

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, July 7, 2009, 4:00 P.M., CITY COMMISSION CHAMBERS

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

Excused: Chairman, Pamela K. Cully.

Others present: Director of Utilities, FPUA Attorney, Director of Finance, Communications Manager, Director of Electric and Gas Systems, and Purchasing Manager.

The meeting was called to order by Vice Chairman Summerhays.

The Invocation was given by Pastor Ted Rice of St. Peters Lutheran Church

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

A presentation of the American Public Power Association Safety Award was given by Al Caprio, Safety/Environmental Officer. Mr. Caprio said FPUA has earned this award for the low incident rate for the year 2008. The rates are based on the number of work related injuries and illness versus the number of hours worked. The Electric System has successfully worked over 311,000 hours to earn us an honorable mention in Group F. Group F is for worker hours with the exposure between 250,000 and 999,000 hours. Mr. Caprio said this is an example of our employees continued effort to provide a high level of service to our community while always putting safety first.

Mr. Summerhays said our employees deserve congratulations as always.

Mr. Perona requested that A1 and A2 be removed from the consent agenda.

A motion was made by Mr. Drummond, seconded by Mr. Perona, and unanimously carried that all the remaining items on the Consent Agenda be approved:

3. Excuse Chairman, Pam Cully from today's meeting, as she is out of town.
4. Approve Letter of Engagement with Bryant Miller Olive for Bond Counsel and Disclosure Counsel Services in connection with issuance of bonds for refinancing FMPA Pooled Loan debt for an estimated \$60,000.00 in total fees.
5. Bid 5923: Accept lowest evaluated responsive responsible bid from MWI Pump Rental, Vero Beach, Florida, for (1) MWI/CT0006 Dry Priming End Suction Centrifugal Pump, in the amount of \$30,328.

Mr. Perona said he pulled A1-Approval of the Minutes of the Regular Meeting of June 16, 2009, and A2-Approval of the Notes of the Budget Workshop of June 12, 2009, because he was at the APPA convention for both meetings and cannot approve the minutes when he was not there.

A motion was made by Mr. Drummond, seconded by Mayor Benton, for Items A1 and A2 on the Consent Agenda be approved. Voting for approval was Mr. Drummond, Mr. Summerhays, and Mayor Benton, abstaining was Mr. Perona, motion approved.

The following letters of appreciation were noted:

A letter was received by Tammy Malin, IT Services Technician, from Tracey D. Skinner, SLC Donor Development Coordinator of Florida's Blood Centers, thanking FPUA for ongoing support of Florida's Blood Centers.

An email was received by Craig Crawford, Gas Distribution Foreman, from Karol Johnson, an FPUA customer, thanking Mark Bassett, Gas Service Technician II, for his kindness and great customer service.

Item C1- Presentation of the Residential and Commercial Customer Satisfaction Survey results by Marla Rawls of CH2M HILL was pulled from the agenda to be presented next Board meeting. Marla Rawls Hill had a personal emergency late yesterday and could not make it for the presentation.

Valerie Schulte, Supervising Engineer for Water/Wastewater Engineering presented the Water Main Looping Projects for capacity, reliability, and water quality. Mrs. Schulte said the three projects are Buckeye Drive, Saeger Avenue, and Jenkins Road and are listed with their descriptions, estimated construction costs and design and permitting costs. These projects were evaluated based on various criteria for fire flow, improving water quality in the system, potential for new development, and increasing reliability of the system. Mrs. Schulte said that staff is recommending approval of these projects and that we use the unit price contractor to perform the work since he is very familiar with this type of work that we are doing.

A motion was made by Mr. Perona, seconded by Mayor Benton, and unanimously carried for the approval of the Water Main Looping Projects; Buckeye Drive, Saeger Avenue, and Jenkins Road for a combined project cost of \$270,000 and authorized the use of the Unit Price Contractor to complete the construction at a cost of \$237,000.

Eve Walker, Information Technology Services Manager presented a PowerPoint presentation of the Wireless Broadband Network/Advanced Metering Infrastructure (WBN/AMI) Project. Mrs. Walker said that we are going to review the Wireless Broadband Network/Advanced Metering Infrastructure project and the assumptions that

we went over in the workshop in regards to placing this in the FY 2010 budget. She stated that we are looking at this now to be included in the FY 2010 budget because currently interest rates are very low due to the "Buy American Bonds". We can get an interest rate at 4.75% or lower. As these rates tend to increase over time, it is going to equate to additional interest cost of approximately \$860,000 over the life of the term or 15-year term lease.

Additionally, the DOE Smart Grid Grants are now available. Grant submission is due on August 16th and we are looking at approximately \$3.4 billion that is available. We would qualify under the small project, which constitutes approximately 50% of the funding (50/50 matching funds) and it is associated with projects that are a size of between \$300,000 and \$20 million. If we were to go ahead and apply for these grants, even if we choose not to proceed with the project later on, we do not have to accept those funds at that time. The other reasons we are looking at this right now is because we are currently paying quite a bit of recurring costs so any delay in the project means there is a continuation of paying these recurring costs for such things as air cards, data circuits, and cellular costs that we are paying right now. The DOE Smart Grid is strictly for the WBN/AMI.

In addition, grant submission is due on the stimulus funds on August 14th and it is 80/20 stimulus funds. The stimulus funds are for only the broadband network, not the AMI. It has approximately \$1.2 billion available. On the FPUAnet Sales, we have already begun selling some wireless services. We have sold to the Fort Pierce Police Department and Sheriff's Office and working on some pending sales now. By implementing the wireless services over our service territory, it would open it for more sales for us that can be done quicker. In reviewing the information in regards to Advance Metering Infrastructure (AMI) or the Wireless Broadband networking, this is not new technology. Automatic Meter Reading (AMR) started about 1962 and has now moved into the AMI. The AMR is a walk by or drive by and AMI is an electronic remote meter reading, or a disconnect/reconnect, read on demand. Some early adopters of AMI right now are Southern California Edison, Pacific Gas & Electric, American Electric Power, Consumers Energy, San Diego Gas & Electric, and Florida Power & Light.

In regards to the implementations in Florida there is City of Hollywood, Tallahassee, and City of Leesburg is doing a pilot in regards to peak demand and prepaid metering. With the DOE Smart Grid grants, if this is placed into the budget, we are looking into going in on submission for grants through the FMEA/FMPA as a group and that would be with Ocala and Homestead. We are not sure about KUA at this time.

In terms of the Wireless Broadband implementations, some of the ones FPUA has done now are the Fort Pierce Police Department for video surveillance, FPUA well sites on 25th Street, the Sheriff's office new airport location, and Jaycee Park Repump Station. We are getting rid of a costly data circuit there, as well. Implementation at that site opens us up to be able to provide Internet services to Harbour Isles, if we get those sales as well. In regard to the stimulus funds submission, we are looking into going in with the Southeast Florida Enervation Network, which would be made up of Palm Beach County, Martin County, St. Lucie County, Indian River County, and Okeechobee County

for a submission for those funds. In addition to that, there is one more submission that we are looking at doing with the DOE Smart Grid funds. We are looking at making an application submission just as FPUA alone.

For review information on these projects, there are reductions in operational costs and it does include less physical meter reads and disconnects/ reconnects which equates to fewer full time equivalents. One of the other questions that was brought up during the workshop is "why did we not include water and gas". The original project scope did include water and gas and it was much more expensive. When we started looking at the project, it did not seem viable or cost effective to include all of those utilities. The electric is more cost effective at this time.

The liability of FPUA in terms of catastrophe, implementation of the Wireless Broadband Network and AMI infrastructure is no different than our current infrastructures that we have installed, it is just an enhancement to what we have. We already have fiber out there and items installed on poles. We already have meters; we are only replacing meters and adding weather-proof boxes on the poles.

Specifically, in regards to physical liability, the Wireless Broadband nodes consist of router enclosures which offer very high wind resistance. They are sealed, die cast boxes, which contain a system that removes any moisture, which keeps out humidity in the boxes. The life expectancy of the individual parts inside the boxes is a little over 10 years. The life expectancy on the meters for the advanced metering infrastructure is the same as the meters we install now, which is 15 years or longer. What happens is with the meter you install a meter transmission unit and that is what gets replaced, not the meter itself as technology improves. There are also data collection units that are installed on the poles. These are rugged weatherproof boxes that are high wind resistance and waterproof.

In regards to the technical liability, one of the things we are looking in the Wireless Broadband network is that this is an "open source" solution, which does not hold us price hostage to any manufacturer or vendor. It does not hold us hostage to any single source support. What we are looking at is a system that makes FPUA independent and where we can get cost benefits from going to different manufacturers as needed and we can support this system internally. Since this project replaces the existing meters with meters that have Meter Transmission Units (MTU), the only change to the equipment, barring any catastrophe, is just the replacement of the MTUs as newer, advanced technologies becomes available and we decide we want to move to them. What we are looking at right now is not the oldest wireless technology, but the next one up that has been out and used in the industry. It is a 450 megahertz system, therefore any move to new technology would be years down the line and it would only be if it is necessary. Any technology upgrades at this time would not be a complete system removal, it would only be of individual parts as we deem necessary.

The cost of education and advertising are included in the project for notifications to customers to let them know what is going on and information about the tampering and detection. It is also suggested that we submit press releases to the media, television,

and print, provide information in our customer bills, utilize our closed circuit television, and provide information on our FPUA.com. We are estimating this to be a not to exceed \$1,000, which is already in the Communication's budget, as it stands now.

Some overall benefits that are identified by the Federal Energy Regulatory Commission (FERC), for implementing an AMI are such things as reduction in meter reads, increased meter reading accuracy, easier energy theft detection, and enhanced outage management. In regards to customer service benefits are; detection of meter failures, more accurate billing, faster service restoration, flexible billing cycles, variety of time-based rate options to customers, and creating customer energy profiles. In terms of financial benefits, there would be reduced equipment and equipment maintenance costs, reduced support expense, shorter outages, and improvements in inventory management.

As we looked at the benefits and we reviewed implementing these projects, we found that there were benefits in regards to the decrease in production hours resulting in approximately \$131,735 annually. The reduction comes from decrease in physical rereads from errors, customer inquiries, and remote turn on/off's. In the conservative scenario, it is an approximate \$71,000 annual savings. Reduction in regular physical reads of our conservative estimate is approximately \$21,500 annually. In the remote disconnects/reconnects, when we do remote versus the physical, we are looking at a conservative estimated savings of around \$39,000 annually.

Some operational expense decreases are vehicles, since we would have remote meter reads and remote disconnects/reconnects. There would be more disconnects than reconnects because there is a physical issue with reconnects. We are looking at vehicle reduction in terms of depreciation, maintenance, and insurance. We have done a conservative estimate of approximately \$11,000 annual savings. Reduction in mileage cost, since we will not be driving to those, it is approximately a savings of \$7,000 annually. In terms of recapturing revenue from AMI through the replacement of all the electric meters, since they will all be brand new meters, we are looking in a reduction of approximately \$67,500, annually. Lost due to theft by electric detection/deterrence is approximately \$50,000 annually. These are estimates to provide input for inclusion in the budget not for project submission or project approval at this time.

