

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,  
TUESDAY, MAY 20, 2008, 4:00 P.M., CITY COMMISSION CHAMBERS.

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

Others Present: Director of Utilities; Director of Water/Wastewater Systems; Director Electric/Gas Systems; Communications Manager; Risk Manager; Director of Finance; Director of Shared Services; UA Attorney

Chairman Drummond called the meeting to order.

The Invocation was given by Dr. Willie Russ of the Family of Faith Worship Center.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

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

1. Approval of the Minutes of the Regular Meeting of May 6, 2008.
2. Bid 5734: Approve additional amount not to exceed \$20,000 to the Dunworth Construction, Inc. Agreement for Fiscal year ending September 30, 2008, for concrete sidewalk, driveways and curb replacements.
3. Bid 5803: Award lowest and best bid to Areva T & D, Inc. for purchase of five, 138 kV circuit breakers in the total amount of 253,750.00.
4. RFP 5776: Waive competitive procurement process and award bid to Atlas Scientific as a sole source for asbestos monitoring of the H. D. King Plant during demolition in an amount not to exceed \$56,286.00.
5. Approve post-budgeted work order in the amount of \$325,834 to provide new underground electric service for the Madison Cay Apartments.
6. Approve subordination agreement for the Harbour Isle roundabout between FPUA, FDOT and City of Fort Pierce.
7. Approve Transportation Services Agreement with St. Lucie County School Board to utilize buses for MOEC summer youth programs in the amount of \$2,500.00, including options to renew for one year periods.

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The following letter of appreciation was noted:

A note was received from Parkview Baptist Church Food Pantry thanking FPUA employees for their contributions of non-perishable food items to their pantry during the month of April.

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Mr. Thiess presented a request for approval of salary increases for exempt employees effective retroactive to March 24, 2008.

Mr. Thiess reminded the Board the exempt salary increases are the second part of the Fiscal year 2008 pay increases for staff. The non-exempt increases were handled in October, at which time the Board approved at 4% increase. This 4% was well below the 4.5 to 6 percent range the pay consultant recommended. The Board exercised a good amount of restraint at that time.

The exempt staff constitutes a little over one-quarter of the total payroll. This is the smaller portion of the two parts of the salary increases. Typically, we have given both the non-exempt and exempt staff similar pay increases over the years. We haven't shown a lot of variation between the two groups of employees. Another thing he would like to point out is that the recommended 4.02% is below the consumer price index for the past year. The year ending January, 2008, it was 4.6%. The latest figure we have is from April, and it is about 4.5%. The 4.02% we are recommending is not a full cost of living increase. We are trying to keep up with the Consumer Price Index.

Mr. Thiess further stated we have 53 exempt positions out of a total of 306 positions in the company. They are, generally speaking, a very well trained, highly degreed group of employees. We have nine Engineers with five PE's in the group. We have 19 Supervisors and Superintendents; 7 Finance and Auditing professionals; 5 IT and GIS professionals; and our Superintendent and Assistant Superintendent in the Power Production department. We have more in Customer Service and Human Resources. In total we have 39 college degrees among the 53 employees. He thinks everybody is aware that we are in a competitive state within the utility business, particularly, with our skilled, technical employees, and our degreed employees. These people represent a tremendous number of years of experience. The average tenure at FPUA is 10.5 years. In their field, these employees represent, on the average, 25 years experience per employee. These employees are very much in demand. We feel if we don't keep pace with inflation and other salaries in neighboring utilities, we will have a hard time retaining these employees. Mr. Thiess pointed out we have a history of modest pay increases. Over the last five years, we've averaged under 4% for pay increases. Our pay increases, typically, have been 1% to 1.5% over the consumer price index.

In the past we have done the non-exempt employees in October and the exempt employees in April. Next year we will roll them all together, so this coming October, we will be doing the exempt and non-exempt employees together.

Mr. Summerhays asked what percentage of increase did we budget. Mr. Thiess said we don't budget the pay increases as such, but the percentage that went into the rate study was 5%, so we are 20% under what the rate study was based upon.

Mr. Drummond asked if Mr. Thiess envisions all employees would receive an annual increase in October. Mr. Thiess said we would have the consultant perform a pay study, and he would

recommend a range of pay increases. At that time, the exempt employees would have had a pay increase six months prior, so they would receive half of the recommended amount. The non-exempt employees would receive the full amount. If the pay consultant recommends 4% across the board for exempt and non-exempt employees, we would treat them equally and give the 4% to the non-exempt employees, since it will have been a year since they received a pay increase, and we would give the exempt employees 2%.

Mr. Drummond said the exempts would then be waiting until the following October to receive the other 2%. Mr. Thiess said the exempt employees would have had an increase in April, so they would only be going six months before their next increase. So, he thinks the way to even it up is to do half an increase for the exempt in October with a full increase for the non-exempt, and as we move ahead each year, they will receive the same.

Mr. Perona said he thinks we looked at some format where we were comparing with local utilities to see what recent salary increases have been given by municipalities nearby. Mr. Thiess said we asked Cody and Associates to look into that. The most recent pay increases they found were in October, 2007, and most range from 5% to 8%. Vero Beach gave a 5.2%; Palm Bay, 6.2%; Sebastian, 5.5%; Stuart, 4.5%; Melbourne, 5%; St. Lucie County, 8%; Fire District, 7%; Martin County, 3%; Indian River County, 7.5%; and Brevard County, 3%. The only more recent one we have is from Port St. Lucie, and they gave their exempt employees a retroactive 3% with all employees receiving a 5% increase going forward.

Mayor Benton said he doesn't know how many of those utilities are under the reign of their City Commission that might be affected by Amendment One, rather than under a separate Board like FPUA. Have any of those raises been since February of this year? Mr. Thiess said he believes these were in October. Port St. Lucie is the only one we have recent information on that occurred since February. Mayor Benton said right now the City has said we have to wait and see until we hear from Mr. Furst when it comes to all of our employees from Police on down. We don't know how much money we will have. It is tough for him to approve any kind of raise today until we know what and if we can do for the City employees. He thinks we are partners here and knowing the affect on the economy and in his business he hasn't had a raise in many years. The City Commission has had this discussion, because a lot of us have private businesses, and we have laid people off. We haven't had raises and don't make close to what we did several years ago because of the economy. With the City it is a wait and see situation, but a lot of the employees are just glad they are working. Hopefully, we will keep them working. Maybe, for FPUA it won't be as bad, but with the economy and Amendment One, the City is in a predicament. Port St. Lucie has gone out on a limb and has given 5% raise. Whether that means they will be laying off a lot more people next year, he doesn't know. That's not the way he does business. To him, he would feel more comfortable once the numbers come in for the City. He has never not supported a raise on this Board or the City Commission. There have been times the City has been chastised that we gave an outrageous 12% raise a couple of years ago. That was because we did a cost analysis and had employees who weren't even close to the average, so we had to bring them up to what others were making all around us. He would feel more comfortable when the numbers come in, but, today, he thinks the County is looking at holding the line until they hear what the numbers are going to be. That is his opinion, and that is what he is going to have to do today. If this was later on in the year and he knew what was out there and what was being done in other places, he could probably give a little, but today he is in a predicament.

Mr. Drummond said he would suggest he would be very excited when we get to have increases for both exempt and non-exempt once a year. It becomes almost an issue of the chicken or the egg. He doesn't know that the employees fully recognize that the exempts are following the non-exempts. He is pretty sure the public doesn't follow it that way. He recalls when we did the rate increase he made the comment that he felt very much that we are members of this community and that was one of the unique things about this particular utility versus a lot of the outside, investor owned utilities. We are a part of the community, our families, our friends are, and we most certainly feel we are affected by what goes on in this community. Timing is of the essence to him. He would rather we do this at a later time. He thinks it sends the wrong signal to the public that we just got a rate increase and, in their minds, they see salary increases. That is extremely troubling to him at this point.

Mr. Thiess said one other thing he would like to point out, we have held our staff at or below levels we saw back in 1996. He thinks we had about 325 or 326 employees back then. Right now we have a little over 300 employees. We have held the line on increasing our staff. We have had quite a bit of growth in number of customers and number of meters and miles of pipe to look after. We have really asked our employees to do more with less. We are looking at several people now who are still holding two positions. We have Directors who are department heads of Engineering. He thinks if we start slipping on the compensation and not at least treat them equal to the way we treated our non-exempt employees in October, he thinks we are sending the wrong signal to our employees. That is staff's position. We have some people working quite a bit of overtime, especially in the Finance Department. It is budget time and it seems we go endlessly from rate studies to budgets. They put in a lot of extra hours.

Mr. Drummond said he wants to be sure to make a comment here. He saw absolutely nothing in the staff's recommendation and report that he doesn't wholeheartedly endorse. He felt it was very persuasive and had no real problems with any of the arguments made to the Board. He certainly doesn't want this to be a reflection on how he feels about staff. He thinks they do a magnificent job. He would suggest that he has an organization as well, and he loves all his employees and more than likely he won't be able to give them increases this year. That is just the economy we are faced with at this point in time. We are a little unique as a utility in that we are somewhat a monopoly for this particular area. We have a little ability to suggest rate increases when necessary. Most certainly with the unbelievable fuel costs that keep going up, we find ourselves having to pass on a PCA increase that we certainly didn't anticipate back in October. We are seeing a very difficult economy. More than anything else, he thinks the signal we are sending by the timing isn't good. He would love for us to be able to do this much later, rather than soon. Certainly his position is not a reflection in terms of what the staff is doing.

Mrs. Cully said she understands the Mayor's position and Mr. Drummond's. She feels similarly, but she does feel the exempt employees have cut back and worked long hours. Already they have been doing that. We have a concern that these employees may go elsewhere due to competition for money, especially, during the climate we have right now where it is difficult to find any more compensation someplace else. If they go some place and find more compensation, they're going to do it. She thinks it is important we keep the ones we have who have been with the UA for a long time, and we can count on. We know where we stand with them and their loyalties. She has to say she thinks we should go ahead and

give them the 4.02%. We are not giving them what was suggested in the rate study. In the past we've always been under, so she feels this is a fair amount to give the employees.

Mr. Summerhays said we keep using the word, "raise," but it is not a raise. We are not even going to pay them what we paid them last year in purchasing power. We are not keeping up with inflation with the amount we are talking about here. It is true, we have these increases in power costs, but we certainly do not expect our exempt employees to carry that on their backs. It is not fair and there is no reason for it. We are not giving them a raise. All we are doing is not even keeping them current at 4.02%.

Mr. Thiess said we did lose an Electrical Engineer about a month ago who left for more money. The competition thing is real. Mayor Benton said he does know a local engineering firm who said they have laid off one-third of their employees. He doesn't know if that is putting Engineers out there, but because of the construction business being a flop and the slow downs, there are people out there. Mr. Summerhays said the Engineers Mayor Benton is talking about are Civil Engineers, not Electrical. Mayor Benton said Civil, Electrical Engineers, he doesn't see there are a lot of jobs anywhere unless you have a lot of expertise in your field. Our employees do a heck of a job, but with this economy we are in a predicament right now. Most of the population in this country has lost ground in the last few years. He can relate to that. He hasn't had a raise in many years, not just as Mayor, but in his private business. He can't raise his rates. There are tough times out there.

Mr. Drummond said most certainly he doesn't want to have the exempts be the group that suffers. He would like always to treat the entire staff equally. Based on where the economy is right now, he is not overly optimistic about where we will be in October in terms of increases. As it stands right now with this timing, they became the unlucky group as it relates to his ability to move forward today.

Mr. Summerhays made a motion to approve overall salary increases of 4.02% effective March 24, 2008, for exempt status employees, including the Director of Utilities and Attorney. The motion was seconded by Mr. Perona.

Under discussion, Mr. Perona said he agrees wholeheartedly with the timing and signaling, but he keeps being reminded that we got appointed to this Utility Board as an autonomous authority, so we don't get caught up in all the other issues. We look at this as a business, and from a business standpoint with the information and data we received and the type of employees we are considering, this is a tough decision, but he thinks it is a decision that has to be made. He agrees with Mr. Drummond that in October we are going to have to look at the whole ball of wax. This seems to be somewhat uncompleted business for the year and for the sake of being fair and prudent in business, and he thinks the decision is a little bit clearer when look at it that way, rather than looking at how it is affected with the City. He is reminded that the City did raise its rates to 11% a couple of years ago. During that year, we gave our employees 4%, so we don't follow necessarily with what other agencies do. We are sensitive to that. He would like to work in concert with the City in the future, but he thinks this is unfinished business for the year and it is time to look at this as a business decision and move forward.

Mayor Benton said to let him remind everyone, again, that the 11% was because of a pay study that was done where City employees were way behind. Our Police Department has

gotten close to a 40% increase in the last three or four years. That is just keeping up. This year, regardless of what pay studies said, it has been zero, because we only have so much money and if we don't have the money, we can't give raises.

Mr. Perona said he is reminded of the issue of rates where we didn't raise them accordingly each year and all of a sudden we had to raise them up a great deal and were cautioned by the Commission. The same message goes the other way. It is something we need to look at every year and act accordingly. He does know this is a sensitive time right now, but this is business at hand and we need to handle it.

Mr. Perona called for the question. The roll was called and the motion carried with Mrs. Cully, Mr. Perona, and Mr. Summerhays voting yes. Mayor Benton and Mr. Drummond voted no.

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Mrs. Nina Hurtubise presented a request for an increase in Purchased Gas Adjustment.

Mrs. Hurtubise explained the cost of natural gas has been increasing at a tremendously alarming rate. She made a power point presentation to the Board showing what FPUA has paid per CCF of natural gas for the last year. It fell to a low of \$.58 per CCF in October of 2007, but it has just about doubled that in April of 2008. The average residential customer's bill at 13 CCF's will be \$35.44. Customers up to 100 CCF will have a rate of \$1.87 per CCF.

Mrs. Hurtubise displayed a graph of information dating back to 2005. Unfortunately, for FPUA to remain whole, we have to pass those costs along to the customers. We have refunded an over-recovery over the last year, but we are to the point where any cost increases must be passed along. She regrets to say this is probably not the last increase we're going to see.

Mr. Summerhays said when Mr. Thiess e-mailed him this graph the other day he was astonished. He knew gas had gone up, but he had no idea it had gone up like this. He fears that we are going to have to continue to raise prices just because the cost of natural gas keeps going up. He wishes he could figure out why.

Mayor Benton said he would like to reflect on some comments, and Mrs. Kelly brought back some information last month at our last meeting that the cost of natural gas went up some 92% since August. This graph reflects that, and there is nothing we can do about it. It is supply and demand, he guesses. We need more facilities out on the gulf coast. He doesn't know what it is, but everybody went that direction, because it was supposed to be clean, safe. Prices went up unbelievably. Mr. Summerhays said the only thing positive he can think about this is it makes photovoltaic more attractive. Mayor Benton said it sounds like it is time to go to nuclear power again. Mrs. Cully said it takes a long time to get those built – 14 years, she thinks, for a nuclear power plant.

Motion by Mayor Benton, seconded by Mr. Summerhays and unanimously carried to Increase the Purchased Gas Adjustment for firm gas service for the period of June 1, 2008 through June 30, 2008 to +\$.750/CCF.

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Mr. Thiess said last meeting the Mayor brought us a brochure covering a capacitor type device that went on the electric service and was supposed to reduce bills by 25%. We did

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give that to one of our electrical consultants and expect to have a report back from them in time to place it on the agenda for the first meeting in June. We will address the use of that device with both commercial customers, large and small, and with residential customers and get some sense of the value of the device or lack thereof.

Mayor Benton asked when the report comes back if Mr. Thiess would bring it to the City Commission Meeting. He thinks we are being bombarded now by several different businesses wanting to install these if they work. He knows the City Marina is looking at trying this out and Habitat House, that is wife is dealing with, has expressed a desire to install one. If it does work, it's great, but we don't want to mislead folks that they are going to save up to 25% on their utility bill or electric bill. Mayor Benton said Mr. Thiess said if you had a big business with some welding machines or some intense use, it might save you more, whereas, for a residential home it may not save as much. We will let the experts determine that. If it does work, we'll all have them on our homes very soon.

Mr. Thiess said as soon as that report is available, we will make it available to the Board and Commission.

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Mr. Thiess reminded the Board Members that the King Decommissioning Ceremony is set for May 29<sup>th</sup> at 3:00 p.m. at the King Plant. He asked how many of the Board Members might be able to be there. All Board Members indicated they would be present.

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Mr. Thiess reported that he is scheduled for vacation the first week of June, weather permitting. He would like to be excused from the meeting scheduled for that week and have Mr. Richards very capably fill in for him if, in fact, he does get to take a vacation.

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Mr. Drummond said he thinks this is the time of year that we go forward with no-tie, casual dress. In concert with the Mayor he will go ahead and proclaim it. Mayor Benton said when you are going in and out of 90 degree heat wearing a tie and jacket, he guesses it is good for the dry cleaners.

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There being no further business, the meeting was adjourned.

ATTEST:

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Secretary

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Chairman