jacksonville Electric Authority; and Black and Veatch has worked for many years with Power Generation and is familiar with the plant site. The scope of work for this Authorization includes information gathering related to the plant area, environmental concerns, equipment listing and identification of plant structures. They will also do a plant inspection to help us scope out the limits of the demolition, they will prepare the specification, including an environmental section, method and means for plant

demolition, schedule and clean-up. In addition, they will provide us support services, which is engineering support during the bid process, including proposal evaluation. Based on Board approval today, completion of the specification is anticipated by the first week of November. Once the completed specification has been received, staff will proceed to develop the request for proposal package which should be completed early in November and bids will be solicited at that time. We expect we probably will not have bids until right after the first of the year.

Mr. Perona asked since this seems to be a very time-sensitive issue, with constant prices changing, would Black & Veatch take into consideration the time that we are allowing for this demolition to take place. Would this be a specific amount of time that these prices should be good.

Mr. Tompeck replied that it is difficult to forecast the cost of some of these salvageable items and the materials. For instance, when we did the estimate back in 2004, the prices of scrap copper was about 60 cents a pound; it is probably four times that right now, which is part of the reason we want to go and get some bids and see what the price actually is. He thinks these demolition companies have a pretty good handle on the way the prices are going, and they use that when they prepare their bids.

Mr. Perona said that it is really important that they understand what our time schedule is. We are looking at somewhere in November of next year before the first opportunity before we start even thinking about taking it completely down. We are doing some work, he believes, in May. He asked whether turning it over to the City would be before or after we start our demolition.

Mr. Tompeck replied that he believed the way it was originally discussed it was that come May 1 there were some activities required to put the plant in a dry lay-up condition. We also had included, after that period of time, a requirement to sell equipment. The feedback he received from Jacksonville Electric Authority was that they allowed the demolition contractor to take care of all that, which is why the price was much less and that way we did not get involved with what they were going to try to salvage versus what we were trying to sell. So based on that, we may be able to start earlier depending upon any other conditions that may arise.

Mr. Perona mentioned that in the same vein, if we turn it over to them on their time table, basically we would like to turn it over to the City as fast as possible. He is sure the City would like to take back possession of a cleaned up site as soon as they possibly can too, so time would be of the essence as far as they were concerned also. They could not just sit there and take their time taking down the plant. So, that would definitely need to be part of the agreement.

Motion by Mayor Benton, seconded by Mr. Drummond and unanimously carried, to approve Black & Veatch Specific Authorization BV-037 in an amount not-to-exceed \$43,500.00 for the development of a demolition specification for the H.D. King Power Plant.

Mr. Tompeck explained that the second item is development of a Phase I environmental study of the King plant. As part of the memorandum of understanding with the City, staff had recommended that a Phase I environmental study be conducted at the King plant site. Based on our meeting with the City on August 31, and the subsequent decision to develop a

demolition specification for the purpose of soliciting bids, staff feels it would be judicious to perform this study as a parallel effort to the specification development. The objective of the Phase I environmental site assessment is to identify, recognize conditions or historic recognized environmental conditions. Normally, Phase I evaluations are performed by a prospective buyer as part of a due diligence review to qualify for certain landowner liability protections under the Comprehensive Environmental Response Compensation and Liability Act, also known as CERCLA. In our particular case, it is being performed to provide the City with an environmental baseline prior to returning the property to the City for their use. A secondary function of the evaluation is to identify potential areas that should undergo further review. That is a key item that all of us need to understand. What we are trying to do in a Phase I evaluation is just the compilation of the recognized environmental issues that we know about, and also to identify potential areas that you may wish to go back and do a further review on. The requirements for this type of study are contained in the Code of Federal Regulations, 40CFR Part 312, Standards and Practices for All Appropriate Inquiries. Once again, in order to expedite the study, staff selected R.W. Beck for the work based on the following. We currently have a professional services agreement with Beck; Beck has qualified staff to perform the task and has completed similar studies; the requirements of the Code of Federal Regulations require professional geologists to be responsible for the study; Beck has performed a similar study at Vero Beach for their diesel generators; and Beck is familiar with the King plant site and structures. The scope of work includes data acquisition, this is really one of the key parts of it, a compilation of all reports of prior environmental investigations. Beck will also purchase a commercially available data base to determine whether the facility or surrounding facilities are listed on any Environmental Protection Agency or Florida Department of Environmental Protection data bases. They also will conduct interviews with site and/or City personnel as appropriate. Beck will also do a review of plant facilities, and a review of the status of various contamination or clean-up activities that we are in the process of doing. At this point, they will also perform the review of any areas where we think we may have potential concerns. Based on the data acquisition and the site visit, they will prepare a final report which will include all the findings of their data acquisition and site visit. As noted earlier, all the work that is done here will be performed in accordance with 40CFR Part 312; and the scheduled duration for this work is about 75 days after authorization.

