

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, OCTOBER 21, 2008, 4:00 P.M., CITY COMMISSION CHAMBERS

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

Others Present: Director of Utilities; Director of Electric/Gas Systems; Director of Finance; Director of Water/Wastewater Systems; Risk Manager; Communications Manager; Purchasing Manager; FPUA Attorney.

Chairman Cully 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.

Motion by Mr. Perona, seconded by Mr. Summerhays and unanimously carried to approve the items listed on the Consent Agenda:

1. Approval of the Minutes of the Regular Meeting of October 7, 2008.
2. Approve Change Orders 3 and 4 with Globaltech for additional services for construction of Floridan Aquifer Well Heads in the total amount of \$34,091.
3. Approve Barter Agreement for advertising with AT&T Advertising and Publishing.
4. Approve purchase from Community Communications Authority in an amount not to exceed \$112,487.04 for procurement of a pilot portion of the utility service territory-wide Wireless Mesh Network

Mr. Bill Abramowicz, Customer Service Manager, explained and requested Board approval of FPUA's Identity Theft Detection and Prevention Program as required by the Federal Trade Commission (FTC). The FTC passed the Federal Fair and Accurate Credit Transactions Act (FACT Act) in 2003; however, compliance with this portion of the Act is not required until November, 2008. Each of the Board Members was provided a copy of the Program in their Agenda packets.

Mr. Abramowicz explained it is the policy of FPUA to make an attempt to protect our customer information, only make this information available to certain staff, and to properly dispose of customer information when necessary or required. As required by the program, Mr. Abramowicz has been named FPUA's Privacy Officer. The Privacy Committee, which was established to create, drive and monitor the program, is responsible for developing appropriate written procedures and internal controls to assure compliance. The Committee will meet semi-annually and review the policy and its effectiveness or deficiencies and will present this policy and any incidents annually to the Board at the last meeting in October as required by the Act.

Mr. Abramowicz explained the FACT Act of 2003 obligates utilities to comply with standards established by the FTC on January 1, 2008. FPUA is covered by these standards and has until November 1, 2008, to implement a program to comply. In adopting the FACT Act, Congress recognized that consumers are helpless to prevent identity theft if businesses ignore the events that

signal a potential fraud. Businesses that use consumer reports, including FPUA, under the new standards must adopt a plan to detect, prevent and mitigate identity theft. The plan must be approved by the company's Board of Directors. The rules identify certain signals of actual or attempted identity theft, but FPUA is left to establish plans based upon a risk assessment of its own operations. The State of Florida has enforcement powers for non-compliance, and there is a possibility of civil suits by consumers for damages caused by willful or negligent non-compliance with the standards.

Mr. Abramowicz explained that we must have specific procedures in place for various customer requests concerning their service, so FPUA is not assisting in our customers' identity theft.

Motion by Mr. Perona, seconded by Mr. Summerhays and unanimously carried to approve FPUA's Identity Theft Detection and Prevention Program required to comply with standards established by the Federal Trade Commission.

Mrs. Nina Hurtubise, Director of Finance, presented a request for approval of the Purchased Gas Adjustment for November, 2008.

She explained we are requesting a reduction in the PGA of \$.40 from \$1.15 per CCF to \$.75 per CCF. In the month of July she was very disappointed that we did not see a reduction. Instead we saw a huge spike. That was the month that most natural gas prices began to fall. We did not see it until August. It dropped from \$1.49 per CCF to \$1.05 per CCF. She is pleased to present this reduction. If we can continue to reduce it, we certainly will, but at this point that is not the case. We have to make sure we have a small over-collection to ensure we don't have to raise it to an extraordinarily high level.

Mr. Perona said it is always good news to be able to do this sort of thing. It is indicative of how the Utilities Authority keeps track of what is going on and responds immediately. He is sure there are restaurateurs and business people who are going to be thrilled with these savings right now. We want them to know how responsive we are. We have to increase it when the price of gas goes up and when it starts to drop, we are right on top of it also.

Mr. David Recor, City Manager, said he appreciates Mr. Perona's remarks. These meetings really do get a lot of attention in the community, so he appreciates Mr. Perona speaking to the City residents. It would be helpful if Mrs. Hurtubise could explain exactly what the Purchased Gas Adjustment is. When the consumer hears about a cost adjustment, it means something to all of you, because you are in the business, but the consumer watching may not actually understand what this means. It may be helpful if she could explain just exactly what that means to the average person.

Mrs. Hurtubise said we pass along the price we pay for our natural gas to our customers. A certain amount of that cost is in our rate. That is the \$.33 that shows on the second page of the calculation. The difference is recovered through the Purchased Gas Adjustment. When our costs go up, that adjustment goes up. When our costs go down, the adjustment goes down. We are finally able to pass on the benefit of our costs going down to the customer.

Mr. Perona asked if Mrs. Hurtubise can calculate what the bill of an average residential gas customer was for last month and what will their savings be for the future. Mrs. Hurtubise said the previous bill was \$40.63. That would be an average of 13 CCF for a residential customer. The bill will be reduced by about \$5.00 to \$35.63.

Mr. Recor said he is a big believer in our organizations having success stories to tell, and he is also not too shy to say that sometimes we need to tell it. When you have news such as that being presented today, it needs to be promoted and shared so the viewing public understands what we're talking about.

Mr. Summerhays said the difference of \$5.00 doesn't sound like a lot for the average homeowner, but as a percentage, it is a very large number. He is delighted we finally get to reduce this and for the time being, at least, these costs have reversed. He would like to also make note that the Purchased Gas Adjustment is passed through to customers without any mark-up. It exactly reflects our costs.

Motion by Mr. Drummond, seconded by Mr. Summerhays and unanimously carried to approve the Purchased Gas Adjustment for the period from November 1, 2008 through November 30, 2008 at +\$0.750/CCF.

Mrs. Hurtubise presented the August 2008 Financial Operating Results.

Mrs. Hurtubise reported the income before City distribution, capital contribution and extraordinary income for the 11 months ended August 31st is a little over \$8 million. Much of that is attributable to grant revenue. About \$4.4 million relates to the additional grant revenue, which we do not expect to receive in 2009. We received a wastewater grant associated with improvements along Jenkins Road and the mainland water reclamation facility. Our capital contributions continue to be strong at over \$18 million. We are continuing to see decreases in water and wastewater units billed compared to previous years. She showed a chart depicting what she has described. The water restrictions began in March 2007. Electric is up slightly by .4%. Water is down from 2006 by 9%. Wastewater is down 7% and Natural Gas is up by ½%. The dollars associated with those revenues look a little better, but the numbers are somewhat deceiving. Electric is the big moneymaker for FPUA. Although we are seeing a 12% increase in operating revenues, about 80% of that is attributable to the Power Cost Adjustment, which is almost exactly the same as the purchased Gas Adjustment in that any cost that we pay out, we have to recover. We recovered about \$6.1 million more in Power Cost Adjustment this year compared to last year. That accounts for 80% of the increase. Water revenues increased 3%; wastewater revenues are up about 6% and natural gas is up about 11%. The same situation we discussed before – the Purchased Gas Adjustment accounts for about 86% of the increases you are seeing. This is just the revenue side. There is an equivalent expense side.

She showed the Board a chart depicting the operating income. That is net of costs. You see a different story here. This is a rolling 12 months. We peaked in July. There was a fairly large drop in the operating income in the month of August, 2008 as compared to 2007. As a result, debt service coverage dropped as well but is still in very healthy condition. Why did the operating income decrease? You have to take a look at August 2007 versus August 2008. The decrease was attributable to the under-recovery of the Power Cost Adjustment in the prior year. It was booked as a receivable, and on top of that, there was a \$1.1 million increase in the purchases for resale. A decrease in revenue and an increase in expense both contribute to the approximately \$3 million for the difference between August 2007 and August 2008. There was a decrease in depreciation and a decrease in grant revenue, but one offsets the other, so that is of less significance.

Fiscal Year to date, there was an increased change in net assets, exactly the opposite of what we saw for the month, which did indeed look a little strange. It should be noted that in large part that \$4.4

million in grant revenue was received in 2008. In the operating income we had the rate increases. We had the purchased power and Purchased Gas Adjustment on the revenue side, but those were largely offset by the cost of purchased power and gas. We had a \$600,000 decrease in interest expense. We are benefitting from falling interest rates and an increase in our capitalized interest. Our increase in capital contributions is \$4.1 million compared to last year.

Capital Improvement Charges have fallen dramatically, almost \$8 million less than last year. We also have cash contributed capital. The three big items associated with contributed capital include FMPA, which paid about \$2.5 million toward their share of the deep injection well costs; St. Lucie County, which paid us about \$2 million for the Harmony Heights MSBU; and the FPRA, which paid us about \$1.6 million toward undergrounding electric on South A1A. Keep in mind these are all booked as revenues in accordance with governmental accounting standards; however, they are not really spendable. They are restricted, and you cannot spend them anywhere you want.

Non-Cash Contributed Capital represents assets developers have contributed to our system, which we accept for operations and maintenance responsibilities. Palm Breezes, now called Morningside, contributed about \$3.5 million in water and wastewater assets. Celebration Point contributed about \$4 million in assets, and Bent Creek contributed about \$1.7 million in assets. We record these as assets and amortize them over their useful life.

Purchased Gas and Purchased Power have gone through the roof this year, up \$6.9 million from this time last year. Distribution to the City of Fort Pierce is \$743,000 more than it was last year. We have had a \$471,000 increase in utility costs. We have had a \$309,000 decrease in property and liability insurance and claims.

