

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, SEPTEMBER 2, 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 Shared Services; Director of Water/Wastewater Systems; Risk Manager; Director of Finance; FPUA Attorney.

Chairman Drummond called the meeting to order.

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

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Mrs. Nina Hurtubise presented the Distinguished Budget Presentation Award for Fiscal 2008 Annual Budget as received from the Government Finance Officers Association. This award represents a significant achievement. It reflects the commitment of the Board and staff to meeting the highest principles of governmental budgeting. In order to receive this award the budget was rated proficient in all four categories: a policy document, financial plan, operations guide, and a communications device.

Mrs. Hurtubise thanked the entire company for their contributions towards making it a high quality document. We are very proud of this award. She believes we have received this award since 1997. Mr. Drummond said he believes there is a very small percentage across the country that actually receive this award. Mrs. Hurtubise said there are about 1,100 cities that receive this award throughout the nation.

Mr. Drummond said on behalf of the Board we want to thank Mrs. Hurtubise and her department for doing an outstanding job, and we appreciate your continued distinguished level of achievement.

Mayor Benton asked if the award could be left here, so that he can show the City Commission how this utility puts the budget together and why the Commission should support our budget.

Mr. Perona asked that A-4 concerning emergency catering services be removed for clarification.

Mrs. Cully asked that A-6 be removed concerning additional asbestos removal at the King Plant.

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

1. Approval of the Minutes of the Regular Meeting of August 5, 2008.

September 2, 2008

Page - 2

2. Approve an additional \$90,000.00 for the Unit Price Contract with Glades Utility Services to rebuild overhead feeder on South 25th Street between Delaware and Georgia Avenues and to remove overhead line on South A1A between Gulfstream Avenue and Coconut Drive.
3. Approve Payment Agent contract between FPUA and RMP Financial Services at the rate of \$.65 per transaction for the period of August 20, 2008 through August 19, 2009 with four one-year renewal options.
5. Approval of the Minutes of the Inactive Account Charges Workshop of August 25, 2008.
7. Bid 5860: Authorize piggyback of State of Florida Contract for procurement of an Electronic Document Management System and additional modules from Dell Marketing LP in an amount not to exceed \$156,000.00.

Mr. Perona said the item he requested be removed from the Consent Agenda deals with the emergency catering services with a firm out of Orlando, Florida with an alternate from Altamonte Springs. He guesses the reasoning for that is if we are under attack by a storm, we can't really call upon locals to help us out. Maybe this is more of a legal question. Is it true that we pay nothing on this contract? Mr. Thiess said the meter doesn't start running until we call for services. There is no cost associated with having them stand by and making us a priority in their book.

Mr. Perona said we are not paying anything for this contract, and if we get hit by a storm, it is going to be very vital that we get these people here. Are these contracts binding when we are actually not paying anything? Mr. Koblegard said the fact of the matter is we don't want to try to enforce one of these, but he believes that we could, regardless. You are really going by their word and good reputation.

Mrs. Cully was wondering if we would agree upon a price at the time we need their services? There is a total that it cannot exceed. We would give them half at that time and the other half after we no longer needed their services. That is not a great time to be trying to negotiate. We have used them before, and it is probably not a problem, but she was wondering if we should have some kind of number in there. Mr. Perona said they itemized everything. He thinks it would be easy to calculate a price for the service, but we can't plan on what we're going to need when an emergency occurs. He thinks there are parameters that would make it somewhat simple in estimating and coming up with an agreed upon price. He agrees this is something we need to look at now, not in the middle of the problem. Mr. Drummond asked if there is a suggestion for an alternative to signing this?

Mayor Benton asked when we went out for this, did we try people locally? With generators there are probably local firms we should ask if they would be interested. They will be out of work, too. Mrs. Cully said then we take a risk of not being able to use them if they are hard hit. Mayor Benton said if they sign a contract, there are companies that have generators and the ability to go to work locally. Orlando could get hit, too. If they submitted a bid, they would have to be able to live up to it. Mr. Summerhays said he asked Mr. Boudreaux that question the first year he was on the Board, and he said there were two problems dealing locally. One, these people have all their equipment on trailers. It is mobile. And, two, this is what they

do. It is their specialty. They know exactly what to do and what to bring and what they're going to need. It is difficult to impossible to find anybody locally who was able to do that.

Mr. Summerhays asked if we went out for proposals on this. Mr. Craig Brewer said we did not go out for proposals this time. We just asked to renew the contract with the individuals we used in the past. This is their business. They do this for a living and have a lot of resources. In the 2004 hurricane, Levan's was able to secure ice for us. It was difficult to get ice, but through his contacts, he was able to bring in truckloads of ice. The risk you run of having a local person do it is that they may be devastated. You don't want to put all your eggs in one basket. If we have a Category III or IV hurricane come through here, it could destroy everything the local person has. We would be back looking to Levan's, and they might already be taken.

Mr. Drummond asked if this new contract will run from September through September. Mr. Brewer said right. Mr. Drummond asked if we have a storm right now, who will cover it? Mr. Brewer said Levan's will cover it. They told him that since they signed this contract already, they would come if we needed them. Mr. Drummond asked if we are operating under their old contract that expired last month. Mr. Brewer said no. We are operating under the contract we hope to have signed today. Mr. Brewer said we intend to try to modify the time span, because we did have some difficulty hooking up folks this year. There was some delay in Board Meetings, but we plan to try to get the term of the contract changed. The time to begin is much in advance of the storm season. Mr. Summerhays said his purpose in asking the question was to get the reasons out on the table. That was the only purpose.

Mr. Drummond said he would certainly agree, all things being equal, if we have the opportunity, we should give local businesses an opportunity to respond. Maybe for the year going forward – this is just a one year contract – we might want to look in terms of offering it next time around. Mr. Perona said as long as we set up a certain set of priorities they are going to have to accomplish. Looking back to 2004, that was a big issue. Everybody was kind of caught off guard. By bringing in this type of service from the outside, whose area wasn't affected, that is why we have an alternate in Altamonte Springs. Perhaps in the future we can look for one here with an alternate outside the area. Mr. Brewer said we will be more than happy to look at some local vendors and see if we can make some arrangements to have some assurance they can perform in the worse case scenario.

Motion by Mr. Perona, seconded by Mr. Summerhays and unanimously carried to approve renewal of contracts for emergency catering services with Levan's Catering and Arthur's Fine Gourmet Catering for the next year beginning September 2, 2008 through September 2, 2009 with a one-year renewal option.

Mrs. Cully said she would like more clarification on Item A-6 regarding additional asbestos removal. Not that she has any question about the removal itself, but she was looking at an e-mail from Mr. Thiess on the cost associated with decommissioning and demolition of the King Plant. The bottom total was \$11,439,107 cost to FPUA, less a demolition credit of \$974,000, leaving a total of \$10,465,107. Didn't we deduct \$200,000 from the \$974,000? Mr. Thiess said yes. If you look at the expenses on the top of the page, it is listed as an additional expense against the \$974,000. The \$974,000 is reduced after that expense is deducted.

Mrs. Cully said the credit is disappearing. Is this something that we could end up with more expenses coming along? Mr. Thiess said we had one for environmental cleanup, and he thinks that was close to a couple of hundred thousand. Hopefully, we won't have much beyond that, but until we do the environmental assessments, we don't know what we have in the mitigation portion of the environmental cleanup. There could be additional expenses. Mrs. Cully said she was thinking that at first we were all excited that we were going to have this money to help pay for the costs we are putting out of over \$10 million. Mr. Thiess said if we finish the project with several hundred thousand left, we will be very happy.

Mr. Drummond wanted to clarify that we are left with \$700,000 to offset the \$11 million. Let's be clear about that. Mr. Thiess said any way you cut it, we're going to have \$10 million, plus, expenses in dismantling and shutting down the King Plant. That is a cost that will be borne by our ratepayers. Mr. Drummond said he thinks it is important that we be very clear that in no way is this a windfall with regard to the closing of the plant. Mr. Summerhays said it doesn't even cover 10%.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to approve the additional asbestos removal work by National Salvage and Service for \$28,494.82.

The following letters of appreciation were noted:

1. A letter was received from Capt. Don Punkka praising the professional, efficient service he received from Fred Mann and Ciro Sotelo of the Natural Gas Operations Department when repairing his gas oven.
2. A note was received from The Mustard Seed thanking FPUA for a contribution in the amount of \$352.34 from Project Care.
3. A letter was received from Drug Abuse Treatment Association, Inc. thanking FPUA employees for a contribution of 278 pounds of food for the month of July.

Mr. Thiess explained that this year we took on a larger scope on the pay plan. We had Cody and Associates come in and look at every job in the company. People filled out a survey on their position. There were face to face interviews with some employees and supervisors. Mr. Nick Pellegrino, Senior Partner of Cody and Associates, is here today to tell us a little more about that. We ended up with a characterization of the job positions to make sure they matched the job descriptions. We re-slotted everything to match the competition in the market.

Mr. Pellegrino said this time we did a very comprehensive study. We looked at all the positions individually, interviewed people, talked to all the supervisors and managers to get various perspectives. You do this every so often, because things change. Duties are added to certain positions or subtracted, reorganizations happen. This does affect individuals. There weren't a whole bunch of changes. This means that over the years the UA has been keeping up with the changes and with the market. We usually have a couple of pay plans, one for senior management and exempt employees. Those increases usually went into effect in April, and all the others on a different pay plan would go into effect in October. We decided the

best approach would be to have them at the same time. We looked at the market place throughout the State, throughout all the local governmental agencies and anything private that we could get our hands on.

We looked at what people were doing last year and this year as far as giving increases. We understand what the climate is in the public sector. Surprisingly, last year it was business as usual. This year it is not much different. A few places are not giving any increases and other places are going right along and giving increases. He just saw a piece that came out in one of the newspapers that the average increase throughout the State is about 3.8%. Even with Amendment One and all the tax talk, raises are still being given. From here on in it will be pretty much whatever the market dictates. That is what everyone is going to be looking at.

Mr. Drummond asked how often we go in and compare our increases as it relates to the full benefit packet. Mr. Pellegrino said we look at the benefit packets, also. You have to take into account the percentage of benefits you are paying. We take it as a whole, whether it is 20%, 30% or 40%. Some places give more in wages and less in benefits and vice versa. We have to look at them together. We do that every year. Mr. Drummond asked if the benefits are pretty much staying constant with employers. Mr. Pellegrino said yes. He thinks the UA's benefits are good. He wouldn't fool around with any of the benefits right now. Just concentrate on salaries and make sure they continue to be competitive. It is not only the people you have to recruit, because you don't have that much turnover, but it is also the people you want to retain. You don't want to lose your good people.

Mr. Perona said we are not talking about raising anybody's pay. We are looking at each job to make certain it fits a certain classification that we've already decided the rate on. Mr. Pellegrino said the only increases you are going to be looking at today involve the people who are below the new recommended range. You have to bring them up to the new minimum. Mr. Thiess said that is correct. It covers eight or nine employees. Mr. Summerhays said the cost is diminimus.

Motion by Mr. Perona, seconded by Mr. Summerhays and unanimously carried to approve the Pay Plan for Exempt and Non-Exempt Employees and adjust only the salaries of those employees whose current pay is below the minimum of their new pay ranges totaling \$16,045.00.

Mr. Tim Perkins, Director of Water/Wastewater Systems, updated the Board on major water/wastewater projects.

Mr. Perkins said we will be presenting a periodic update of major projects to the Board. This is a prototype. He would like the Board to give him their feedback on the level of detail they would like to see in the future. We could cover more projects. We picked a size threshold and only addressed any capital projects over \$100,000. We can simplify the presentation and cover them with a simple spreadsheet in the future. This is a power point presentation, which covers ten or eleven of the larger projects.

Basically, in the water/wastewater group we have about five types of major capital projects that we execute over any given fiscal year. The biggest ones are facilities for new capacity or for increased level of treatment at one of our plants due to regulatory requirements. We also

do rehab and replacement projects at our existing facilities and in our distribution and sewer collection systems. We have a number of projects every year that have us relocating existing water and sewer facilities that are in rights-of-way that belong to the City, County or State, because the permits that allow us to be there require that we relocate our utilities if they do improvements that conflict with our facilities. That ends up being a sizeable amount of work every year. We do MSBU (Municipal Service Benefit Unit) projects with the County where they do a special assessment vote, and if it is approved by 60% of the residents, the County funds a project to provide service for water and/or sewer, depending on the neighborhood for areas that have individual supply wells or septic tanks. We have one of those underway right now and are about to start another one in the coming year. We do cost participation projects with developers where if they have to build water or sewer facilities in the right-of-way off their project site. We frequently participate to upsize those facilities to allow future growth.

Mayor Benton exited the meeting at this point – 4:30 p.m.

Mr. Perkins explained we did a project this year to provide emergency power for Lift Station A located adjacent to the King Power Plant site. Prior to the demolition of the plant, the power plant itself was our emergency backup supply for that lift station. Lift Station A handles all the flow going to the wastewater treatment plant except the flow that originates from the island. It is a critical lift station and should it lose power, within a matter of minutes it could be overflowing. We invested \$1 million there. We have a facility in the ground and tested, which can run up to about ten days with the fuel supply it has. It has an 8,500 gallon tank. It was available during Fay. He presented slides to the Board showing the installation and completion. It provides about 800 kilowatts of power, which is adequate to meet the needs of the station to get flow over to the wastewater plant. During Fay, we were getting flow at 24 million gallons per day as opposed to our normal 5.5 million gallons per day. So, that station can handle some flow. About 1.5 to 2 million of that 24 million came from the island.

Mr. Perkins said another extremely large capital project for us was the mainland water reclamation facility deep injection wells. We received a grant from the State for 50% of the costs of these facilities. Construction of this project was critical to providing disposal of the Treasure Coast Energy Center's cooling water. We were under the gun to make sure we had the industrial injection well completed in time for the start up. Due to the efforts of Dave Mellert in particular, we were able to meet that timeline and be there for them. This was almost \$11 million just for the well drilling. The other work associated with this project came to almost \$1 million for about a \$12 million project, half of which was paid for by State grant.

Mr. Perkins displayed a slide of the drilling rig used to drill the industrial injection well, monitoring well, and the municipal injection well, which we have completed, but which is in standby mode pending construction of the plant. That is about a \$2 million piece of equipment. It is one of a kind and very complex and uncommon. He showed the Board a picture of the industrial injection well. Most of it is in the ground. There are about 3,000 feet of casing and lining pipe. No one had ever started up a well like this with strictly cooling water from a power plant, so we had some interesting experiences with temperature fluctuations when we first started up in a test mode. Now that they are in normal running conditions, there have been no problems whatsoever. Everything is functioning fine.

We drilled two new Floridan aquifer supply wells. This was also a project funded through alternative water supply grants from the State. Forty percent of the costs of this project was

funded by the State. Last year we did the drilling of the two wells for about \$1.5 million. In this year's budget, we installed the wellheads, controls, pumps and motors. The reason we split it up over two years was so we could get grant funds both years, because there was a limit on the availability of funds. This was really for future capacity for us, so we were able to spread the work out and keep costs down. He showed the Board pictures of one of the new wells.

We also did two surficial well replacement projects. These were for wells that were in very poor condition and had lost capacity over the years. We increased the flow of these two wells by over 100% on each well and got completely new well installations. That adds about 1,000 gallons per day of surface water supply for our lime softening plant. Total cost of the project was about \$440,000. Unfortunately, this is not an alternative water supply, so we had to go alone on this one. He showed the Board a picture of one of the old wells as compared to the new installation.

Mr. Perkins explained we added a variable frequency drive at the water plant. The drive that was in place was very archaic and unreliable. The new installation is much more efficient, allows us to use less energy and allows us to vary our pump speed to a finer degree. This was about a \$237,000 project. We had to build an HVAC controlled space as they are very temperature sensitive.

For the last two years we've been working on the design of the mainland water reclamation facility. This was grant funded and 50% of the \$2 million cost was paid by the State. Based on the slow down in building and the decrease in flow at our plant, we can go until 2017 without being forced by capacity requirements to build a new plant. We think it is critical to be ready to go if we can identify funding to relocate the Island Water Reclamation Facility, so we have completed the design and are ready to go to permitting. The design is on the shelf.

Mr. Drummond asked if there is a limit as to how long this design would be usable. Mr. Perkins said we will have to review it. If it sits on the shelf for two or three years or more, it could cost about \$200 to \$300 thousand dollars in redesign costs. It depends on how much technology changes in the interim. He showed the Board a drawing of what the site plan would look like upon completion. It would be a 25 million gallon per day plant built in 5 million gallons per day increments. You have to build the head works and the tail works of the plant to be able to handle the ultimate flow from the plant. Your first phase is a bigger cost than the incremental phases will be. It will cost in the neighborhood of \$60 million for the first phase. As you go along, the incremental costs are less. South of the site is where the Treasure Coast Energy Center is located. When this facility is started up it will provide reclaimed water to the Treasure Coast Energy Center, which they will use for cooling water purposes in lieu of the groundwater supply they are currently using.

We have three major force main projects underway funded by grants. We are building a backbone of sewage transmission mains that will run from the mainland water reclamation facility all the way back to Lift Station A. We are having to do some interesting planning on this, because initially we are going to be flowing towards Lift Station A, and when we phase out the IWRP, we will have to turn it around and come back the other way. As part of that work we have acquired a repump site for an additional pump station. We are trying to force this project out over the years. When we have a developer who has some force main that is going in the corridor we need, we try to get them to bear their costs, and we participate where

we can to upsize it for future needs to allow us to turn the flow around and bring it back out to the mainland water reclamation facility. This year we have three pieces that we are doing. There was a 24-inch force main on Jenkins Road. That project was funded 50% with grants and 50% by FPUA. The Selvitz Road 12-inch force main was funded the same. The Edwards Road force main was funded 75% by the developer, 15% by FPUA and 15% by grant.

He showed the Board a picture of the A1A Phase 3 project. Construction will continue through the third quarter of next fiscal year. It has been underway since the beginning of this past fiscal year. As part of this project we need to do some major re-piping around our Repump #1 to allow us to more efficiently operate. We had a project on the books for years, which we could never do because of the timing and flow requirements that would be necessary to back it up while we were doing the work. We finalized a negotiation that had been going on with Martin County for a number of years and did an interconnect with them on the south end of our system on the island to allow us to have backup flow while we did the A1A work. That also allowed us to take Repump #1 out of service and do this re-piping. We were able to combine these two projects. We couldn't take the repump off line until we had a backup supply. This is almost \$1 million. About half of that is attributed to relocations with no benefit. The rest of it included upsizings and interconnections that benefit us. When we have to go into the road and they are doing repaving or reworking of the roadway, we try to get as much work done as we can so we don't have to go back into it once it is finalized. As part of the project we will increase the size of the main to where we think it will be needed for the next ten years or so.

He showed the Board a picture of the North 25th Street roadway project. It impacted our major 20-inch raw water main that comes down 25th Street to the water plant. We told FDOT from the very beginning that we could not afford to have that line disrupted. It would make us unable to meet our water supply requirements. It took a lot of work, but ended up only costing us about \$230,000. We had to lower the main in a few places and did some interesting short term work to get out of their way. We were able to do it without disrupting service to our customers.

Next he displayed a water main replacement project. We are replacing about 6,000 feet of cast iron water pipe that has deteriorated. The services have already been renewed, so we are reconnecting them to the new main. We are replacing a few existing hydrants and adding a couple in order to get better fire coverage. This project is going to run into the first quarter of the coming fiscal year.

We had to do some lift station improvements on the beach. We had some deteriorated systems. The Ocean Village station and Harbortown Marina station were highly corroded because of the saline conditions. We had to replace some components. We were able to add some additional capacity. We were able to avoid about 1,200 feet of new force main that we would have had to install as part of the A1A roadway project by increasing the pumping capacity at one of these stations. The cost was a little under \$120,000.

We have an MSBU project that is almost finished. It involves about 7,000 feet of water main. Ultimately, it will be able to serve 790 homes at a cost of about \$2.6 million. That is funded by the County, but FPUA does pay for the engineering and contract construction administration costs. On this project we gave CIC credits for 60% of their construction costs. Going forward,

those will be handled differently. We have one more project that will be done under those criteria. He had one of our Technicians look at the connection rate on these MSBU's we've done over the past few years, and we've gotten somewhere between 25% to 35% connection within the first year or two. After that, they trickle in at a rate of 3% to 5% per year. No one forces them to connect. They still have to pay their assessment costs, but some of the people hold off until their well fails or septic tank fails.

Mr. Drummond thanked Mr. Perkins for his presentation.

Mrs. Nina Hurtubise presented the Purchased Gas Adjustment for September.

She requested an increase in our Purchased Gas Adjustment by ten cents for the month of September from \$1.05 to \$1.15 per CCF. This will raise the average residential customer using 13 CCF of gas per month to \$40.63. She showed the Board a chart of what FPUA's cost of natural gas has been over the last eleven months. Although we keep hearing all sorts of good news of decreasing prices, we haven't seen those yet. There was a huge jump in July to \$1.49 per CCF. We are hoping August will look a little bit better, but until the costs we pay come down, we cannot pass on the savings until we start receiving them.

Mr. Drummond said he asked Mr. Thiess earlier today whether or not, based on what we have been seeing in the futures market with them coming down, we might be able to look in terms of purchasing some futures with the gas and getting a better PGA, so we are not looking at fluctuations. Mr. Thiess said yes. We will be looking at that. He talked with Mr. Tom Richards, our Director of Electric/Gas Systems, today and when we reach a point where our costs for the gas reaches what we think is a low point, it might be a good time to buy some futures, maybe 40% to 60% of this year's purchases. If we can get them down to \$7.00 to \$7.50, that would give us the ability for the rest of the year to lower the PGA. It all depends on what the prices are with our supplier at a given point in time.

Motion by Mr. Summerhays, seconded by Mrs. Cully and unanimously carried to approve the Purchased Gas Adjustment for firm gas service for the period of September 1, 2008 through September 30, 2008 at +\$1.150/CCF.

Mrs. Hurtubise presented the June 2008 Quarterly Financial Operating Results.

Things are looking reasonably good with an income before City distribution of about \$7 million. Capital contributions are very strong at about \$17 to \$18 million, although we are continuing to see decreases in the water and wastewater unit sales. She displayed a chart for the nine months 2007 versus 2008, showing a 3% increase in electric. Water is down 10%; wastewater is down 7% and gas is up 1%. Our operating revenues are very similar to what we have been seeing every month. The primary amount of the increase, 75%, is a result of the Power Cost Adjustment. About 1/3 of the Power Cost Adjustment relates to residential and 2/3 to commercial. Water operating revenues are up 3%; wastewater is up 6%; natural gas is up 6%. About 82% of the natural gas increase relates to increase in the Purchased Gas Adjustment. Debt service coverage continues to be very strong at 2.73. It tracks operating income. We are required to keep a minimum of 1.25 debt service coverage. The thing to talk about for the month of June relating to contributed capital is the \$2.5 million we

billed FMPA for their share of the deep injection well costs. The biggest adjustment she has ever made since she has been here was in the month of June removing the power plant assets from our books. These assets were all fully depreciated, so it didn't hit our bottom line, but it did hit the cost basis of our assets and reduced our accumulated depreciation. It really didn't reduce our assets overall, but it is a huge adjustment. The land still sits on our books. Purchases for resale are up about \$5 million year to date. There is a decrease in property and liability insurance and claims by 29% this year. There is a \$273,000 decrease in interest expense because of the falling interest rates.

Mr. Perona said Mrs. Hurtubise stated the power plant land still sits on our books. Mrs. Hurtubise said we will remove the land from our books when what land remains is transferred to the City. There are certain parcels we have to keep for our own operations. Mr. Perona said we have that on our books for little or no value, right? Mrs. Hurtubise said we can't do that. We can't depreciate land. Mr. Perona said he is talking about as far as the asset goes. Mrs. Hurtubise said we will have to record the loss at the time we transfer the property.

Mrs. Hurtubise further stated that also contained in the operating result is budget versus actual. Our revenues are about \$7 million below budget. Some of that relates to Hartman Road Substation funding that we didn't get from the FPRA. Also, it includes the rate increases that didn't go in when we expected them to and prepared the budget. Again, we are comparing to the old budget and not the budget the Board approved in August. The expenses are \$5 million below budget. The electric purchases for resale were less than what we had budgeted even though they are as high as they are. We do expect the City distribution to be limited to 40% of the remaining revenues.

Mr. Javier Cisneros presented a request for approval of a Specific Authorization with Globaltech, Inc. He explained in April, 2007, the Board approved two agreements with FEMA for storm hardening of two FPUA wastewater sites. The grants will fund up to 75% of the total project costs. Specific Authorization GT-08-01 is a design build contract for the storm hardening of Lift Station A with one of our continuing services consultants, Globaltech, Inc. This Specific Authorization contains a maximum guaranteed price in the amount of \$219,500. FPUA's share is approximately \$54,875.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to approve Specific Authorization with Globaltech, Inc. for design and construction services for storm hardening of Lift Station A for a maximum guaranteed price of \$219,500.

Mr. Cisneros presented a request for approval of Specific Authorization GT-08-02 for the storm hardening of the water reclamation facility with Globaltech, Inc. There is a maximum guaranteed price in the amount of \$672,200. FPUA's share is approximately \$168,050.

Motion by Mr. Summerhays, seconded by Mr. Perona and unanimously carried to approve Specific Authorization with Globaltech, Inc. for design and construction services for storm hardening of the water reclamation facility for a maximum guaranteed price of \$672,200.

Mrs. Nina Hurtubise presented the rate comparisons for the month of July, 2008.

She reminded the Board it was in the month of July that we raised our Power Cost Adjustment. FPUA sits very high up; however, we do expect many of our sister cities to follow right behind. We have recently received information on a couple of the investor owned utilities. We have heard about FPL's increase of 16%, which was split 8% in August and, perhaps, 8% in January. It is yet to be determined how much the January increase will be. We have heard Progress Energy is seeking a 31% hike in electric. That is also going to be effective in August and January. What we're looking at for Progress Energy if they do what they say they are going to do, at a rate of \$144.86 plus their franchise fee, they could easily be higher than we are at that time. We hope the prices will come down, and we will be able to reduce our Power Cost Adjustment. The 1,000 kilowatt hour and 2,500 kilowatt hour comparisons look similar. Key West is the only city with higher costs than ours at this point in these comparisons. When we look at a comparison with Vero Beach, there is about a \$27 differential for electric, water and wastewater. We know in August we will see the Port St. Lucie numbers increase due to the increases in the FPL Power Cost Adjustment.

Mr. Drummond said his first question is with regards to the bills we are continuing to see from FMPA. How is our PCA holding with regard to that? Mrs. Hurtubise said the month of July looked better. It came down by \$4.00 for that month. We haven't gotten the bill for August yet, although we are in the hole by \$1.4 million.

Mr. Perona said he has buy-in on this that everybody else is going to catch us. We have been saying that for several months and speaking to many business leaders in the community, they've listened to that, and they understand how that can fluctuate. He would hate to lose the confidence that we are moving forward, and the others will follow because everything is going up. He guesses he is looking for a line in the sand that says by a certain time we will see something happen. We told everybody we were doing the right thing. This chart is very difficult to put on the screen to show the public, but this is really what we deal with. We are asking them to have confidence in us that we are watching this carefully and making sure every possible way to lower the rate and expenses is being done. He believes we need to have that line in the sand, like before the end of the year we're going to be back in the middle like we used to be. He knows we can't forecast that, but he wants to get the feeling that is what is going to happen. If not, this Board is going to be charged with the endeavor to find out what we're going to do about it.

Mr. Drummond would agree we are all on the line regarding this, but he would remind everyone as they are looking at that graph, our base rate continues to be very competitive with the other municipalities. It really gets down to the PCA that is causing it. Mr. Summerhays said every one of these other municipalities is subject to the same costs we are. Are all of these listed members of FMPA? Mr. Thiess said these 33 are members of FMEA and 30 are members of FMPA. Fifteen of them are members of the All Requirements Project that purchase all their power from FMPA. Mr. Summerhays said they are still subject to the same cost fluctuations we are subject to. The only way they could be maintaining these lower rates is either by eating up reserves or subsidizing their utility operations with tax revenues. Mr. Drummond said they have held on to their PCA for a longer period of time and not returned it to the customers. Mr. Perona said he agrees with all that, but eventually that has to shake out. That is what he's saying. He buys into that. We've all investigated this. Every one of these utilities is going through the same things we are, but we're number two from being the highest. He is saying that eventually we better start seeing Ft. Pierce going

toward the center on the bar graph or we're going to have to re-examine what we're doing here and what we need to do to make sure it gets back to that level. Mr. Summerhays said eventually their customers will be paying a lot more than ours for a much longer period of time. Mr. Drummond said at some point if it isn't moving back in that direction, that is the only question that is going to be asked of us. Mr. Perona feels he's out on the street corner yelling wolf, wolf, wolf, and eventually they're not going to believe the wolf is coming anymore.

Mr. Koblegard said he can give the Board a personal experience that is not on the chart. He has a small farm in north Florida. He has three meters. His average bill is running \$120 per month. He just got a PCA for \$58.00 out of the blue from Tri-County Electric. That is an example of people starting to catch up. That was not on our chart. Mr. Summerhays said they have no choice. They're going to have to do it sooner or later. When that happens, we're going to be in good shape and will be able to start lowering our bills.

Mr. John Tompeck requested approval of Entry and Testing Agreement with NVT Licenses, LCC.

Mr. Tompeck stated during the April 15th Board Meeting the Board received an informational presentation on FMPA's solar photovoltaic project. At that time FMPA had just decided to proceed with Sun Edison on the project. The first step in the process is site selection, and staff provided FMPA with three potential sites, each about an acre in size. Those sites include a parcel just east of the Garden City Substation on land previously purchased by the UA for the Enron Project; a parcel on the north side of the mainland water reclamation facility; and a parcel of land near the southwest portion of Treasure Coast Energy Center near Glades Cut Off Road by Environmental Drive just north of Midway Road. Sun Edison representatives had a chance to visit each one of those sites, and the next step in the process is for them to do a more detailed site evaluation, which will be performed by NVT Licenses, a subsidiary of Sun Edison. This evaluation will include survey activities, soil borings and analysis and possibly a phase one study. On the parcel next to Garden City Substation, we've already done a phase one study, so they probably won't have to do much there. We've done some soil boring activities at the mainland facilities as well, so there probably won't be much that has to be done there. In order for them to proceed, FMPA has prepared an entry and testing agreement to provide them access to our property for the evaluation. In order for us to participate in the project, staff recommends Board approval of the agreement.

Mr. Tompeck stated there are no costs to FMPA associated with this agreement. Signing of this agreement does not commit us to the project. If any of our sites are finally selected for the project, an additional site lease agreement will be brought back to the Board for approval.

Mr. Drummond said Mr. Tompeck indicated there will have to be another lease if indeed one of our sites is selected. At that time would we envision any costs to the UA for participation? Mr. Tompeck said there would be no cost to the UA for participation, and we would be paid at least \$1.00 per year for leasing the property.

Motion by Mr. Summerhays, seconded by Mr. Perona and unanimously carried to approve Entry and Testing Agreement with NVT Licenses, LCC to perform site evaluations on three parcels of land to be used in the FMPA solar photovoltaic project.

Mr. Bill Abramowicz, Customer Service Manager, presented a request for approval of an additional \$57,000 to our existing contract with TC Specialties Company for billing services.

Mr. Abramowicz said we originally entered into the contract with TC Specialties in 2004. They are a bill insert and mail contractor. We are doing a cost benefit analysis to determine if we want to continue to contract this out when the contract comes up for renewal in 2009 or whether we would bring this back in-house. We know there are some benefits to doing this in-house with control issues. If we had a special insert we needed to get in quickly, having it in-house would enable us to do that. We also want to look at the costs to our customers.

During May 2008, there was a postage increase and TC Specialties processes approximately 29,000 bills per month for us. We had four special inserts this year. Two were unplanned, none at the current postal rates. We had a lobby hour change and conservation mail-out that were in addition to the planned mail-outs of the water report and gas report. One of those was separate from the bills. In addition, our inactive account customer charges were ramped up over the past year, and we now have several thousand bills per month that also received that postal increase and the additional mail-outs, none of which were mailed before. Those things relate to the request for the additional \$57,000.

Mr. Perona said he would like to look next year at the possibility of bringing this in-house. He knows we would have to purchase machinery and things like that. He knows we had a zero bill sent to a Commissioner's wife and a couple of those things have happened. It made him think about bringing it in-house to have more quality control on it. Mr. Abramowicz said staff has already visited some examples of new insertion machines, because we had a postal insertion machine at one time, and we knew the operation of that required a staff member. As the machine aged, it required more maintenance. We are visiting sites that have newer insertion machines. We have another visit scheduled. Mr. Perona said next year when we look at this, we can at least take a look at the in-house issue. Mr. Abramowicz said that is correct.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to approve under RFP 5447 an additional \$57,000 to our existing contract with TC Specialties Co. for billing services, increasing the total contract amount to a figure not to exceed \$215,000 for period ending 9/30/08 and approve the amount of \$215,000 for the renewal option for the period from 10/1/08 – 9/30/09.

Mr. Tim Perkins presented a request for approval of purchase of pebble quicklime.

Mr. Perkins explained this is the second and final renewal on this contract for purchase of lime for the lime softening water treatment plant. It is a significant increase, about \$60,000 over the preceding year. We did some benchmarking and looked at two recent bids for Jupiter and Naples. They were at \$225 and \$228 per ton delivered. Our price on this contract renewal is \$203 per ton delivered. We also got a quote from the second low bidder on the original bid, and it was in the range of \$250 per ton. Chemicals continue to escalate, but at least for this year, it looks like we have good pricing although it is a significant increase.

Motion by Mr. Summerhays, seconded by Mr. Perona and unanimously carried to approve under Bid 5640 the second year renewal of contract with Carmeuse Lime Sales Corporation for the period of October 1, 2008 through September 30, 2009 in the amount not to exceed \$508,975.00 annually for the purchase of approximately 2,500 tons of pebble quicklime at \$203.59 per ton.

Mr. Tom Richards presented a request for approval of a blanket purchase order with Florida Gas Utility. This relates to the cost of gas which we purchase wholesale and sell retail to our retail distribution customers. The current year's budget of \$2.7 million was not adequate to cover all of our gas purchases. The Board has already amended the budget, but we need to amend the purchase order that is being submitted and is used by the Finance Department to pay the bills as they come in from FGU. He is asking for an additional \$300,000 from the original budget, bringing it to \$3 million for the fiscal year for purchased gas.

Motion by Mr. Perona, second by Mrs. Cully and unanimously carried to approve blanket purchase order to Florida Gas Utility for natural gas purchases in the amount of \$300,000 for the remainder of FY 2008.

Mr. Richards requested approval of a blanket purchase order for next fiscal year for natural gas purchases in the amount of \$3.5 million.

Mr. Drummond said, just for clarification, this does not lock us in at any price. This is just the blanket purchase order itself. Mr. Richards said that is correct. We will not spend any more money than we have to for gas as the bills come in.

Motion by Mr. Perona, seconded by Mr. Summerhays and unanimously carried to approve blanket purchase order to Florida Gas Utility for natural gas purchases in the amount of \$3.5 million for FY 2009.

Mr. Craig Brewer presented request for approval of a contract with Asplundh Tree Expert Company.

Mr. Brewer explained this is a request to approve the second of four, one-year renewals with Asplundh for tree trimming. We are asking for an additional \$100,000 on the contract for this year over the previous year and for future years, also. The reason we are doing this is an analysis of our tree trimming shows we need to get into the re-growth from the tree trimming that took place during the hurricanes. This will allow us to have the extra crew that will strictly pay attention to rear easements. We find we are not able to keep that crew on hand all year to accomplish that task.

Mr. Drummond said his question is do we currently have a schedule that keeps it in line annually or is this a world that every few years we find ourselves having to invest more to catch up? Mr. Brewer said we are on a three year cycle. We try to make sure we get through the entire service territory in a three year program. As you might expect, costs are going up, and the contractor has an option on his index to increase the price, his hourly rate. It takes away from our bang for the buck. It makes it a little difficult to stay up with the tree trimming

without having to ask for an increase. He thinks we've managed pretty well, but what we're really seeing now is the re-growth that is hard to keep up with.

Mr. Drummond asked if we are getting any benefit from those areas that we are now undergrounding. Mr. Brewer said we do get some benefit for that, because you don't have to trim those trees; however, development and projects are still occurring, and we are constantly in a battle with developers and projects that plant trees that may or may not be very sensitive to our power lines. We have to trim those in the future. Mr. Summerhays said a lot of places that have underground, have above ground coming in. Gator Trace is an example. It is above ground until you get to where the club house is located. Mr. Brewer said what you typically find, too, in areas that were served with overhead in the past, is the property develops over time and the people that buy the place want to plant trees. They think it will be fine, but in five or six years you've got a problem.

Mr. Perona said he thinks it is important to point out this isn't just for hurricanes. With any type of storms we get, these easements are important for us to have reliability. If you want to say something good about Fort Pierce Utilities Authority, it's the fact that we get back up faster than anybody. It is because we take these precautions and do the maintenance on our easements and things like that so our crews can get back in there. He asked how much outage is caused by trees and debris like that. Mr. Brewer said 10% is not an unusual number, but if you keep them maintained, you can hold the outages down. We did pretty well during Tropical Storm Fay. We didn't have a lot of tree problems. A lot of that is from limbs breaking and blowing into lines.

Mr. Brewer further stated the PSC also mandates that the utilities go through a storm hardening process. We have been working with them on that for the last couple of years. IOU's and Municipals are participating voluntarily in the program to let the PSC know what we are doing to harden our facilities. Part of the report he has to do for them every March is to let them know what we are doing in the area of tree trimming, because they know vegetation management is very important to minimizing outages.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to approve under bid 5649 the second of four, one-year renewal options with Asplundh Tree Expert Company in an amount not to exceed \$400,000.00, annually, which includes an additional \$100,000 over the previous year's contract.

Mr. Thiess said tonight we have a couple of items on the City Commission agenda. We have item 15, which is our budget approval, up for the second time. He thinks item 19 is the reappointment, hopefully, of Darrell Drummond to the UA Board.

Mr. Koblegard explained his request for approval of Resolution UA 2008-11 concerns a piece of property we need for the UA. The Board gave us approval in 2006 to sign a contract to purchase these two acres. We signed the contract and had a due diligence period where we had to do a lot split and decide if we needed a rezoning or conditional use. We had to have the property appraised. The actual original contract price was \$175,000. The purchase price was going to be \$126,875, because we currently have an easement through the property, consisting of a little over half an acre, so we wrote in the contract that we would reduce the

purchase price by the actual square footage of that easement on a certain basis, based on the survey. The owner has a mortgage on the property. They had represented that wasn't an issue. When it came time to close, the mortgage holder wanted the entire \$126,875, plus an additional \$50,000. The owner's position was they couldn't afford to sell us the property and come out of pocket. At that point we ran into two choices. One, he thinks we could force them to go through with the sale, but it would be time consuming; it would mean a law suit, and there could be an appeal process. The UA needs the property more quickly. We decided we could go through the condemnation process of eminent domain, so we went back and had another appraisal. The new appraisal is for \$85,000. That is half of what we offered them originally. That shows you how much property values have fallen in this area since 2006. In the eminent domain proceeding, he plans to move forward with a Quick Take if the Board approves this, whereby, we can get possession and ownership of the property, argue about the value at a later date through the courts, and in that way we can move on with what we need to do.

Mr. Koblegard further stated David Mellert has been working on this. Mr. Koblegard said the new appraisal is about \$85,000, and the projected Attorney's fees are about \$50,000. Some of the Attorney's costs have already been incurred. The amount of \$27,500 includes the estimated fees and costs of the opposing counsel and FPUA counsel. We are required to pay the surveying cost for the other side, their appraiser fees, and their Attorney's fees to a certain extent. They only get the extra if they prevail over what our appraisal shows it to be. He can't say for sure what those costs might be, but having dealt with some condemnation lawyers and in some of the work he is doing for FMPA, those fees are running \$400 to \$700 an hour. The bulk of that is included in the \$27,500 figure he mentioned earlier. If we are able to resolve it, that figure will drop down substantially. His rate is \$130 per hour, and he knows pretty much what time he has in these projects. Over all, even at that figure, we are coming out ahead of what the contract price was originally. We can go ahead and get title to the property and not have to worry about trying to enforce the contract.

Motion by Mr. Summerhays, seconded by Mr. Perona and unanimously carried to adopt Resolution UA 2008-11 authorizing the use of eminent domain for two acres of vacant land north of 700 South 29th Street.

Mr. Koblegard said he has proposed to send a letter to Mason Simpson, who is Harbour Isle Development, LLC. The letter is pretty self-explanatory. Basically, what happened was Mr. Simpson approached the UA about irrigation water. We gave him three proposals through David Mellert as to how he could accomplish that. Mr. Simpson chose to use the potable water route, and we gave him the figure for what that would be as far as the Capital Improvement Charges. Mr. Simpson came back and said for right now he needed only to pay us for the tennis courts and front office or something like that. He paid us a very small amount. He never got back with us again after that. Within the last year it came out that Mr. Simpson had actually hooked the irrigation system up to the domestic water supply going to each of the condominium units and was using that for irrigation water. That brought about two or three problems. Mr. Thiess can correct him on the technical side of this, since Mr. Mellert is not here today. Number one, our wastewater is based on water consumption, so the condominium owners have been paying wastewater bills when it was really for irrigation. That is another issue that may have to be resolved one day. Number two, when they reach full capacity and the irrigation is turned on, a lot of the units will not have enough water

pressure to operate their showers and tubs or whatever it may be. One of the major things is fire protection. He thinks if they can't shut down the irrigation that is on at the same time, they are not going to have water immediately if they need it for a fire.

Mr. Thiess said, also, they have no backflow prevention between the irrigation system and the potable water system. That violates state law. Mr. Drummond said the biggy is they have not paid their fair share for Capital Improvement Charges.

Mr. Koblegard said they underestimated their consumption with FDEP. They are in violation of that permit. We, as the UA, should be suing Mr. Simpson just for the money. We can also include in that, he thinks, making them make the system right. He doesn't think there will be any real additional costs in that, and we have a legal basis to do that. He thought we could send the letter, get a response, decide where we go and how the individual homeowners association will get involved. He can let the Board know if there is going to be any additional expense. We are just trying to collect the money. He would like to edit the letter after reading it again as to form. The substance will stay the same.

Mr. Drummond agrees we should send the letter. Ultimately, those customers are paying an unfair cost as a result of the developer's actions. Most certainly, going forward, he is continually disappointed that we were not able to get anywhere with providing reclaimed water for their irrigation system. He wishes the City had placed those stipulations on the developer as part of the approval of that development. He thinks everyone would have been in more of a win-win situation in that instance.

Motion by Mr. Summerhays, seconded by Mr. Perona to authorize a letter to be sent to the developer of Harbour Isle notifying them of the need to pay the appropriate fees and charges and correct the existing irrigation system.

There being no further business, the meeting was adjourned.

ATTEST:

Secretary

Chairman