Motion by Mayor Benton, seconded by Mr. Summerhays and unanimously carried, to approve the R.W. Beck Specific Authorization RWB-004 for the development of a Phase 1 Environmental Study of the H.D. King Plant site in an amount not-to-exceed \$34,000.00.

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Ms. Hurtubise presented the Financial Operating Results for the month of July 2007. For the most part we are continuing to see decreases in our consumption, decreases in our revenues and increases in other areas. The number that certainly sticks out for most, although our bottom line for the ten months is \$8,000,000 to the plus, the change in net assets is \$8.3 million, the number we tend to look at, which removes the capital contributions and the distribution to the City, is the income loss before the City contribution and the capital contribution. Unfortunately, in the month of July that number decreased to a loss \$568,000. Capital contributions continue to be strong. We have \$13 million in capital contributions here today, and that is a wonderful thing. The only problem with that is that \$9.6 million of that is capital improvement charges which are restricted to the construction of new facilities to address new customers, and \$2.2 million of that are non-cash contributions that are received

from developers, which also is a wonderful thing, but it inflates our bottom line and that is why we are looking at the other number as a more realistic one.

The capital contributions are up 4.9 million dollars compared to even just last year, and obviously last year we were booming then and we are even doing better now. Although we are doing better in some areas, we are not in others. Our electric unit sales are up a little bit more than they were in June, they were only up 1.8%, so the heat is finally kicking in and we are seeing the results of the heat; but water unit sales are down more than they were last month. It was a full .9% for the nine months ended June; for the ten months ended July, it is 6.2%. The wastewater billings are down just slightly more than they were last month. The natural gas unit sales are down less than they were last month, but it is certainly not because we are needing natural gas for heat at this point. Operating revenues are almost exactly as they sat this time last month, the nine months ended June 30. Electric was down 5% then, the water was flat, down a little bit at this point, but gas is down less again. It was down 18% in June, it is down 15%. The wastewater remains flat. That is not really what she wants to report to the Board. The operating income for the month of July is now over net losses of \$1 million. The debt service coverage is continuing to decline. The good news is that the 1.25 debt service coverage minimum, we are getting closer to it, but we are not there yet; and she does not expect we will get there. Once the month of September falls out of the twelve months from last year, the audit adjustment associated with the power plant depreciation is going to fall off and it is going to look a little bit better. The depreciation this year is about \$1.8 million year-to-date higher than it was last year. What ended up happening last year is that it was all booked in September; this year we are booking it a little bit each month as it ought to have been.

Expense increases, she talked about the depreciation, we do have the additional interest expense associated with the \$20 million pooled loan; but note that we do also have the interest income associated with the undrawn proceeds. We drew about \$7 million in the month of August to replenish our operating cash, and that is really the most significant draw we have had thus far. We still have a little bit less than \$10 million left on it. Operating supplies. She is so glad to hear that there is some benefit to the increase in the price of materials; we are going to get some of it back through the power plant. The way she sees it, she sees all the money going out the door for all the materials that we have to purchase to construct new facilities, at least we are going to get a little of it back through the power plant, but the cost of supplies in general is just through the roof. Anybody doing any construction can tell you that. We have had some expense decreases. Same story as we have had through the year. Our purchased power and natural gas have gone down, but we have passed those decreases down to our customers as we should. That reduces our revenue, so we have had both reductions in expenses as well as revenues as a result. The distribution is less than it was last year fairly significantly, and because we have so many large projects on-going our capitalized interest is a larger credit this year than it was last year. It is a negative expense.

Mr. Summerhays said that is a reduction of expense.

Ms. Hurtubise said that a month ago the Mayor had requested that she do an informal survey of local utilities. She did just that, some of them local, some not. She got quite an array of responses. She would like to start with the last one first because she was shocked and

horrified to hear that there was a development that was actually seeing increases in water consumption during the restriction. Some people just do not think the rules apply.

The Mayor mentioned that there is one in South Beach that was watering this morning when he came to work. He has asked their staff to check on that. They are watering every day.

She thinks that is the case in this other development, they are on timers, and as long as there is no enforcement people just continue to water. They want green lawns. In speaking with both electric and water/wastewater providers, it is a very common occurrence to see that there are vacant properties or renovated properties, that there might even be more customers in their customer base, but the consumption per unit is decreasing. We are not alone in experiencing what seems to be an anomaly. It is something we need to get used to, and she believes that our rate structure has been adjusted to accommodate that. So the answer is that we are not alone.

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Mr. Thiess presented the overall salary increase. We received the pay plan from Cody & Associates. The Cody & Associates study has a recommendation of 4.5 to 6% across the board average salary increase for the non-exempt employees, and that was based on average salary increases for comparable utilities state-wide that they include in their survey when they look at these things. Our focus on this when we looked at it was to balance the parity with other utilities, because we are in a very competitive market. We are competing for employees, among other things. To balance that need to stay competitive in the market with our obligation to keep our cost down to our customers, with that in mind, we came back with an increase of 4.03%, a shade over 4%, in an attempt to keep the cost down but still provide our employees with enough of an increase to keep pace with about where we see the average inflation these days. The average inflation, from what he understands, is somewhere in the 3.5 to 3.75%. We felt that we should at least keep pace with that so that we do not slip behind our competitors trying to keep qualified employees on hand. So that is where we are, we are at 4.03% across the board. He would like to point out that about a little over one-third of that is just needed to move employees up to the bottom of their pay brackets because a lot of times those slots will move up. The other part of the pay plan is seeing where the slots should go. A lot of the slots move up, so we obviously have to move the employees up to the bottom of that slot. That accounts for a little over a third of that money.

Mr. Perona said that it is rare that we do not take the recommendations from Cody & Associates where, he recalls from a long time ago, we were always somewhere in their range. They keep a good eye on what is going on in the marketplace. The big thing is that we want to make sure, even if times are tough, that our employees are not really losing money by working for us and we do take care of them. They do a great job for us and we certainly want to make sure that we are keeping up with the inflation standard and everything else like that. Times are lean, and we have to move in a lean manner, and this is it.

Mr. Summerhays added that he does not think that the Board has any choice but to keep these increases down and he agrees with Mr. Perona, he does not recall a time we were not somewhere in range recommended by Cody & Associates since he was on this Board, but given the ugly news that we continue to get from the Acting Director of Corporate Services, he does not think that they have any choice but to keep it down.

Motion by Mr. Drummond, seconded by Mayor Benton and unanimously carried, to approve staff recommendation of a 4.03% overall salary increase for non-exempt employees.

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Ms. Nancy Dallaire requested the Board approve the renewal quote in the amount of \$849,506.00 for various property and liability insurance premiums. The quote is from the Florida Municipal Insurance Trust and was provided to Fort Pierce Utilities by the Florida League of Cities. It has been reviewed by Siver Insurance Consultants. The renewals are for fiscal year 2008, and they are effective October 1, 2007. She has some good news today. She is happy to inform the Board that this quote represents a decrease of \$452,000 from the premium that the Board approved last year which was 1.3 million dollars.

Ms. Dallaire displayed a Power Point presentation to the Board.

She had prepared three charts showing the history of the premiums over a nine-year period. The first one showed the totals of all five types of coverage. There is boiler and machinery, workers' compensation, property insurance, general and auto liability. Fiscal year 2007 was an extraordinary year with the highest premiums, she believes, in Fort Pierce Utilities' history and that is largely the result of the property insurance premium which is the area shown in red. On the next chart, she pulled out the property insurance premium, so the Board could see all the others. It is interesting to note that they have remained level since fiscal year 2002. These four coverages, the boiler and machinery, the workers' compensation, general and auto liability have basically remained the same in total since 2002. The last chart showed property insurance by itself. There are several activities that affected the property insurance during 2007 and 2008. The first one is reinsurance, which is the cost of insurance for Florida Municipal Insurance Trust. The Trust passes this cost down much like Fort Pierce Utilities passes down the fuel in the fuel adjustment. They pass down the cost of reinsurance directly to its customers. After there were eight major hurricanes in 2004 and 2005, the cost of reinsurance skyrocketed. But 2006 was a relatively quiet year, reinsurers came back into the market and that resulted in lower cost for the insurance. The main reason for the jump that is seen in 2007 and a drop in 2008 is due to the cost of reinsurance. The second occurrence that happened during the year is our planning to decommission the power plant. In March of 2007 we were able to justify changing the valuation of the plant from replacement value to a revenue basis. This change saved Fort Pierce Utilities \$250,000.00 in premium. As a point of interest, the plant reached its peak value in 2005 and at that time the premium for the plant made up 50% of the property insurance premium, but on October 1st with this renewal the plant is going to drop down to 5% of the premium. The last activity she wanted to talk about is the appraisal. When the construction costs increased dramatically from 40 to 60% after the hurricanes, the Trust required all its clients to obtain appraisals to update their values and property schedules. Fort Pierce Utilities did this for all the locations except the power plant, and that resulted in a 17% increase in the property insurance value which was more than compensated for by the drop in the power plant value. There were some pluses and minuses, but overall it went up about 17%. So, the end result is that the property insurance premium dropped from the \$995,000.00 that the Board approved last year down to \$410,000.00, which is less than half of last year's premium. In conclusion, we agree with the recommendation of Siver Insurance Consultants to accept the renewal quote provided by the League of Cities and approve the funding in the amount of \$849,506.00 for the property and casualty insurance premiums.

Motion by Mr. Summerhays, seconded by Mayor Benton and unanimously carried to accept the renewal quote from Florida Municipal Insurance Trust through the Florida League of Cities for general liability, automobile liability, property and Workers' Compensation insurance effective October 1, 2007, and approve funding of \$849,506.00.

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Mr. Thiess explained that the next item was a bid for our unit price contractor on the water/wastewater side. These people are out in the street doing the Orange Avenues, the Indian River Drives, our pipeline construction services, etc.

Mr. James Carnes explained that on July 24, 2007, the Procurement Department received specifications from the FPUA Water/Wastewater Engineering Department for Bid No. 5740, Annual Unit Price Contract for installation of underground utilities for both water and wastewater systems. The bid was advertised on August 10 as well as August 17 of this year. Fifty vendors requested specifications, with six vendors responding with bids. On September 10, at 3:00 p.m., in the Procurement Department of the City of Fort Pierce, the bids were opened and revealed six vendors to be Ditchdiggers, Sunshine Land Design, Chaz Equipment, B&B Underground Contractors, Mastec North America and H&D Construction Co. Upon reviewing the submitted bids and awarding the bid based upon the total base bid, staff concluded that Ditchdiggers was the lowest and best bidder in the amount of \$4,915,465.03. This contract is necessary for the continuation of contract services for the installation, repair and replacement of water/wastewater infrastructure for the Fort Pierce Utilities Authority service area. Funds are available in the budget under several work order numbers that will involve installation, repair and replacement of water/wastewater utilities. Therefore, it is staff's recommendation to authorize the award of bid to the lowest and best bidder, Ditchdiggers, Inc. of Fort Pierce, Florida, for a one-year contract with three one-year renewable options and authorize up to \$1,000,000.00 to be expended in each contract year.

Mr. Perona asked whether Ditchdiggers has been our unit price contractor for several years now.

Mr. Carnes replied that was correct.

Mr. Perona said he had seen some of the other contractors that had bid and recognized some of their names. He asked whether, just from a standpoint of being happy with this contractor, although he is thrilled that they are a local contractor and that we are using them, as far as the engineering and the work that is being done are we thrilled with Ditchdiggers.

Mr. Carnes replied that we have had a great rapport with the contractor, we have good relations between us and the public in the areas in which we are doing construction as well as with the local government agencies, and we are very happy with their performance of the work we have with them.

Mr. Drummond asked how much of an increase this is over our current unit price contract.

Mr. Carnes replied that he believed the last unit price contract amounted to approximately 4.3 million, based upon the bid schedule that was publicly advertised at that time. The new bid schedule that we put together for the public bid was a reduction in some quantifiable

amounts, but there were some foreseeable increases not only in material prices but also in labor prices that were reflected in this one. So, we saw about a 6 to 8% increase in prices across the board.

Mr. Drummond asked whether Mr. Carnes was suggesting the basis is a unit so we saw about a 6% increase in a unit. Mr. Carnes said that was correct.

Mr. Drummond said that any bids we receive now would be basically 6% higher. Mr. Carnes said that it is approximate. When he said 6 to 8%, that is cumulative taking into account some of the smaller items that we had them bid on as well as the bigger items. The cumulative average is about that. There were also some items that were put on this because of the new infrastructure being put in for the mainland plant. We had some bigger pipelines we had them bid on, so there were some quantifiable increases in pipe line construction that were not foreseen in the last bids. This also accounts for the increase.

Mr. Drummond told Mr. Thiess that is referring to the Avenue Q project. He asked whether we are suggesting that this is lower than expected.

Mr. Thiess replied that he did not think the 6% would be a make it or break it on the Avenue Q Project. We were expecting a much larger increase. If one looks at the bids, they range on the total bid from 4.9 million on the low end to 17.7 million on the high end, and we really think that we might have been in there with that middle group of 7.6 to 9.3 which probably is a 20 to 30% increase. So, they really sharpened their pencil, and gave us a very good bid. We are very happy with it.

Mr. Summerhayes had a question on the total bid. He looked across and, for everybody except Chaz equipment and Ditchdiggers, the total appears to be the base bid plus about four times the alternate. In the case of Chaz equipment there is no alternate bid so it is just the \$17 million across. But in the case of Ditchdiggers, the total appears to be the alternate plus the base. He asked whether it was an error or whether it was just a different way of expressing it.

Mr. Carnes said that when you put the contract out to bid you itemize specific events and how you would like them to itemize the bid schedule. Fore instance, you want pipelines installed on a particular section in various sizes, various material make-ups, and then you have supporting equipment that is used to install those, and that is another part. Particularly, the base bid had four particular parts associated with it. The alternate bid was a separate classification. It was added in the last bid documents. That was an alternate as part of this one which just included the installation of HDPE piping, as well as the directional boring of that. The basis for this bid was for the cumulative sum of both of these and not each individual or any individual part that we could have awarded.

Mr. Summerhayes asked why are the rest of the bids four times, the alternate bid and Ditchdiggers is only one time. He is trying to make sure that we do not have an error and someone wants to come back and wants to talk to us in one year's time.

Mr. Carnes said that some people charge more money to install HDPE pipes and directional bores. Some people have to sub it out, so they have an increase tacked on to that as part of the labor cost, which is directly reflected in the bid schedule that they submit.

Mr. Perona said if you add column A and column B, you do not get column C. That is what Mr. Summerhays is talking about. To give you an example, Mastec is \$4.8 million plus about \$900,000, and column C totals \$7,600,000 whereas that should be about \$5.7 million.

Mr. Carnes said that is correct. The total bid is the bid that was received. It appears there must have been a cumulative error in the Excel spreadsheet produced for this.

Mr. Summerhays asked whether the total column was the correct column. Mr. Carnes confirmed that it was.

Mayor Benton asked whether it was Ditchdiggers that did the work in front of his home.

Mr. Thiess replied that they worked on a water service there at one point in time.

Mayor Benton suggested that somehow we have to communicate better with their foreman, so that they know where the water lines are. You just do not start digging here when you see the wet spot over there, and dig the road up, and then be surprised. Common sense dictates that we should see if there is anything we can do to get drawings to them. If they have been working here they should know where these lines are, but in this case it was just a hit and miss which took a couple of days for a job that could have been done in four hours. He hopes that is not what they are doing all over town.

Mr. Thiess said that, generally, they give us very good service and have very professional crews. Everybody has a bad day, and every now and then you have some fairly green folks on a crew, but overall they are very professional and give us very good service.

Mayor Benton said that was why he contacted Mr. Thiess because it was more of an embarrassment for himself and his neighbors because of the way it turned out. If they had a supervisor that picked up a set of plans or drawings and knew where pipes were before they left in the morning, it would make it a lot easier.

Mr. Thiess replied that every time something like that happens we make sure it gets back to the managers and they get it down to the field level fairly quickly.

Mayor Benton said once our man showed up, he pointed a finger and they were right on it. But this was a mess.

Motion by Mr. Drummond, seconded by Mr. Summerhays and unanimously carried, that Bid No. 5740 be awarded to the lowest and best bidder, Ditchdiggers, Inc. of Fort Pierce, FL, for a one-year water/wastewater unit price contract, with three additional one-year renewable options, in an amount not-to-exceed \$1,000,000.00 annually

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Mr. Perona introduced Item C-1 under Old Business. What he was trying to avoid by postponing the item was dealing with a project that was going to require Ditchdiggers to be a part of it, and if they were not the unit price contractor it would have had to be changed.

Mr. Thiess explained that this is the second and largest of three large MSBU in the northwest section. The FPUA Board contributed \$626,000.00 to this project, which was four years' revenue toward the MSBU. This is ready to go to construction, and is going to add almost 800 customers potentially to our system.

Mr. Bo Hutchinson said that the Harmony Heights MSBU will provide potable water service to approximately 790 homes. The total estimated cost for the project is \$3,845,238.00, which includes an FPUA contribution of \$626,203.00. The remainder of the project will be funded by St. Lucie County. The duration of the project will be approximately 18 months to construct it. The project was scheduled to start construction early in 2008. However, we have a bit of a problem with the start date. The cost estimate and the subsequent assessment to the residents is based on our unit price contract, which is typically lower than a bid project. This is the same unit price contract that would expire this month, and we really did not know who the unit price contractor would be after that. Per the Interlocal Agreement that is attached, any cost overruns are the responsibility of FPUA. Therefore, in an effort to insulate FPUA from any additional cost, we consulted with the current unit price contractor and also the City purchasing department and agreed that we could lock in the prices in the current unit price contract with the contingent that the project had started during the time frame of the current unit price contract this fiscal year. It is almost an insurance policy, if you will. To this end St. Lucie County paid us \$50,000.00 up front to start construction in fiscal year 2007. The \$50,000.00 is available in our current budget and on our current Ditchdiggers purchase order. In summation, we are asking for approval to use our current unit price contractor to construct Harmony Heights MSBU, approval to expend \$50,000.00 under the fiscal year 2007 existing unit price contract, and approval to increase the new unit price contract by \$3,795,238.00.

The Mayor asked whether the County informed these residents that they will be signing an annexation agreement.

Mr. Thiess replied that was sent out in the mail-outs that all the residents received back in the petition time. All that was laid out very clearly.

The Mayor said he knows we are having a situation with another MSBU in the south side of Fort Pierce. Hopefully the County is clearing that up.

Mr. Thiess replied that the big difference with this one is that the money is in place to construct the MSBU and it is not tied up with a grant. The problem that we have with South 26th Street is that the funding was by a grant, and the grant has a time frame that all the people must be connected by. That is a sewer MSBU also. If you have one, or two, or half a dozen hold outs on South 26th Street, it could long-term impact that process for meeting the terms of the grant contract and in actually wrapping up that project. Here it is different; here the funding is in place, the funding is an MSBU, the assessments are on the tax rolls of the individuals with the UA's contribution. The funding is all in place to construct it and there is no deadline like there is with a grant to get it completed and everybody hooked up.

He was talking to the City attorney about the worst problem that we have run into on the way to the meeting today. From our experience, most of these MSBU are in areas that have poor water conditions, and they are glad to hook up. We do not have a problem, and there has not been a problem. Even in Sunland Gardens Phase I water, we had a very high rate of hook-

ups and filled in the neighborhood pretty well with individuals connecting to the water. With this one we expect the same thing. Potentially, there could be some problems if you have a checkerboard arrangement of lots. Then you might have certain lots in that checkerboard that do not connect to the water, want to go ahead and use their wells, and do not sign annexation agreements. If you have that, it is not really a problem with the utilities services, the meter is ready, anyone can come in and sign up. The only potential problem he can see is that you would have some omissions from that block of annexations. He wrote a letter that is going to go out today to the City Attorney that we might want to rethink the MSBU process with the 26th Street case in mind and also the Harmony Heights one to see if we might want to run some interference on that ahead, maybe get the annexations ahead of the agreement to do the MSBU, or something similar. We do not anticipate that it is going to be a problem here. We are addressing it with the City Attorney, and as we move forward with the new MSBUs we will keep that in mind before we prepare these interlocal agreements.

Motion by Mr. Summerhays, seconded by Mr. Drummond, and unanimously carried to approve use of the water/wastewater unit price contractor for funding of \$50,000.00 for FY 07 and the remaining \$3,795,238.00 for FY-08 and FY-09, for construction of the Harmony Heights Water MSBU; and also approve an increase of \$3,795,238.00 to Bid No. 5740 Annual Unit Price Contract for Installation of Underground Utilities for Water and Wastewater Systems.

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Mr. Thiess said that you were all notified earlier that we cancelled the power plant tour. That was a good thing. It would have been a wet Monday morning out there. We will get back with you and try to reschedule maybe next week and catch a drier time. That is definitely not a site you want to be on when it has been raining. It is very sloppy.

Secondly, he would like to give the Board an update on the FPRA funding status for South A1A. We have had discussions with the FPRA director and the Mayor on this. A lot of these concerns come out of the State Supreme Court ruling that bond issues for FPRAs have to be voter approved. His discussions with the FPRA director thus far reflect that we think we can work the cash flow issue out where that will not impact Phase III of A1A. Presently our Engineering Department is going back and doing some design changes to help make that design more efficient and lower the cost. We had a cost on Phase III where the bid was approximately \$2.7 million. We are optimistic that we can get it down perhaps below \$2 million. We are working on that now. With that design change comes changing costs, changing cash flow and, hopefully, a change in schedule. By the end of this week we hope to have the project cost estimate redone, the schedule worked out, and with the two we get a cash flow needs. We will send that to the FPRA director and request that he get back with us on a program that will give us lump sum payments that will meet those cash flow needs as we go through the project. So we are optimistic we will deal with cash flow, that the bond issue will not impact the project; but we will not know that for sure until we get this cash flow needs out and get the FPRA to agree if they can meet that. He assumes that we will have more on that by the next Board meeting and probably be able to report back to the Board on that. One thing is for certain is that we will not over commit beyond the funding that we know is available.

Mr. Drummond asked whether we are going back and redoing the engineering to improve the efficiency.

Mr. Thiess replied that we are improving the design to cut costs. If the Board recalls, we did that design very quickly because we had to get a price to the FPRA. We did it in probably a third of the amount of time that it should take to do a design that complex and that big. We did it very fast to get that number to the FPRA quickly. We have had the time since then to back and rethink it, to look at it and make that design more efficient from a cost standpoint.

Mr. Drummond asked whether Mr. Thiess was suggesting that irrespective of the issues with the Supreme Court and the bond we would have done this anyway and there was a very good chance that those prices would have come down anyway.

Mr. Thiess replied that we would have done it anyway. We wanted to complete that process before we go back and establish the cash flow draw down issue with the FPRA.

Mr. Thiess said that the third item is a request from the Economic Development Council of St. Lucie County for funding. He believes the City received one too. He believes that in the past we have had the Economic Development Council come before the Board to give a presentation so we can talk and have an exchange between the Board and the EDC director as to how this money is benefiting us and our customers, what is in their plans moving ahead, etc. If the Board desires, we will agenda that for the next meeting and have the EDC director present that item so the Board can have a discussion with him.

Mr. Perona said he would like that. He remembers that Mr. Don Root used to come and speak to the Board and tell them what was happening, what was being done. It made them feel good about being part of that movement. He knows he is not with them anymore.

Mr. Thiess said that Larry Pelton is the new director. We will get with him, have him on the agenda and see if he can fit that into his schedule.

The last item is a brief discussion on unaccounted for water. The Board may have noticed on the financials that we are going back down again. We have really looked at this in a lot of different ways, we have prepared a lot of graphs, tracking it against other things. We are not quite to the bottom of it yet. It is down in the low 8s, not up there around 10%. It is coming back down. We feel anything below 10% is acceptable in the industry. Our goal is 5%, so we would like to get it down lower. We still have some other things to look at. We are looking at the water plant meters as a possible source of error. We are looking at calibrating those. One of your biggest numbers in that calculation is what is going out of the plant. We still have some work to do on that. Hopefully, by the next meeting we will have something more definitive to bring to the Board, and hopefully at the next meeting the number in the financials will still be trending downward. We will get to the bottom of that, and as soon as we are there we will bring something to the Board.

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Mr. Koblegard said that at the last meeting he mentioned to the Board that we were having to go ahead on some of these condemnations on Jenkins Road and he mentioned the cost involved. What he had overlooked at that time and had to go back and check again is that some of those are costs that are the Utilities Authority's responsibility and some are not. It turns out the ones for which we would be responsible for the costs we have settled, and they are done. The remaining six, although it is a public need for the line on Jenkins Road, we

worked out some water supply agreements with some of the developers, so some of those costs will be reimbursed to us. Therefore, it may be that some of the costs in these condemnations will be fairly minimal in spite of what he told the Board a couple of weeks ago. He does not know yet, but he thinks that is where it is going to end up, which is a very good thing for the Board.

Mr. Thiess requested him to report on one of the law suits involving the recycling company and the fact that we did not bill them for gas for some period of time. We just about finished the discovery process. There are a few more things that are being reviewed, and then we will be required to go to mediation. Before that, he will probably ask the Board to set a time so that we can have a meeting out of the sunshine to discuss that case and another one. Maybe at the next meeting we can try to pick a time. He thought maybe either before or after a Board meeting. Everyone is here. The Board would not have to come on another day. He thinks we are getting close to being at that point.

Lastly, the last thing he mentioned at the last meeting was the issue about the transfer to the City and whether we still owe it and have to pay it in the future. He mentioned that he had reviewed a number of the documents but Rob Schwerer had some minutes of some of the older meetings that he was going to get to him. He did. Following that meeting, he reviewed those, then Bill Thiess, through Kenna Hayes, found some other minutes. It is interesting to him that there is a letter from John Brennan, Commissioner Bryan and FPUA Attorney Bryan. Buck Bryan was involved as attorney for the Utilities Authority, John Brennan was involved for the City, and they made it a point to incorporate into the Charter in 1994 the requirements and the bond covenants restricting the transfer to the City based upon that percentage. Mike Williams, the attorney and the City's bond counsel today, was also the bond counsel then, and he agrees with that necessity that that be put in the Charter. That is different from what he thinks he is saying today about whether or not the transfer is still owed. He should be getting close to making a report to this Board and then it can decide what to do from there. Also, realize one other thing and the same as this Board enjoys today, the City Commission back in 1994 had the good fortune of having an intelligent, knowledgeable member of that Board in the person of Mr. Drummond, he was involved in the discussion, in the minutes he asked questions, he remembers what happened, he is sure. He thought since Mr. Drummond was on the City Commission in 1994 when this was done, and now he is on our Board, what better person to make the decision as to how this should be handled.

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There being no further business, the meeting was adjourned.

ATTEST:

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Secretary

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Chairman