Mr. Summerhays asked if Mrs. Hurtubise can tell him approximately what we bill out-of-city customers on the 25% surcharge on an annual basis. Mrs. Hurtubise said she couldn't tell him off the top of her head. She will be more than happy to bring that back to the next meeting. We do keep track of it, and it is readily available.

Mr. Thiess said we started the official kick-off of the Weatherization Program last Wednesday, October 15th. From what he has heard the activity on applications has been pretty brisk. They are processing a lot of applications in Community Services, and he believes the applications are available both in Community Services in City Hall and in our Customer Service Department at 206 South Sixth Street. We are looking forward to putting in insulation and improvements, hopefully, within a couple of weeks. Mr. Perona said he got a copy of the application and couldn't find insulation as being one of the items available. Mr. Thiess said insulation is one of the items, blown in insulation in the attic only. That will be one of the tools in the tool box of the home inspector. He will look at each house and get the most bang for the buck. We have an estimated average expenditure of about \$2,200 and a cap of \$3,000 per house. We have HVAC contractors, insulation contractors, and handyman contractors. The handyman contractors will do things like weather stripping, re-glazing window panes, replacing broken window panes, fixing flush valves in toilets, etc. If insulation is not showing on the form, it is definitely in the big package that is given out. Mr. Perona said he was going through the form filling it out to see how easy it is to complete. The one he got is five pages long with a lot of requirements such as who is applying, who owns the home and things like that. They are all relevant questions.

Mr. Thiess said we are having one of our first communication meetings with Hibiscus Park Homeowners Association tonight. Mrs. Cully said they also invited Oakland Park Homeowners Association and anyone who would want to attend. The meeting will be in Glidden Park Garden Center at 10th Street and Georgia Avenue. Mr. Thiess said he will be present; Levette Dixon will be there, and Bill Abramowicz, who will be handling a large part of the presentation. We are going to explain what is happening in the utility business, what is causing rising costs, conservation, and what people can do to lower their utility bills.

Mr. Thiess said we met this afternoon with City staff looking at the intake structure for the King Plant. He left a hand out from that meeting in front of each of the Board Members earlier tonight. It is not an inexpensive item to tackle. Removing the equipment was in the original scope of work of the original contract. For one reason or another the removal of the entire structure didn't make the original scope of work. To remove the rest of the concrete structure depicted on the second and third sheets of the hand out, is \$324,000. We discussed various alternatives. We talked about delaying it to the future and doing it in conjunction with rebuilding the marina with a different contractor to get other bids on it. There are risks with that. You have a liability hanging out there for who knows how long and don't know whether the costs would be lower or higher. Given the facts of where we are today, it would be reasonable to expect that the Utilities Authority, as a part of our contract, would remove the physical structures that are in the marina proper for \$324,000. He thinks we agreed the floor doesn't need to be removed. It is low enough that it wouldn't affect the size boats that will be coming into this part of the marina. That would be a \$37,000 expense to remove. Consensus of both staffs was the FPUA would remove the structures, and the City would take responsibility for the "fill finger" when and if they decide to remove that, and they would also have the ability to apply for grants down the road to remove it. Unfortunately, our time frame wouldn't allow us to get in on the grant process, because we have to give our contractor notification to move. That is staff's recommendation. Unless he hears something different from the Board, we would intend to bring that as an agenda item to the Board on November 4th.

Mr. Perona said it seems like it was a little one-sided there that we assume the City would take care of that little land finger. He would like some confirmation from the City that is what was agreed upon. Mr. Thiess said the City will see this at the next FPRA meeting. It will be an FPRA item as opposed to a City Commission item. He thinks it might be a palatable solution to them, because the immediate problem goes away, and we get the big structures out of there. All that is left is a concrete encased finger of land. The Marina Manager was very optimistic he could get grant money to help them deal with that and incorporate that into the marina rebuilding project. They might get by with very little expense of their own on that structure by virtue of being able to use grants.

Mr. Recor said Mr. Thiess is not giving the discussion enough justice. He dug his heels in for a long time before we reached this solution. We discussed a number of alternatives, and we will present this to the FPRA. We appreciate the UA moving forward and completing the job. This will complete the job we expected from the very beginning.

Mrs. Cully asked how much the \$974,000 that we were going to get back from salvaged materials has been reduced. Mr. Thiess said we are down to about \$400,000. That is not \$400,000 to the plus with removal of the King Plant. We are still almost \$11 million to the negative on expenses. It is an expensive proposition to get rid of the plant. It would be a lot more expensive to build a new one or bring the King Plant up to any kind of reasonable level of service. We are hoping we escape the demolition contract with at least a couple hundred thousand left over.

Mrs. Cully said she thinks everyone is going to be very pleased to see the old plant go, and it was great timing that we could have the new generation plant at Treasure Coast Energy Center at the same time, so the entire City has really lucked out.

Mr. Summerhays said he noted with some dismay, the City Commission, after giving us a very hard time about giving our exempt employees a raise to bring them in sync with the non-exempt employees, gave their own employees a 3% raise. He thought that was very interesting.

Also, at the last City Commission Meeting, one of the Commissioners chose to basically criticize something she didn't understand, apparently. He would only point out that disrespect breeds disrespect.

Mrs. Cully said your comments are noted.

Mayor Benton said he just passed a letter to Mr. Thiess that he received today where he guesses there has been some proposed legislation from the Miami-Dade Commission to ask their legislative delegation to go to Tallahassee to request that they exempt the 25% surcharge for water and sewer customers outside municipal boundaries. Mayor Benton said he hasn't had an opportunity to review the letter fully, but he hopes we have that back in front of the Board at the next meeting. We need to take a stand, both the City and UA Board, because it can cost us quite a bit of revenue.

Mr. Thiess said we can bring an information item to the Board. We were having some discussion before he received this letter. Although he can't recall the dollar figure the surcharge brings in every year, he can tell you it is about a 2.5 to 3 percent rate increase on both water and sewer. That would be the rate impact of taking the surcharge away. Mr. Drummond asked about electric. Mr. Thiess said State legislation doesn't address electric. It addresses only water and sewer. In electric the surcharge exactly offsets the 10% utility tax. If you were to take away the electric surcharge, the customers outside the city would be getting electricity cheaper than the customers inside the city. The same would occur with water. There is a 10% utility tax for residents in the city, and if you took away the 25% surcharge, the residents out of the city would be getting water cheaper, also. Mrs. Cully said the residents outside the City don't pay City taxes.

Mayor Benton asked if we can have this on our next agenda. Mr. Thiess said yes. We will explain the letter and where this is going. We will do some research on how the surcharges came into effect. We will have the numbers on what it means in annual dollars for each utility and the impact it would have on rates. Mayor Benton said there is a proposed resolution included, which he thinks should be on the agenda with the letter. Mr. Thiess asked if there was a link to that resolution, because there isn't a copy attached to the letter. Mayor Benton said he will get that for Mr. Thiess. The local delegation meets in December, so he thinks we need to address this and get it in front of them.

Mr. Perona said it was about a month ago, he believes, that the City was going to invite us to a little sit-down. He is a firm believer that everybody saves and benefits if you have your governmental entities of your community all working together. It seems we've become a little disparate as referenced earlier by Mr. Summerhays. It is time for us to get into a meeting and iron out any differences and be a positive force for this community. There are a lot of issues on the table and

rather than everybody putting out their laundry in these televised meetings, it is important we get together and work as one. He thinks the ball is in the City's court as far as putting it together.

Mayor Benton said it hasn't been put together, because he was waiting for the last meeting of the Citizens Task Force. His understanding was that they were to have met a couple of weeks ago, and he thought after that meeting we would have the results from that task force. He personally expected it at the last meeting, so if there were any discussion on the findings or recommendations, it could be had between the two boards. Both he and Mr. Thiess agreed that would be appropriate. The Mayor doesn't know when the next meeting of the Task Force is scheduled. Mr. Thiess said it was tentatively scheduled for the 22nd, which is tomorrow, but the last time he spoke with Jennifer Robinson she said they were still contacting members to see if they were available for that date. He doesn't know if that ever got finalized. Mr. Perona said he thought their final report was given to the City Commission. Is there another?

Mayor Benton said after listening to their report, the City Commission tasked them to go back and discuss whether they felt there needed to be a reason for them to meet further, but also if there were issues – he doesn't want to say this, but he thinks they were looking to see if there was a recommendation to hire a consultant to come in and look at things. They were looking at something official from that Task Force on that. That is why they were waiting for a full board on the Task Force before they had a meeting.

Mr. Perona said he has read through all their minutes. We've answered all questions and as far as he is concerned, when Mr. Beach sat down and gave them their set of issues, he thinks all those issues have been discussed and voted upon. He thinks that committee has served the community very well, but he can't understand what else they can do. Maybe they want to deal with all the issues again and come up with a different set of circumstances and opinions. Mayor Benton said he told the members he appointed that he expected the Committee to last for six months to a year, but there were certain findings we wanted to come out of this and set the public at ease. Number one, we don't have two sets of meters in this community. Everybody is being charged the same. He thinks we've put these items to rest. We are looking for that last official meeting. Now, they are supposed to meet tomorrow, so he will have Angela call around to both boards and set a time that is convenient to everybody as soon as possible, so we can sit down and hash out these items, non-televised.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN