

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, MARCH 18, 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.

Others present: Director of Utilities; Director of Electric/Gas Systems; Director of Water/Wastewater Systems; Director of Shared Services; Communications Manager; Camille Yates; FPUA Attorney; Purchasing Manager.

The meeting was called to order by Chairman Drummond.

The Invocation was given by Pastor George Welch of White City Methodist Church.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

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

1. Approval of the Minutes of the Special Joint Meeting of February 29, 2008.
2. Approval of the Minutes of the Regular Meeting of March 4, 2008.
3. Bid 5796: Accept lowest and best bid that met specifications as received from Altec Industries, Inc. in the amount of \$80,850.00 for purchase of one insulated 37" hydraulic telescopic aerial device.

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The following letters of appreciation were noted:

1. A letter was received by Jerome Williams, Meter Reader Foreman, from Tom Reedy of FMPA thanking him for his participation in the peer review of the City of Alachua Meter Reading Department.
2. A letter was received from Ms. Blondell McDonald Kimbrough, PhD, of Nashville, Tennessee, praising the high level of service she has received from Bill Abramowicz, Customer Service Manager, in handling her mother's account.
3. A letter was received from Laura Alexander, Executive Director of the Treasure Coast Food Bank, expressing appreciation to FPUA employees for their donation of 427 pounds of food during the month of February.
4. A letter was received from Lynne Tejeda, General Manager and CEO of Keys Energy, expressing appreciation of the participation of Cairo Vanegas, Assistant Electric Operations Superintendent, in their FRCC NERC Reliability Standards Mock Audit.
5. A letter was received from Food Pantry Directors at First Baptist Church of White City thanking FPUA employees for their donations to their Food Pantry.

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Mrs. Nina Hurtubise presented the Comprehensive Annual Financial Report (CAFR) for Fiscal year ending September 30, 2007.

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Mrs. Hurtubise stated this report is a huge information resource for anyone who wants to know anything about the Fort Pierce Utilities Authority. The report is made up of three different sections: Introduction, Financial Section and Statistical Section.

In the Introductory Section we show a number of places where all our employees donate a lot of time and effort. We are very proud of that. The Introductory Section also includes a letter that has general information about the Utilities Authority. Our outside financial folks look at this report to get a feel for how we are doing. It is very important for us to have the information provided accurately.

The Financial Section contains the independent Auditors' report. We did receive an unqualified opinion, as we have in years past. It also contains the management discussion, analysis, and financial statements and notes. We have two other reports that are provided by the external Auditors. They are compliance reports for our bonds and internal control. They state there was nothing that came to their attention that was an issue to them.

The statistical section provides a wealth of information about the Utilities Authority over the past ten years in general.

The Introductory Section contains the Utility System overview describing the electric, water, wastewater and natural gas systems and some of the factors affecting our financial conditions, like the economic conditions in the City. Fortunately, our situation isn't really different from any other areas of the Country. It discusses our long term planning, our Strategic Planning, and our long term capital planning. It also contains the Certificate of Achievement for Excellence in Financial Reporting. We received that for Fiscal 2006 report, and it is displayed in this 2007 report. We have been receiving this since 1994.

Mrs. Hurtubise also acknowledged all the assistance she had in preparing this report. Her Secretary, Cathy Kane, the Controller, Barbara Mika, Assistant Controller, Cheryl Bouton, were all key players in putting together this document.

Also contained in the Introductory Section is the organizational chart, which shows our organization as of September 30<sup>th</sup>.

Mrs. Hurtubise said she doesn't want to review the same financial information she has provided the Board in the past. In her power point presentation she will show one slide that rehashes the financial information she provided the Board a number of weeks ago with regard to the results of 2007. Our income before Capital Contributions was \$2 million. When you look at that as a percentage of total revenue, it is not all that much. It is a pretty thin margin. It is only 2% of our total revenue. Our Contributed Capital was \$16.2 million. Keep in mind these are restricted resources and cannot be spent on operations and maintenance. These are Capital Improvement Charges, contributed assets, which are not cash, and some cash that is contributed towards the investment in capital assets. Another highlight of the past Fiscal Year was the \$20 million Pooled Loan that was drawn in October 2006. It explains a number of the large variances in our balance sheet in the profit and loss statement. It explains why we have a large amount of restricted cash at the end of the year. There is more debt at the end of the year, larger interest income balances for the year. It was a significant event for us. Our debt service coverage at 2.35 times is better than last year. In 2006 it was 2.29. It is not as good as it has been in years past. We had grant revenue of \$3.5 million. This is not to be expected in every year. We work very hard to get other sources of revenue outside rate revenue for any projects that we possibly can. We try to be creative in obtaining other sources of revenue. The investment in other income was alluded to earlier. About \$1 million of the \$3.1 million in investment income relates to income on the earnings of the proceeds from that Pooled Loan that sat in the bank before we drew it. Also listed are some of our major capital additions for the year.

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The Financial Section contains what you normally see in our quarterly financials: a balance sheet, statement of revenue and expenses and changes and net assets. What you don't normally see in our quarterly financials is a statement of cash flows and notes to the financial statements. The statement of cash flows is actually prepared by our external Auditors. It helps to explain where our cash comes from and goes to and resolves the differences between the financial statements, which are prepared on a full accrual accounting basis, and what most of us understand better as net cash flow. It explains and reconciles that information. The footnotes to the Financial Statement explain details of the rest of what is in the Financial Statement. The calculation of the City distribution is contained in there, and we do provide that information on a quarterly basis.

The Statistical Section contains ten years of data of the Financial Statements, meaning the balance sheet, statement of revenues and expenses and changes to the net assets. Average number of services billed is in this section. The ten largest customers and how much we rely on a few customers is contained in this section. Operating revenues and operating expenses are two separate schedules. Operating information such as how much water we are processing at the plant, how much wastewater we are processing at the Water Reclamation Facility, how much electricity we are bringing in from the grid are listed. Unit sales indicate what we are selling to our customers, or in the case of wastewater, what we are billing to the customer. There is a history of where our rates have been over the last ten years. Debt and debt service calculation is detailed as to each different bond issue and how the calculation is actually performed. The demographic and economic information for St. Lucie County and the City of Fort Pierce are in this section. We like to track this information to determine whether or not we are growing and by how much. The number of employee positions we have today versus what we had ten years ago is shown. Performance indicators are listed on a per unit basis. It is intended to be used to measure against other utilities. We may or may not be able to do that. We are looking into trying to compare our performance against other utilities. We need to be comparing apples to apples.

Mrs. Hurtubise advised the Board this CAFR will be posted on FPUA.com in its entirety. Mr. Drummond asked if it will be possible for individuals to obtain a hard copy of this report. Mrs. Hurtubise said we provide CD's to anyone who requests one. It is more economical than making hard copies. We prefer not to print hard copies if we can avoid it.

Mayor Benton said with the Task Force meeting next week for the first time, could we have a copy for each one? He would also like the City Commissioners to receive a copy. Mrs. Hurtubise said we will provide these to the Task Force, and we will be presenting the report to the City Commission on April 7<sup>th</sup> along with the City Transfer. The Commission will receive copies at that time.

Mrs. Cully thanked Mrs. Hurtubise and her staff for a great job. It is very informative, and she will keep her copy to refer to.

Mr. Drummond said, clearly, during this transition period, Mrs. Hurtubise and her staff are to be commended for making it such a smooth transition, so we can't even see any kind of bump in the road with regard to it. They have done an outstanding job.

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Mrs. Hurtubise presented a request for approval of an increase in the Power Cost Adjustment (PCA) for the period of April 1, 2008, through September 30, 2008.

Mrs. Hurtubise stated, as we have been speaking in recent months, we are all aware there are a couple of things happening; namely, decommissioning of the H. D. King Power Plant. We will no longer be receiving capacity payments from FMPA for having the plant available to run. As well, there are a couple of contracts FMPA will no longer have, which are running out in 2008. As a result, the cost of bulk power is increasing. The average cost for us to purchase power is \$82.79 per thousand kilowatt-hours purchased. That is for the whole year. We also have to estimate what we are going to

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sell. We anticipate selling approximately 600,000,000 kilowatt hours of power. These are all estimates based on history. Comparing 2008 to 2007, it looks like our overall cost of power for the year will increase about 20%. We do expect our retail sales to increase about 2.7%, so the average per kilowatt hour cost will increase about 15%. What that boils down to is an increase in our power cost adjustment of \$8.00, making the total \$42.00 per thousand kilowatt hours. We have to make this adjustment in order to recoup our costs. If we do not do this, we will get into a deficit situation. We cannot do that on a long term basis. We have put this off as long as we possibly could.

If our estimates are off, significantly, we will come back to the Board for an adjustment before the end of the Fiscal Year.

Mr. Summerhays said we started doing this as an attempt to spread the impact of price increases. Instead of just passing them through dollar for dollar, as we used to do. We found the effect was bad on our customers, so we adopted this policy of spreading the increases and hope the prices would come down, and we would recover them later. They didn't do that. We have to gradually come up instead of spiking up and sooner or later, the two lines meet. It is his understanding the \$42.00 PCA will get us to that point, hopefully. This is how that arose in an attempt to have a less volatile affect on our customers. Mrs. Hurtubise said that is why we had been raising the PCA by \$2.00 each month previous to this time.

Mayor Benton asked if we are going to send something along with the bills explaining this to the customers. Mrs. Hurtubise said yes.

Motion by Mr. Summerhays, seconded by Mrs. Cully and unanimously carried to set the Power Cost Adjustment for the period of April 1, 2008, through September 30, 2008, at \$42.00 per thousand kilowatt hours.

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Mr. Thiess advised the Board that staff would like to put together an Investment Advisory Committee to look at FPUA investments and where we are investing on a long term and short term basis. We put together a Committee yesterday, consisting of Nina Hurtubise, our Finance Director, as Chairman; Tom Richards, Director of Electric/Gas Systems; and Doug Giel, Director of Shared Services. We thought it appropriate to ask the Board if they would like to place a Board Member on the Committee. He did discuss this with Mr. Summerhays, and he expressed an interest.

Motion by Mayor Benton, seconded by Mr. Perona and unanimously carried that Mr. Summerhays be appointed to the FPUA Investment Advisory Committee.

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Mr. Thiess said we have been talking about the FMPA Photovoltaic Project for a couple of months. This would involve putting photovoltaic panels, which produce electricity from sunlight, on roof tops, in fields or other places. We have been in contact with FMPA regarding this, and their project is in the very early stages. They don't know exactly what technology they will be using or what kind of deployment they will use. We are waiting for their process to gel and have a better conceptual plan of what they are doing. We will then find out what our chances for participation are. He wanted to update the Board on this, as it is moving at a slower pace than we anticipated.

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Mr. Koblegard said he has checked with our Attorneys on the Carolina Power case. They have not gotten a response yet to our denial of liability. They anticipate something might be heard in April when the deadline comes up.

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Also, we have a case with Tampa Armature where they built a unit for us and there was a delay in delivery and some other expenses were incurred as a result of that. We may be close to resolving that. He hopes to bring a proposal to the Board at the next meeting. It looks like we may be able to resolve it.

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Mr. Drummond suggested to everyone that he certainly appreciates the efforts of Mr. Thiess and our Mayor last evening in presenting to the Commission the request for rate increases to our utilities. He thinks it is important to remember that we live in this community; our families and relatives live in this community; we have friends here. So, unlike some outside utility, we feel. He thinks that is one of the greatest things about having a local utility. He would like to see us get to a much more transparent situation with our City Commission as it relates to sharing of information. These are hard times, and he thinks the public is entitled to know exactly what is going on within this organization and, maybe, we can get back on a footing with the Commission where they view us as what we truly are, and that is partners with them, as we try to work through these difficult times. He certainly wants to thank staff for what they have done. He also wants to thank the Mayor. It certainly can't be easy sitting there.

Mayor Benton said when you sit on two Boards – he certainly appreciates this Board. As somebody who appointed people to this Board for eight years before he became a member, being involved in the power business for going on twenty years from building power plants to working with them, he has learned a lot. He did get some feedback today from showing the public the pipe that Bill held up. There is 100 miles of that underneath our streets. A lot of people have heard that, but everybody thought we had PVC pipe. PVC has been around 25 or 30 years or longer, and they said this should have been done a long time ago. We have bitten the bullet. We have to replace this eventually or our infrastructure is going to start failing. We have known it. It hasn't been done, but this is something we can't put off any longer. That is part of the reason we do what we have to do in raising rates. It hurts all of us. We all have families and businesses, and it's not easy. We will get through it. It is the cost of doing business.

Mr. Perona said not only staff and PRMG, but our Chairman also spoke very clearly and relayed the feelings of the Board to the Commission on exactly where we stand. We are charged with the business of maintaining the utility business in this community, which has very little political air about it. Mr. Thiess was told by several Commissioners last night to cut the fat. He thinks we've all seen the fat, if there is any, and he would caution Mr. Thiess not to be cutting muscle, because as Mr. Drummond said last night, we are keeping the lights on and we are making sure the water flows and the effluent goes away and the gas continues to flow. That is our job and the burden of keeping the utility healthy and dependable. That is an important job, and sometimes he thinks it is a thankless job. He appreciates sitting on this Board, and he knows what everybody goes through in making those decisions on rates. It is not an easy decision to make. The Mayor, Mr. Thiess and Mr. Drummond did a great job last night.

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Mr. Thiess said he would like to speak to the Chairman's comment about transparency of the process. We worked hard in the last year to make that process transparent. Last week we started doing the joint workshops, and they were well attended last year. The rate workshop and budget workshop were both well attended. This year the rate work shop was very poorly attended. We regret that.

He would like to point out that we are going to have another budget joint workshop, and we hope it will be well attended. That is where we are going to bring in a very lean budget. Both boards will be able to look at it and point to things in it. We will justify the things we have done. He guarantees there will be no fat in that budget. If someone points to a project and says this one can go, we will probably tell them why it can't. That is part of the transparency we are trying to get into the budget process. The Mayor is usually present at all the workshops. He would urge the other City Commissioners to take

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this opportunity to make the process transparent. Mr. Drummond agrees. He is sure it is going to be an additional expense, but it might be worth our while to see if it can be televised, as well. Mayor Benton said we will make it a point to be televised. He thinks it is a good idea to get this information out to the public. It will not cost much at all.

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There being no further business, the meeting was adjourned.

ATTEST:

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SECRETARY

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CHAIRMAN