Additional benefits to the projects are decreases in recurring costs such as reducing air cards, reducing cell phone usage, and elimination of dedicated circuits to remote sites. In terms of increases to revenue/income, we will have a tracking company that is willing to sign up to go on our wireless broadband network as soon as it is implemented and that is estimated at approximately \$5,000/month. Additional wireless broadband network sales, we have a conservative estimate of \$7,000/month. Air card pledges are where we can provide telecommunication services to other government entities at reduced cost or more cost effective solution than a private carrier.

Some other benefits to the system that are hard to quantify such as customer access to readings via the Internet, which would provide reduction in calls into the call center.

Additionally, it provides to the customer the ability to help self manage their use by looking at their usage on the Internet. There will be reduced insurance claims since we are going to do a reduction in vehicles and there will be fewer injuries or dog bites. Also there would be a potential savings due to accuracy of issues and time of billing, management having more and better data than ever before for trending and analysis. We could look into pre-paid metering and also look into, once the system is implemented, a reduction peak demand charge.

Mrs. Walker referred to the slide of the overview of the project cost summary, which she stated is a high level estimate at this time. She said that is not project approval, this is just for budget inclusion. The project cost is a little over \$9 million. For the financial assumptions, we were requested to come up with different case scenarios, so we have come up with a conservative, a moderate, and a better case scenario. This is reiteration of some of the costs that we went over previously. Reduction in cost for regular meters, we are looking at conservative being \$21,479, reduction in cost for rereads for errors, turn on/off's is around \$71,000. Reduction in costs for disconnects/reconnects is \$39,283, decrease in operational cost is \$18,158, decrease in communication expenses that we discussed is \$56,283 so we are looking at total decreased expenses of a little over \$206,000.

In terms of the conservative case scenario for the annual revenues, those are pretty stagnate across because we wanted to be very conservative on those numbers, in all cases, not just the conservative cases. We are looking at \$67,500 for the recapture of revenue from the loss due to age of meters because we would replace them with all brand new meters. The recaptured revenue from loss due to theft is approximately \$50,000 and the new revenue like the tracking company, FPUAnet sales, and the pledges is around \$183,000, for a total increased revenue of around \$300,000.

Mr. Perona said that he remembers years ago, Craig Brewer telling him that as a meter ages it slows down and everybody thinks it speeds up. You are telling us, due to the inventory of meters that we have in our area right now, that we are losing about \$68,000 a year.

Mrs. Walker said that is the lowest assumption that they came up with.

Mayor Benton asked what the life expectancy was of the meters.

Mrs. Walker responded that the life expectancy is the same as if they bought meters that are not AMI-ready, there is 15 to 20-year expectancy.

Mr. Perona asked about the sensitive electric nodes and if they are weather resistant. He stated that he has bought electrical products that say weather-resistant and it does not mean south Florida east coast. He said he was wondering because of the salt in the air and the havoc it plays on our systems, does that make a difference to what we are talking about because Mrs. Walker said they have a 10-year life. Is it really a 10-year life in Fort Pierce or in the middle of the United States?

Mrs. Walker replied that the internal parts have a 10-plus years of life and the external box is actually an outdoor rated box and it is the same type of box rating as we would do for our cross connect boxes that we do now. When we had the wireless system, pre 2004 hurricanes, those are the same boxes that we put out at that time, so are their external enclosures and the parts inside. The external enclosures are rated for this area in terms of weather resistance to leakage from the wind, rain, and humidity.

The total decreased expenses of almost \$207,000, total increase revenues of a little over \$300,000, and one of the things that we are estimating is the sale of the existing meters of approximately \$5/meter, which is approximately \$144,500. There is a maintenance contract that primarily supports, if we need to call in. We are looking at an independent system that we can maintain ourselves, so that would be \$4,000 reduction for the maintenance. A total budget reduction on the conservative side is \$647,317.

Mrs. Walker said without the stimulus funds, this is budget negative impact. We are looking at the total budget reduction of a little over \$647,000, the onetime revenue of \$144,465 with the sale of the meters, and a finance payment based on a 15-year lease at 4.75% interest rate of \$847,627, for a budget negative impact of almost \$345,000. What we are looking at in requesting that this be included in the FY 2010 budget is that it be included with funding to be provided by the stimulus funds. We would not move further with the project if we did not obtain either the DOE Smart Grid funds or the stimulus funds or a mixture of both. The best scenario would be a mixture of both.

Mr. Drummond asked if in that case, of the \$9 million, what would we be budgeting?

Mrs. Walker said we would have to budget the total amount.

Mr. Drummond asked if she is suggesting that we would only proceed if we did receive the grant funding, so at that point, how much would we be anticipating for grant funding?

Mrs. Walker said it is 50% of the project if we get the DOE Smart Grid funds and if we get the Broadband it would be 80/20.

Mr. Drummond asked if Mrs. Walker was suggesting that we are only going to do it if we get the grant funding. How much are we anticipating on the grant side?

Mrs. Walker said a little over \$4.5 million.

Mr. Drummond asked why we are not budgeting only \$4.5 million on the project.

Mr. Thiess responded that when we have projects that have multiple funding sources, we budget the entire amount of the project and break down the funding sources on the individual sheets for that project. For instance, the MSBUs, we budget the entire cost of the MSBU and show it on the individual budget sheet as to how much money is FPUA and how much is St. Lucie County funded. It is all in the budget, but shows different funding sources.

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Mr. Drummond said he understands that part, so what he wanted to be clear on, is in the \$9 million that the budget would show, the maximum that would be coming out of funding from the Utilities' Authority would be the \$4.5 million.

Mr. Thiess said that is correct. The \$4.5 million goes on the books in fiscal year 2010, but the payments would only be the lease payments of approximately \$847,000. That is ten payments over 15 years, so the out of pocket for FY 2010 is only the \$847,000.

Mrs. Walker said the payments for the lease can be deferred for up to one year. So in the terms of the scenarios with the stimulus funds, the projects do come out as budget positive impact for all scenarios, conservative, moderate, and better.

Mr. Drummond said that Mrs. Walker suggested in the presentation that the City of Leesburg is doing a pilot project. Did we look into terms of whether or not we could initiate this program as a pilot and what it would cost if we did not do the entire thing? Mr. Drummond said that Mrs. Walker said that they broke theirs out in phases.

Mrs. Walker said that they are further along than we are so they are looking at the pilot or the prepaid program.

Mr. Drummond asked if we could structure this in a phased program versus a full project.

Mrs. Walker said we could still structure it with the lease according to the company we are working with, which is Community Communications Authority and the leasing company. They did say we could do a pilot if we continue on.

Mr. Drummond asked what would be the budget implications of a pilot.

Mrs. Walker said she does not have those numbers at this time.

Mr. Thiess said the main effect of a pilot would be that we could defer our payments to up to one year, so if we only do the pilot project initially, we will not get the positive benefits on it until we do the full project. The longer we put off the full project, the longer it takes to realize the benefits or the savings.

Mr. Drummond asked if we could break it out and do phases in terms of the implementation of it. Do we have to implement the entire system in order to be able to use this particular company?

Mrs. Walker said it is not the company. In regards to the stimulus funds, that is a shovel ready project that is, we have to hit the floor running ready to go and know what technology we want to move forward with. In regards to the Wireless Broadband network, we have already done a pilot. We have several installations of that done. The only thing that we would be piloting would be the AMI portion of it.

Mr. Drummond asked if the territory of the project is the entire area.

Mrs. Walker said that all the electric meters are in our territory.

Mr. Drummond said if we did a phasing in terms of sections of the territory, would that not reduce the costs of the project.

Mr. Summerhays said he thought that would increase the costs because what he understands about most of the stimulus projects, they are only going to be stimulus on the stuff we do now. If we delay something two or three years, it is going to cost more than it does now, most likely. It is not a given, but most likely.

Mrs. Walker said if we do not blanket our service territory with the wireless broadband network, then we will not get some of those savings or benefits from those recurring costs because we cannot get rid of the air cards because the locators and the other field workers will have areas that they go into that they will not be able to access the network. We cannot get rid of some of the cell phone usage for some of the data circuits because we may not have wireless in that area. We would have to at least blanket our service territory with a wireless network to start recouping those costs or getting those benefits from the network. The biggest thing would be the AMI from the electric meters.

Mr. Thiess said that a lot of that would depend on the stipulations in the DOE grant agreement. He said he is sure there are time frames in there that we would have to meet to get the funding.

Mrs. Nina Hurtubise, Finance Director, presented the Capital and Operations and Maintenance Budget that is proposed for FY 2010 and amendment to FY 2009 budget. Mrs. Hurtubise said our revenues are increasing a little bit, but down from what we originally projected for 2009. Our Operations and Maintenance (O&M) budget has decreased from 2009 and our Capital is also down slightly, but we will get into each of these numbers.

Mrs. Hurtubise said we have a lot less sale revenues than we did originally project, about \$2.4 million. We have a lot fewer capital improvement charges than we had originally projected to bring in for FY 2009 going into 2010, about \$6 million. We have no extraordinary income as the result of the closing of the power plant. We do have some increases in non operating revenues, but that relates to the \$4.5 million grant revenue that we are anticipating. It was a very tricky thing to put the budget together with and without the proposed project that you just heard the details on. Both the Capital and O&M budgets were built with the assumption that the grant money would be received in full, at least 50%, and we would accrue one-quarter of the benefits for the year. The annual benefits that Mrs. Walker was quoting are for an entire year. It is unlikely, with the best of circumstances it will be June 30th before this project would be done. The revenues are shown here and on the capital side as well. The revenues

have changed dramatically in the last year. We are up from 2006, but we have had a couple of rate increases since then.

The electric power cost adjustment has increased dramatically in the last couple of years. This is just our regular operating revenue and they are down a little bit, but the revenue overall is up because of the power cost adjustment. The assumption is that the 2009 consumption will be equal to the 2010, but there will be no increase and no decrease. Same situation with the consumption on water that has dropped over the last three years and we are expecting it to stay flat at that level. The revenues are increasing slightly because of the rate increases. The wastewater is the same situation, the consumption decreasing, revenue increasing. Natural gas is a base rate on the bottom, the purchase gas adjustment is shown as yellow on the top, but as we have discussed in prior meetings, the purchase gas adjustment is going down. It is not as large a chunk as we had originally anticipated.

Operations and Maintenance (O&M) budget, these are our expenses. There is a slight decrease and what you see is the base O&M is pretty much level. The original budget in 2008, 2009, and what we are anticipating in 2010 is pretty slack across the board. Purchases for resale, obviously a huge percentage of our budget and with those variances, it is still pretty flat. Depreciation is a non cash item, which is the allocation of the costs of our assets to the period in which we are using them, is up a little bit in 2009 and 2010. This is basically reflective of what we had actually in 2008 as well as we are making some life adjustments to the existing assets. We are trying, to as closely as possible, reflect the true lives of our assets in our books. As Mr. Perona indicated earlier, some of our assets do not last as long we thought they were going to maybe 25 years ago, so we are adjusting those lives downward. This is a non cash item, but it does affect our bottom line because we do keep our accounting records on a full accrual basis. It is the same situation with Other Post-Employment Benefits (OPEB). Mrs. Hurtubise stated that beginning in 2008 we have been required by the Governmental Accounting Standards Board (GASB) to report OPEB. We have talked about this in numerous meetings prior to this. Mrs. Hurtubise stated that she would briefly describe it for those watching on television. The healthcare benefit that FPUA makes available to its retirees is referred to as OPEB. Although retirees pay 100% of the estimated cost of the benefit, the cost of healthcare for a retiree is assumed to be more than for an average active employee. As a result, there is an "implied subsidy" which is a cost to FPUA. This cost reflects the liability for benefits expected to be paid on behalf of current active employees when they terminate employment at a future date. In accordance with GASB Statement No. 45, this cost is required to be accrued each year. Again the full accrual basis versus the cash basis, we do not run out of a checkbook, we have to estimate the cost today that we will be paying in the future. An actuarial study was performed, and based on certain assumptions; the amount of the expense accrual in FY 2009 is estimated to be about \$2.6 million. No estimate of this expense was available at the time of the preparation of the original FY 2009 budget, which is why there was no budget either in 2008 or 2009, we have just implemented it. Although this is a significant increase in the amended FY 2009 budget from the original, this liability is not being funded. We are booking the accrual, but we are not setting cash aside to pay for this liability in the future. Most importantly, the assumptions made in the actuarial

study are being re-examined in the hope of reducing this significant annual accrual. FPUA retirees are required to apply for Medicare when they become eligible. The assumption that was made by the actuary is that it was not a requirement and therefore FPUA's insurance would be primary over Medicare, but that assumption is not correct. There was also an assumption made that when a person leaves and defers retirement, meaning they leave employment today and are too young to retire so they are going to retire some time down the road, they would be eligible for insurance benefits. Those employees cannot reenter our health care system, only if you work for the company and go straight to retirement. There may be some circumstances like Cobra where there is a short period of time before retiring. If somebody at 20 years old leaves and they are going to retire at age 60, they cannot rejoin our plan at age 60. We are in contact with our actuary and we are going to reevaluate this number and it should go down.

Mr. Perona said he knows that we are not funding this OPEB and that it is a guess because the issues of Medicare and everything else came into play. It should only come into function for that time between retirement and when Medicare comes into play, if Medicare is primary. This could be a real cost to FPUA, and Mr. Perona said that Mr. Thiess assured him and with Mrs. Hurtubise's explanation which he does appreciate, that we are going to get a little bit better number there rather than this \$2.6 million. This is a valuable thing because this is a benefit that we offer our employees and has to be picked up somewhere, it is going to be funded somewhere. Mr. Perona said it is a number that he would like to know a little bit more about and maybe we could get somebody to take a look at it with the parameters that Mrs. Hurtubise just mentioned to get a number that is a little bit more realistic that gives a little bit better flavor of what to expect.

Mrs. Hurtubise said we have engaged an actuary to do that estimation, it is not something we estimate. They take into consideration so many different unknowns that are way out there in the future; the cost of health care in the future, how long people are going to live, and it is their best estimate, but it is based on so many assumptions so far out in the future and it cannot be nailed on the head. We will be paying now or later.

Mr. Perona said that he had an actuary speak to him at one time and he said an actuary gets into that science because he wanted to be an accountant that could not stand the excitement. He asked Mr. Summerhays if there was excitement in accounting and Mr. Summerhays responded, absolutely.

Mrs. Hurtubise said the details of the O&M budget can be seen on page 5 of the proposed budget book and it could not be put on a slide because there was too much information. Depreciation is up about \$2.9 million from the prior year. We have had a \$976,000 decrease in our personnel services and benefits. We have eliminated seven positions and we are holding six positions vacant in FY 2009, two of those will be filled in FY 2010. Our overtime expense is projected to be down 16%. The detail of the positions is on page 4 and 5. Our employee insurance costs are down for a couple of reasons. In January, we switched to Blue Cross/Blue Shield and received a great deal of savings from that. At that time, we also increased the employee contributions for dependent care so the employee now pays 29% instead of 25% of that additional costs.

With that being said, included in the 2010 budget, starting calendar year January 1, 2010, we included a 10% increase in premium and the costs are still down \$321,000, or 9%.

Mrs. Hurtubise said our utility bad debts are projected to be up \$219,000, which is up about 48%. Certain chemicals for our water/wastewater plants has increased as much as 260%. Our asphalt costs have gone up 190% since last year so we have got upward pressure that we have to offset with savings just to break even or hold the line. The distribution to the City of Fort Pierce for the 2009 actual was about \$5 million and the 2010 estimate is about \$4.9 million and again \$4.9 million for 2011. That is based on gross revenue, the 6% formula, not the 40% formula.

Mrs. Hurtubise said for the Capital budget, we are proposing a \$27,275,250 budget. She said that the previous presentation by Mrs. Walker is the very first line item of \$9 million, which is one-third of our budget. What is included in the "other" is our Central Services and our FPUAnet Services. We are decreasing our 2010 budget from 2009 by about \$1.8 million, but if we exclude the Wireless Broadband/AMI project, we would have decreased our budget by \$10.8 million. Mrs. Hurtubise said that the staff did a tremendous job cutting back on their capital budgets to eliminate the need for rate increase next year. In the 2008 Capital Budget, it was \$48 million and the actual for 2008 turned out to be \$31 million. The original for 2009 was \$29 million and we are hoping that will turn out to be \$24 million. For 2010 it is \$27 million that we are proposing and it would have been \$18 million without the Wireless Broadband/AMI project. Mrs. Hurtubise said she cannot say enough about staff's ability to hold back costs for 2010 and moving forward. They have either cut or deferred projects and we are hoping that does not reduce our reliability. We still wish to be able to provide the reliable service that our customers have become accustomed to receiving. Some of the other reasons why the Capital Budget decreased is we have some very large projects that are going to be finishing in 2010, such as the Hartman Substation Upgrade, which we are hoping will be done by the end of 2009. South A1A continues to live on, but it will be less in 2010, the Island Water Reclamation Facility and Lift Station Mitigation projects, which were funded in part by FEMA, those projects are almost complete, and US Highway 1 is almost complete. Major capital projects in FY 2010; Wireless Broadband/AMI network is a huge chunk of the budget, Sunland Gardens MSBU is bringing on new customers, South A1A and 13th Street are roadway projects and do not benefit FPUA with new customers. Mrs. Hurtubise said about 44% of the total budget lies in the projects that are required for various reasons to be done. We do not just do projects because we want to; we do projects because we have to address growth. We need to do the renewals and replacements and we want to function more efficiently and that is the AMI/Broadband. We want to continue to maintain a reliable system, storm-hardened. This is certainly something that we wish to continue to provide to our customers, but 44% of the budget is somewhat forced upon us or certainly as a result of requirements that we have to meet such as Department of Environmental Protection, Department of Homeland Security, Environmental Protection Agency, North American Reliability Corporation, National Electric Safety Code, Public Service Commission, and the South Florida Water Management District. Those are all entities that permit and

license us in various ways and we need to make sure we are in compliance with their requirements.

Mrs. Hurtubise said although there is a \$27 million Capital Budget, we are expecting only \$8.6 million to come from rates. The stimulus funding is not just the \$4.5 million associated with Wireless Broadband and AMI projects, but we also have some stimulus money coming through the City for 13th Street and from St. Lucie County for the Juanita Avenue Bridge. It also includes a mailing machine because we intend to bring our billing back in-house from Orlando. We will start printing and mailing our bills in-house once again. We feel it will be more efficient. The Fort Pierce Redevelopment Agency (FPRA) about \$2.5 million relates to A1A and the MSBU money is primarily Sunland Gardens and we have already received that money. The Capital Improvement Charges (CIC) on the revenue side for 2010, we are only projecting \$100,000 in each system of electric, water, and wastewater for a total of \$300,000. We are showing \$1.5 million in funding because there are CICs that we have charged, collected, and received that we have not yet spent on those related projects. We have to keep them in reserve so we can use them in the future.

Mrs. Hurtubise said that she is asking from the Board today to approve the Capital and O&M Budgets and what will happen is we present them together in the Annual Budget, which will be presented August 4th based on what is voted on today. At that time, the budget resolution will be done with the official adoption of the budget. This is a preliminary step to make sure we are going in the direction that the Board would like us to go in. She is requesting that the Board approve the FY 2010 Capital Budget, which totals \$27,275,250.

Mr. Drummond said that we generally have an opportunity to approve or disapprove a particular project and asked if by approving the Capital Budget as it is presented, we are in essence approving all of the projects that are listed.

Mrs. Hurtubise said that they are approving all the projects, but the Board will see those items again in a form of the request to expend the money. Although it is in the budget, we cannot spend it until we bring it back to the Board. In the case of engaging in a lease of \$850,000/year for the Wireless Broadband/AMI, we do not know what the format of this is going to be until everything is in place; we will have to bring that back to the Board again. The Board will have another opportunity to say no we do not want to do this. Probably before that, the Board would have to approve the Agreement with the Department of Energy, assuming we get the grant. At this point, it is our position that we would not move forward with the Wireless Broadband and AMI projects without those grants.

Mr. Drummond said his concern is that if he does not support the Wireless proposal and the next time he sees it is presented in a fashion that it was approved when the budget was in process and we are already half way down that road. He would like the opportunity to suggest as we go through this process what he is not going to be supportive of. He stated that Mrs. Hurtubise's suggestion in here is a discussion of the Board expending dollars based on the stimulus package for 13th Street and so far he is

not going to be supportive of the Board participating in that. Mr. Drummond said he is concerned if he approves this budget, it will be a part of "it was already budgeted". He also said that Mrs. Hurtubise mentioned bringing the mail system back in-house and he does not know that he is going to be supportive of that process. Mr. Drummond said he is hesitant on signing off on \$27 million when there may be at least ten items that he is not supportive of.

Mr. Summerhays said that it will all come back to the Board in the form of a contract and approval.

Mr. Drummond said he understood that, but it would be with a stipulation that it was already budgeted.

Mr. Summerhays said it cannot come back to the Board without a budget amendment or that it has been approved in the budget. This is the same process we have done every year.

Mr. Drummond said he understands that and he was curious if there was support to bring it back to us. If there are not three people supportive of the wireless, then it would not come back to us in a "do not proceed" form, it would stop right now. Mr. Drummond said his feelings are that he does not want to disapprove the entire Capital Budget, but there are some things in there that he does not support.

Mr. Perona said that the particulars, the absolute contractual issues that those individual items have, are not before us today. In concept, if we agree with the concept in a cheery world where there is a lot of money and everything works beautifully, these things could be an asset. Until they come in front of us, and that it is budgeted, and he votes accordingly, it does not obligate him in any way. In fact, he said he could look at it and say, now that I look at it, I do not feel it is something good for our rate payers and he does not care what he did in the past as far as budgeting it accordingly, now that I look at it closely, it does not cut the mustard with me and it is out. Mr. Perona said he understands what Mr. Drummond is saying, and it does give a momentum, but he does not have a problem going the other way if it really does not match up to the expectations that he has.

Mr. Summerhays said he agreed with Mr. Perona and that he did not find Mr. Perona particularly shy.

Mayor Benton said that Mr. Drummond makes a point that the City Commission also approves this budget and there are City Commissioners that will say it is in the budget, \$9 million, plus the 13th Street project. Mayor Benton believes if FPUA does not get the stimulus money, then they will say it is budgeted and they will do the project. He said as someone who has stuck his head out and said he is not going to do it unless we get that project completely paid for he does not know. He stated if we were dealing with just this Board, but we are not, he has to deal with the other Board.

Mr. Thiess said the 13th Street project is in the budget with the assumption of a portion of it being paid by rates and the other portion is coming from stimulus or FPRA. If the money does not come, then the project will not happen because we do not have it totally funded from rates.

Mayor Benton requested that an asterisk be put alongside these projects and put a note on the bottom so when the budget comes before the City Commission, they can see that in writing.

Mr. Thiess said that can be done and he will point out those high profile projects when the presentation is done.

Mr. Drummond said that if he is questioned about certain projects, he is going to say that he did not support them. He does not want to have to defend his approval of the Capital Budget, which is his dilemma.

Mayor Benton said he agrees with Mr. Drummond and that will be in the minutes to this meeting also that if the stimulus money comes we can consider it, but without the stimulus money, the project is out.

Mr. Summerhays said it his understanding that is what the basic premise was all along. He said he would be joining them if we did not have the stimulus money. He would not support something that was going to further increase a negative cash flow that we already have a problem with. It has got to have a really good chance of producing a positive cash flow or he would not vote for it.

Mr. Drummond said he just wants to be sure that everyone understands that even if stimulus money comes in, he is not suggesting that he is necessarily going to support it, 13th Street or the Wireless Broadband. He is just being clear on this one. The Board does not necessarily have his support on these projects.

Mayor Benton said he agrees with Mr. Drummond.

Mrs. Hurtubise said that we have a situation with applying for the grants. If the funds are not in the budget and we go to apply for the grant, they suddenly become non shovel-ready and that is really why we are pressing to put it in the budget so it lays the ground work for us to apply for the funding.

Mayor Benton asked where the \$4.5 million that we have to put up, where is that money coming from.

Mrs. Hurtubise said it is going to be paid month by month in the form of a lease at least that is how it was originally proposed to us. The question would then be do we have to then actually purchase the system, which we would own anyway. With the capital lease, we constructively own it anyway. It is essentially a financing arrangement.

Mayor Benton said what he would like on the record is that we will not be paying for this with rate increases.

Mrs. Hurtubise said absolutely and positively not, we would not be using rate increases.

Mayor Benton said that he wants that on the record because we are talking about a lot of money here so the public understands that we will not be doing this through rate increases.

Mr. Summerhays said he did not think there was anybody on this Board that would vote for that.

Mr. Drummond said it will not be done through rate increases, but the whole premise is set up on assumptions. If these assumptions do not come through, we might find ourselves coming back and readdressing it up to and including a need for rate increases.

Mr. Summerhays said that we will need to look very carefully at the example of New Smyrna Beach up the road, where they forged ahead without giving it a lot of thought and at that period in time we had the sense to say no on that particular Internet adventure. We are really going to have to look at this closely before we say yes because it is a big amount of money.

Mr. Perona made a motion for approval of the Capital Budget as proposed for year 2010 in the amount of \$27,275,250, seconded by Mayor Benton with the concerns noted of the AMI, Wireless Broadband, and the 13th Street reconstruction, and unanimously approved.

Motion by Mayor Benton, seconded by Mr. Drummond and unanimously carried to approve to amend the Operations and Maintenance Budget for FY 2009 and adopting the original FY 2010 Operations and Maintenance Budget.

Mrs. Hurtubise presented the Rate Comparisons for the month of May, 2009. She said she was presenting May's comparison of residential electrical rates compiled by the Florida Municipal Electric Association and the comparison of the residential electric, water, and wastewater rates compiled by staff for Fort Pierce, Port St. Lucie, St. Lucie County, and Vero Beach. Mrs. Hurtubise said the graph displayed is the municipal electric bills in the State of Florida for May's usage for 1,000 kWh. FPUA is identified as the 9th highest on the 1,000 kWh comparison and 6th on the 2,500 kWh comparison. Each of the bars is made up of the base rate and the power cost adjustment. Since April, three utilities have increased their bills and eleven have decreased their bills. There were four big decreases; Williston reflects a decrease of \$20.20, Chattahoochee reflects a decrease of \$19.21, Tampa Electric, investor owned, reflects a decrease of \$14.02. Mrs. Hurtubise noted that all three of these large decreases are not members of the All Requirements Project with FMPA.

Mrs. Hurtubise said that our local comparison has a lot of changes in May. Our water and wastewater rate increases that went into place in the middle of April are now reflected in these numbers, which was a 5% increase. FP&L for Port St. Lucie and St. Lucie County Utilities had a very small decrease in their storm charge. It went from \$1.45 per megawatt to \$0.42 per megawatt, 1,000 kWh. St. Lucie County Utilities' water and wastewater utilities increased 5.5% from April and Vero Beach's power cost adjustment went from \$51.37 to \$55.22. So the gap between Vero Beach and Fort Pierce is narrowing. We did discuss last month that Vero Beach was expecting an 18% increase in their electric rate. They also disclosed a couple of weeks ago that the City advanced the water and sewer department \$2 million in 2008 and is scheduled to advance it another \$1.4 million in 2009 to cover the shortage of these extremely low water and wastewater rates. It has now been explained, they are being subsidized by the City.

Mr. Drummond asked if Nina was suggesting that the City is making contributions to the utilities.

Mrs. Hurtubise said the wording was that the City advanced them the money, whether it was an inter-fund loan or how it was booked she is not sure. That is how they were able to keep those rates so low because the City is giving them money.

Mayor Benton said he does not believe they keep 10% in their reserves by Ordinance. They have a transfer like the City of Fort Pierce, but they keep dipping into the reserves. He said from what he has read, they will have to change real quickly because their water rates are that low and that their day is coming.

Mr. Thiess said that the same article said they are looking at some very high rate increases on water and wastewater for a period of three to four years.

Mr. John Tompeck presented the Interlocal Agreement between FPUA and St. Lucie County for the relocation of the gas main on Avenue D across the NSLRWCD Canal #2. He stated that the County has requested this relocation in support of their sidewalk and drainage project which runs from Angle Road down Avenue D and across the #2 canal. Currently the gas main runs along the north side Avenue D and across the canal and based on the current County design the relocated gas line will be below the new culvert piping in the canal. This project was not identified in our capital budget for 2009 or 2010. The County is very interested in expediting this project and has agreed to provide us full funding during our meeting of June 24th; however, we were advised yesterday that they now wish us to pay back that money in the future. Staff went ahead and provided the County some input on our budget concerns and County Engineering agreed to go back and discuss the issue again with the Assistant County Administrator. We feel reasonably confident that they will return to our original understanding, which is identified in the Interlocal Agreement. If that goes south for any reason, we will prepare a revised Interlocal Agreement for Board approval. This work will take about one week and we would like to have it completed prior to them initiating the sidewalk and drainage

work. Work will not start until they sign the Interlocal Agreement. The work involved is the gas main that is about three feet below grade right now and we will have to directional bore underneath the culvert piping to make it about 18 feet below grade and that is what is fairly expensive and the connections to the 8-inch line.

Mr. Summerhays asked if the Interlocal Agreement is to be approved providing that the County is going to pay for it.

Mr. Perona said that it is important that we approve it in its form because as Mr. Tompeck said in the beginning, the County said time is of essence and this is important. He would rather have the document ready for us to be able to move as it is written. They would have to come back to this Board and would not get the support if it is revised.

Mr. Tompeck said that is why they decided to leave it on the agenda.

Motion by Mr. Drummond, seconded by Mr. Perona, and unanimously carried to approve the Interlocal Agreement between FPUA and St. Lucie County for the relocation of the gas main on Avenue D near the NSLRWCD Canal #2.

Mr. Thiess said he would like to remind the Board of the FMEA/FMPA joint conference in Palm Beach Gardens next week with a packed agenda. There will be items on climate change, renewable energy, and utility rates. He encouraged the members to make it there at least for a day.

Mr. Chris Williams, who resides at 1006 Avenue L, Fort Pierce, presented on the overhead a copy of the Petition to Amend the FPUA Charter. Mr. Williams said he wanted to clarify some rumors that were going on about the petition him, Commissioner Sessions, and some of the pastors that belong to African American Pastor's Committee were preparing. He said that they started a petition a few weeks ago against the Board to bring it back to the City because a lot of people in the City feel the rates are out of control and something needs to be done about it. He said when they started it, he obtained several hundred petitions and then he was told by Commissioner Sessions that Mr. Thiess had spoke to Gertrude Walker and basically that the petition was not done correctly at the time. It did not have the right Florida Statutes and right format. Mr. Williams said he is presenting a copy for the Board today so he could clarify a rumor that they are presenting the correct format and they are going to proceed and move forward. Mr. Williams said he represents himself today as well as the citizens of Fort Pierce that they could not make it today and he brought it today so everyone could see it and he is going to move forward with it. He said it is on the screen with the top part of it, the ballot question is there, and all the correct Florida State Statutes. He said he and Mr. Sessions worked on this for weeks and weeks until they finally got it correct.

Mr. Drummond asked for clarification that Mr. Williams is here today representing himself.

Mr. Williams said he is representing himself and a lot of people that could not make it here today from the community, some of the citizens.

Mr. Drummond said that he wanted to make it clear because Mr. Williams said earlier that he was representing the citizens of Fort Pierce and Mr. Drummond said he does not think he is. "You are here representing yourself, correct?"

Mr. Williams said he was representing himself and some of the people that have been working with him on the petition; they could not make it today, so he was speaking for them.

Mayor Benton said some discussion ensued with the City Commission last night in that their Director of Solid Waste was looking for an increase in the garbage fees that they charge and he said he was bringing this up because that is on their utility bill. He said the City Commission basically put that off. He said the reason why they are asking for this increase is because it appears that St. Lucie County has raised the tipping fees, the fee that is charged per ton of garbage at the landfill some 28% starting in October. Mayor Benton is requesting that the public call their County Commissioner that passed this resolution that this is the way that the City of Fort Pierce and the City of Port St. Lucie will help them balance their budget. He said that a 28% increase in this economy is a travesty. He said that we are cutting back on rates as low as we can, but a 28% increase seems very substantial. He said he could understand 5% increase, but 28% is extremely high and in Port St. Lucie it is put on the tax bill. The unincorporated county residents are the same and they probably would not notice it as much, but when it comes on the utility bill, it could be another 6% increase for the City. The City put it off, but he requested that everyone call their County Commissioner and complain.

Mr. Perona said that he represented the FPUA at the APPA convention in Salt Lake City and there was a little bit different mood. The theme was conservation and energy efficiency and it seemed like most of the workshops dealt with that type of function. He said a lot of government control was going on right now and it seems like the future of fuels is uncertain. He said he was in a large seminar with some scientist that make energy out of mold and algae and so they are really looking at the different scopes of what is going on. Mr. Perona said one of the interesting things was that there was a car company that is not really a car company, but they make the electric batteries for cars. He said it is just like your cellular phone system where you would buy minutes or time on the batteries. They would set up charging stations all through a community and if you went on a long distance trip, you would go in a little service station and in five minutes they take the battery out of the car and they give you a brand new charged battery. They charge the batteries in the evening time when it is off peak. This is actually functioning right now in Israel and he said he does not know why they do not bring it to the United States. He said a lot of the island countries, communities, and states like Hawaii are getting test runs now. He said it is interesting to see the thinking that is going on outside the box within the utility industry. Green power is one thing that

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was also themed throughout the convention and they kept referring to green power as a good power, that green was the representation of the money it takes to buy the green to make the green. He said hopefully in the future there will be a big buy in from energy producers. He said the time went very fast and he actually got into some of the seminars and did not want to leave because there were some really great speakers. Some economist spoke about hope for the future and that we were still going to be in business and things were going to work its way out.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN