

NOTES OF BUDGET WORKSHOP OF THE FORT PIERCE UTILITIES AUTHORITY,
FRIDAY, June 12, 2009, 9:00 A.M., ENERGY SERVICES CENTER

Members Present: Chairman, Pamela K. Cully; Vice Chairman, Robert W. Summerhays, Jr.; Deputy Secretary, Darrell Drummond; Mayor Robert J. Benton III; and Ms. Anne Satterlee, Acting City Manager

Excused: Secretary, Thomas K. Perona.

Others present: Director of Utilities, Director of Shared Services, Director of Finance, Director of Water/Wastewater Systems, and City of Fort Pierce Commissioner Christine Coke.

The meeting was called to order by Chairman Cully.

The Invocation was given by Craig Brewer.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

A motion was made by Mr. Summerhays, seconded by Mr. Drummond, and unanimously carried to excuse Secretary Tom Perona from today's meeting.

Mr. Bill Thiess stressed that this budget being presented is not anywhere near final; it is a fairly complete draft at this time. We have had all of our in-house budget review meetings and have made a lot of cuts in-house. June 29th the budget will come in somewhat final form to Mr. Thiess before it goes to our Board the first meeting in July. This budget will go before the City Commission in August. There is a copy of the complete draft budget available today to take with you. Mr. Thiess said the goal of the budget is to keep costs down to avoid rate increases for FY 2010. We have deferred some of the renewals and replacements and capital projects to accomplish this.

Mrs. Nina Hurtubise, Finance Director, presented a PowerPoint summary of Fort Pierce Utilities Authority's Draft Operations & Maintenance and Capital FY 2009 Amended and FY 2010 Original Budgets (presentation attached).

There was some discussion about the Other Post-Employment Benefits (OPEB), which is the expense for the incremental additional cost of insurance for the retirees compared to employees.

Questions & Answers about OPEB (responses by Nina Hurtubise unless indicated otherwise)

- 1) Do we pay health insurance for retirees?
 - a) We do charge those retirees what our insurance consultant has determined to be the costs of that insurance, but it is the same cost for all employees and retirees.

The older population is going to cost the group more money than the younger group. There is something called the implied subsidy, which means the costs that we are charging retirees is not enough. What the actuary does is takes that difference and dials it back to today, takes the present value of what that cost will be in the future, which has many assumptions that goes into that. There is an implied subsidy that we have to pay for based on our current employees. This is something that all governments have to do, if they have this sort of arrangement. If they do not provide health insurance or any other kind of benefits to retirees, it is not an issue.

- 2) Are we providing them a Medicare supplement equivalent?
 - a) What we are working on is examining how beneficial it will be for us to offer to our retirees a supplement so that they do not participate in the full insurance plan. If we provide them with a Medicare supplement, they would no longer be a financial liability.
- 3) Is the insurance on the retirees available for those under 65?
 - a) It is available to all at this time.
- 4) When did we start doing this (booking OPEB expenses)?
 - a) We first booked it in 2008. We are only booking the entry, we are not funding it. We have to make a decision if we do want to fund it and if so how.
- 5) How far back would we go, if we did decide to fund it?
 - a) The \$2.5 million calculations include both the current cost associated with FY 2008 and FY 2009 and the amortization of the \$20 million liability associated with employees' past service over 30 years. Of the \$2.5 million, approximately \$2 million represents the current normal cost, and \$500K represents the amortization of the unfunded actuarial accrued liability.
- 6) Are we doing this because of the competition of other utilities?
 - a) We are doing this to be in compliance with Governmental Accounting Standards Board Statement #45.
- 7) If we decided that we did not want to fund it, would we not have to?
 - a) Technically, we do not have to fund it, but what will happen is, as each year passes, if it was \$2.5 million last year, then the liability will be \$5 million at the end of 2009.
- 8) If we choose to not provide the health insurance, then do we have to book this?
 - a) We are legally obligated to offer health insurance to our retirees. If we come up with a Medicare supplement, we do expect the liability to decrease.
- 9) Are we required to offer the health insurance?
 - a) Yes we are required to make available to our retirees the same health benefits that are available to our employees and at the same costs. The difference is that retirees pay 100% of the insurance premium costs, where the employee costs

are wholly or partially (in the case of dependent coverage) subsidized by FPUA. The problem is when you take a large group and this is what the cost is per person, the cost for retirees is really more because of their age.

- b) Mr. Thiess said we have questioned the assumptions by the actuary because we think the assumptions are very conservative and the number is higher than it should be. There is no way to pass that cost from this point forward along to the retirees.
 - c) Mr. Summerhays said what we are accruing is an unfunded subsidy so as you go from year to year, it is not necessarily going to have anything to do with the prior year. As interest rates go up and down, it will change. It needs to be accrued, it is not cash, it is a liability.
- 10) Can the actuary give us a breakout of exactly what the cost is for an employee that is retired?
- a) No, because that would be discriminatory, but we can get with the actuary and check the assumptions. If we get the Medicare Supplement Plan, that should lower the costs for those that are of Medicare age.
- 11) Do they require that we fund it?
- a) They do not require that it be funded, but it is advantageous to fund it because it reduces the liability.
- 12) Do we fund the employees' accrued vacation and sick time that they get to take with them when they leave?
- a) No, we do not fund that because it is limited.

Mr. Thiess said that once we get with the actuary and understand his assumptions, we can have the actuary present it to the Board.

Questions and Answers about Clinic (responses by Nina Hurtubise unless indicated otherwise)

- 1) Are we participating with the City and the County with the Clinic?
- a) Our understanding, at the County level, is that basically nothing has happened at this point. The proposal was that the Clinic was going to be in the old Sam's Club building, but they have decided not to use that. We do not know the details.
 - b) Commissioner Coke added that the City met with the County this week to discuss the clinic because it would save them money on insurance. They are expecting presentations from their insurance consultant and the people that have formed the plan for the County. The City is willing to take the lead since they have the empty office building next to City Hall. They have two companies that specialize in providing these clinic services and one of them suggested that they get a group together such as the City and FPUA and invite the County or anybody else that wants to participate. This could reduce insurance expenses and possibly have a small profit.

Mayor Benton entered at 10:05 a.m. during Wireless Broadband presentation.

Mrs. Eve Walker, IT Services Manager, presented a PowerPoint summary of the Wireless Broadband Network/Advanced Meter Infrastructure (AMI) Project (presentation attached).

Questions and Answers about Wireless Broadband Network/AMI project (responses by Eve Walker unless indicated otherwise)

- 1) One of the major assumptions is reduction in costs for meter readers, but you do not show that in your financial assumptions?
 - a) No, because based on our current assumptions, the project is budget neutral or better without considering reductions in personnel.
- 2) Do you anticipate adding a number to decrease costs for personnel for reading the meters?
 - a) Mr. Thiess said that for the reads, connects, disconnects and reconnects we would need fewer personnel to perform those tasks, if we do a lot less of it.
- 3) Is one of the assumptions that if we have AMI meters, we would not have individuals going out for the original read?
 - a) Mr. Thiess responded that on the new AMI meters, you would not. We would do some checking during the year, but we would not do regular reads. We would still have to read the water and gas meters and we may look at an automated solution on those meters down the road.
- 4) So, at this point, we are not anticipating any reduction in staff associated with this?
 - a) We are not assuming staff reductions at this time. The project is budget neutral without assuming personnel reductions. If the project ultimately results in reduction in staff, the project would become more budget positive.
 - b) Mr. Thiess said another reason for the option to defer the first payment out as far as a year is it lets you realize the benefits in staffing and other O&M costs before we start the payout. If we start paying right away, we might not be able to do the staff reductions or realize some of the other benefits to offset the payments.
- 5) Would it be too costly to also at the same time add the water and the gas meters and do this all at one time?
 - a) The analysis at this time was that would not make the project viable and we did not see a benefit in adding those meters at this time.
 - b) Mr. Thiess said that some water meters lie in swales and out by the road and the electric meters are out of that element. There would be damage problems and battery problems with the water meters and more problems with the equipment on the water side.
- 6) Is there a breakdown as to what the \$9 million would buy and what would be the costs? There seems to be two components associated with those items; life of them physically and the life of them technology-wise. What would the liability be for us if there was a catastrophe and what would it cost for us to replace it? Would that be the vendor's responsibility to replace?

- a) These questions will be answered once more information is gathered. The wireless equipment is small and would, in most cases, be mounted on FPUA utility poles.
- 7) Are you looking for a motion for this today?
 - a) This will come before you in the budget in July and you can make a motion then. When we do bring it back to the Board, we can do an updated presentation on existing installations in other cities and utilities. There would be some firm numbers that CCA can provide to validate the revenue assumptions.
- 8) If we are talking about almost \$10 million, neutral is not a good enough investment and more questions will have to be answered.
 - a) We are using very conservative assumptions to be sure it is at least budget neutral. We should have more information before it comes back to the Board in July.
- 9) The budget should include the cost for the education and advertising for the public that would have to go along with it.
 - a) That will be included in the final budget. It will be a relatively minor component of the cost.

Mr. Thiess said the staff is looking for general direction today from the Board to put this in the budget based on it being budget neutral or better. This item will come back to the Board when we are ready to go to contract with firm numbers. This is preliminary and would go in the budget as a revenue neutral item on the capital side and be offset on the O&M side, trading out capital for O&M. Before making that decision, we would come back to the Board with a full presentation, firm numbers, and contract information.

There was a consensus by the Board that the Wireless Broadband/AMI project is a good idea and they agreed to put it in the budget for approval, but they would like further information, firm numbers, how we are going to pay for it, and that it would have to be better than neutral before proceeding further.

A complete recording of the budget meeting is available on tape in the Director of Utilities' Office.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN