

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, FEBRUARY 17, 2009, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members present: Chairman, Pamela K. Cully; Vice Chairman, Robert W. Summerhays, Jr.; Secretary, Thomas K. Perona; Deputy Secretary, Darrell Drummond; Mayor Robert J. Benton III.

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

Chairman Cully called the meeting to order.

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

The Pledge of Allegiance was recited.

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

1. Approval of the Minutes of the Regular Meeting of February 3, 2009.
2. Bid 5896: Accept lowest and best bid received from Bill Currie Ford in the amount not to exceed \$83,386.00 for purchase of one 2009 Ford F-550 with dominator crane body and telescoping crane.
3. Bid 5905: Approve piggyback of City of Dunedin bid for purchase of antiscalant from American Water Chemicals, Inc. In the total not to exceed \$27,950.00 annually.
4. Approve Agreement with Dickerson of Florida, Inc. for provision of lift station maintenance by FPUA.
5. Approve Parking Agreement between FPUA and Leonard Wheeley d/b/a Asset Auction Services for use of FPUA parking lot at 206 S. 6th Street after working hours.

A note of appreciation was received from The Mustard Seed thanking FPUA customers for a contribution of \$314.18 through Project Care.

Mrs. Nina Hurtubise, Director of Finance, presented a request for approval of payment to FMPA for FPUA's participation share of Public Gas Partners Supply Agreement No. 2.

Mrs. Hurtubise explained back in October we received notification from FMPA as to the amount we owed. We were not asked to pay until a week ago when she received a letter from FMPA stating that the amount had increased. Unfortunately, it increased above the amount staff is authorized to pay without Board approval. The new amount comes to \$991,769.72, about \$47,000 more than we had been told in October. There really is no option to pay this. She will probably send the money electronically. It is something we have agreed to contractually. This is an investment.

Mrs. Cully asked why we did not pay it in October. Mrs. Hurtubise explained the number was preliminary at the time, but she believed it to be close enough to ask for Board approval back in October or she would never have brought it to the Board in the first place. The reason for the delay had in large part to do with the tight credit market. FMPA had to finance their share, which was significantly larger than ours, and they have been working on it for this entire time. They have had difficulty getting decent financing at a decent rate.

Motion by Mr. Summerhays, seconded by Mr. Perona and unanimously carried to approve an increase in the amount payable to FMPA for FPUA's participation share of Public Gas Partners Supply Agreement No. 2 by \$46,769.85, bringing the total amount to \$991,769.72.

Mr. Thiess explained the next item relates to direction by the Board after the hurricanes of 2004 relating to residential deposits. The City Commission and UA staff agreed upon a Seven Point Plan to help customers during the hard economic times. Part of that plan covered deposits. He was looking back at the original Seven Point Plan, and it talked about deposit averaging to lower deposits. What ended up coming out of that was to reduce deposits back to the minimum. That was done across the board for residential deposits, not commercial. At the time we did that in late 2004, the deposit minimums were substantially less than they are now by about 60%. On Electric, the minimum deposit now is around \$240,000. Back then it was \$145,000. The deposits were reduced to the minimum, and we have held that position up to this point with very few exceptions. At the time this was done it was noted in the discussion that we do have the resolution behind us, and if payment history started going downhill, we could reinstitute the deposits in accordance with the resolution.

For the Board's information in the current Resolution UA 2006-17 that governs deposits, there are three levels of deposits. We use two out of these three regularly today. One is no deposit if the customer has a very good credit report. Based upon the credit report, the deposits could be set at no deposit, minimum deposit or a deposit equal to two months billing. We have been collecting no deposit for customers who pass the credit check and have been assessing the minimum deposit for all other customers up to this time. The two months deposit has been on the back burner. We are trying to get back on track with the resolution. There is justification for this. On the second page of the memo in the agenda packet it shows that before the hurricanes of 2004 for five years preceding them, we averaged \$212,011 in write offs for bad debt per year. The majority of that amount is unpaid bills. After 2004 when we initiated the minimum deposit criteria, the first year the write offs went up to \$384,215. That is a combination of a lower deposit, plus the economic situation at the time involving recovery after the hurricanes. In the four years since the hurricanes, we have averaged \$429,580 per year, so the bad debt doubled in those four years. What is even more alarming than that is the first four months of this year compared to the first four months of last year. Even though we had \$479,000 in bad debt last year, if we use the same ratio of the first four months of this year compared to the first four months of last year, there is a 57% increase over last year. If that is the trend for the rest of this year, we are looking at \$750,000 in write offs this year alone.

Staff is of the opinion that we need to turn that situation around and get the deposit structure in line with the resolution again. That will be difficult. We will have to work with individual customers and set up payment plans. Our approach is to look at the highest level of risk,

which involves 303 customers. The criteria is to increase their deposits if they have two or more returned checks, whereas the resolution only requires one or more returned checks to restructure the deposit to two months billing. We will look at two or more returned checks with two or more reconnection fees. That means the payments were late enough to require the account to be cut off. We would be looking to collect an average of \$496.00 in additional deposits from those 303 customers to be in compliance with the resolution again. Staff's direction at this point is to follow the resolution unless we receive different direction from the Board.

Mr. Perona said he gets to the same spot as staff that we need to do something about this, but his question first of all is if the answer is in the deposits. He would love to know what our collection process is. He knows these are times where a lot of people are losing their homes, being evicted, etc. and if they leave the area, they leave an obligation to Fort Pierce Utilities Authority. Those are starting to stack up. He doesn't think he quite understands what our collection process is and what we do before we start talking about increasing deposits. How strong are we from the time we have a delinquency or a problem with utilities, do we act upon it? The faster we act it seems like we could be able to recover a little bit more. He would rather know more about that before he starts jumping into raising everybody's deposits from a business standpoint.

Mr. Perona asked Bill Abramowicz, Customer Service Manager, what happens to a delinquent account. Rather than us sitting here and saying let's have an enormous deposit to pick it up, he would rather know the procedure we have for collection. Is it as spontaneous as it possibly can be that we are right on top of it to keep the debt down to a more maneuverable level, so we don't need such a high deposit? Mr. Abramowicz said when you receive a bill from FPUA you have received 30 days worth of service at that point. That is where the deposit comes into play. We like to see that the deposit covers the credit we are extending to the customer. At the end of the 30 days we provide the customer with a utility bill. After that we send out a past due notice reminding the customer that they did not pay the bill. About the time the second utility bill comes out to a customer, that first utility bill is due to be disconnected if it has not been paid. Our bond covenants state we may only allow a customer to have 60 days worth of credit prior to disconnecting the service. We are pretty diligent with collections. In Mr. Craig Brewer's department the Meter Installer/Removers (MIR) are in charge of disconnections. A report is run at the time someone is 60 days in arrears and immediately thereafter the MIR's start looking at the reports. Our IVR is set to make calls to customers in arrears to let them know that a disconnect is coming. We are right on top of the commercial accounts, because our risk is greater on those accounts when they go beyond 60 days. Within a few days we are doing a disconnect for a residential account. The customer will remain disconnected until such time as they pay the delinquent portion of their utility bill. They would be reconnected the same day. If the customer does not pay the bill within 7 days, the MIR goes out again to see if there is a tampering situation or to figure out why the bill was not paid. At that time, the MIR will read the meter and disconnect the remaining services on the account, and we will final the account. We have many customers who will live without utilities until the next paycheck comes in and then come back into the office and reestablish service. After the 7 days we assume they have moved on and are not coming back, so we are going to terminate the account, provide the read, and present a final bill to the last known address that we have. If a customer has requested a disconnect, we would read it and send a final bill in their name to the last known address that they gave us. From that point we go into the collection process. After 30 days if we have not received payment on

the bill, we will send a letter out to the customer explaining that they have not paid their bill and are due for write off to a collection agency. The 60 day point is when we actually do the write off to the collection agency, and they begin working with those accounts. Prior to that happening, we do one last ditch effort to try to cross reference accounts within the system to see if we can find some service addresses that match up. Maybe the customer went to another address and didn't pay their final bill or didn't get it at the old address. We will transfer balances to other accounts if we can easily recognize that a customer is in another location or do some skip tracing to determine another location. Once that is complete, that is when the write off happens at the 60 day mark.

Mr. Perona asked if that is standard in the industry. Is somebody doing it better than that? Those are the questions he would have. How can we be a little bit more immediate? He understands this is tough when we are actually collecting on arrears and not getting it up front. He just figured it is \$500 per account that we out per residential account out of \$500,000, that's 1,000 accounts at \$500 in a year. He is sitting here saying how can that be. It seems like that is something that can be handled a little bit differently before we get to the deposit end of it. He wants to make sure we've covered everything before we start. He knows our resolutions speak to that, but this may be a time to look at the whole way we do things.

Mr. Abramowicz said unfortunately the minimums we are collecting are not nearly, in many cases, a two month utility bill for a variety of reasons. The minimum amount of deposit is not reflected in many cases. In some instances when the customers know they will be leaving a location, they will tend to run the utilities up, because they feel they are not going to pay for them anyway. Prior to returning deposits after the hurricanes, we had worked about a year and a half very diligently to get additional deposits and make arrangements with customers to get those additional amounts. We do make arrangements with our customers to pay the additional deposits over months. We had worked for about a year and a half to work through our entire system and get letters out to people. We have looked at the write off side of our business. It is an industry standard. You do have to allow the customer time to make the payment on a bill that is issued, and you have to give the customer a separate notification that he is being written off to a collection agency. We receive payments in the interim through the letter we send or through making phone calls and doing some skip tracing. We don't want to write it off too quickly, because we have to give the customer the opportunity to pay the bill.

Mr. Perona said he is looking at \$500,000 after the deposit has been taken out. If somebody has a bill with us and they leave, they do not honor their obligation with FPUA, they have left us with \$500,000 after our collection efforts and after the deposit has been credited toward the bill. That is where he is stuck in all this. We're not talking about 5 million customers here. We are talking about a smaller group, and he is shocked by that number. Mr. Abramowicz said we receive payments from our write off agency, but because we are writing off on a month by month basis, it is hard to track what we have actually recovered. We don't track it that way. We know how much we receive back from the write off agency after an account has been written off. We don't track the amount that comes back from the agency as compared to a particular month. We are getting some money back, but it is not a lot in comparison to what we write off.

Mrs. Cully asked if you have a percentage of people you actually work with that do end up paying off their bill. Mr. Thiess said the numbers he has given the Board in his memo are after reasonable efforts have been made to collect. Before that, the numbers are much

higher. The numbers he has given the Board reflect the amount that is left after customers come in and pay up and don't want their account to go to a collection agency. Some of our efforts do work. In 2006 - 2007 the original number of total write offs we thought would be bad debt before people came in and paid was \$546,589. After they came in and paid our write off was \$322,904. The amount the collection agency might get two years down the road is a very small percentage.

Mr. Thiess said the other point he wanted to make was the difference between the commercial and residential accounts. For commercial accounts we require two months deposits. The summaries he sent to the Board Members last week covering the summary for the first four months of this year show the percentage in January 2008 of commercial write-offs versus residential to be a fraction in the amount of 3/100ths of a percent. So that tells you we are well deposited on the commercial side. We aren't losing anything. This year even with bad economic times the fraction of commercial write-offs for the first four months of this year versus residential was 5%. Again, that relates to the fact that we have two months deposits on the commercial accounts, and we are not out there at risk to be stuck holding the bag. He thinks that argues loudly that if we could get back where we need to be with residential, we would considerably reduce these write offs, and the \$870,000 over the last four years should drop to a very small fraction of that.

Mr. Summerhays said that back in 2004 we reduced our deposits considerably, but our collection procedures have not changed. Mr. Abramowicz said that is correct. Mr. Summerhays said when nothing has changed but the deposits and the bad debts have gone up so precipitously, it is pretty clear that the deposits are the problem. He remembered when we did this that he wondered if this would be yet another "no good deed goes unpunished" situation. It appears that it is. We cannot afford these kinds of bad debts. They are getting to be huge, and it ends up that the other customers are paying for the people that don't pay. He thinks we are going to have to, even knowing that it does exact a hardship on some of our customers, we're going to have to have those deposits. He doesn't see any way around it.

Mr. Drummond said he would suggest that he agrees we need to revisit the deposits, especially in this climate, but he doesn't know that he wants to buy in that it is just the world of the deposits. He thinks we have somewhat of a perfect storm here with the economic situation, the increase in electricity over the last year, as well as the deposits that have all contributed to this. He begs to differ on that part. But, he did have a question with regard to deposits. The resolution speaks to a trigger: minimum deposit, no deposit and two months average bill. When do we make that determination? Mr. Abramowicz said when the customer applies for service we ask the customer if they would like a credit check upon which to base their deposit. When the credit check is done, the CSR only sees three flags: full deposit, minimum deposit or no deposit. Mr. Drummond said the two month average would not be at the discretion of that particular customer but is based upon the previous occupant of that structure. Mr. Abramowicz said it is based upon the location, yes. Mr. Drummond said if someone knows they are leaving and decides they are going to run up their bill, the next person coming in is going to pay the costs for that. Mr. Abramowicz said we run a report to find an average bill on that account; however, if there are circumstances such that we've noticed a leak on the account or there was some type of problem or things were out of touch with reality on the account, we would adjust it accordingly. We try to stay ahead of the customer in the billings, so if we see that it will be a hardship, we will make deposit arrangements on the account, more liberal arrangements. We will try to collect one month up

front and the balance within 30 days. Another thing we do is a three month review and a six month review upon customer request if they feel they are a family of two and there was a family of five living there previously. Assuming the air conditioner or other appliances haven't changed, we feel from our end the bills will be somewhat similar. We will review the account in three months to see if that is the case and in six months and adjust the deposit accordingly.

Mr. Drummond said given the fact that you have stated we want to initially take care of these 303 customers, and we would "work with the customer," just how much leeway is given to Customer Service with regard to individual accounts. Is it six months, a year, two years? Is there something that is suggested up front or is it truly a case by case situation? How does that actually work? Mr. Abramowicz said in the past we have not had the ability to set up a deposit arrangement other than a manual arrangement, so we would have to follow up on it each month. The new system has it automated, so we will be able to find a balance available to the customer. It will be placed on the bill each month with either a six month or one year arrangement depending upon how high the deposit is. If the customer were to come back and ask for something different, we would look at it on a case by case basis. When we send the letter out to these customers we will set up the deposit arrangement immediately, but it is negotiable with the customer if they find it a hardship. Mr. Drummond asked how will the customer know it is possible to discuss working out an arrangement or getting a deposit paid over time? Will this say it can be negotiated over time or will it just say the deposit is going up? He is worried that some individuals will see it, be concerned, and feel there is no opportunity to do anything, but will not ask. Mr. Abramowicz said we will pre-set the arrangements depending on the balance due between six and twelve months. When we set the balance up it will be noted in the letter to our customer and there will be a statement to the effect that if the customer would like to discuss this further, please contact the Customer Service Department. Mrs. Cully asked what he means by six to twelve months? Mr. Abramowicz said if we request an additional deposit from a customer, we will spread the payments over either six months or twelve months, depending upon the size of the additional deposit required.

Mrs. Cully said she was appalled rather than just surprised to find that you charge the new customer based upon what was in the house prior based upon the location. She doesn't think that is fair. How did you come up with that idea? Who came up with that idea? She asked if she is wrong in that? It doesn't seem right. Mr. Summerhays asked what else are you going to do? Mr. Abramowicz said it is an industry standard, although we have received complaints in the past that it wasn't fair to base a customer's deposit upon the individuals that were there before. We know the home is probably the same, the air conditioning unit is probably the same, and many other things are the same as they were when the previous tenant occupied the dwelling. That is what we use. If the customer says they do not believe their bill will be that high, we will review the account after we begin to collect the deposit. We will review the account, and the CSR will follow up to make sure the bill actually reflects the amount we are seeking. If it is not accurate, and the new tenant is using considerably less, we will adjust it as necessary.

Mr. Drummond asked if we decide an individual needs to put up two months deposit, do they immediately have to come up with the two months deposit or are you going to look at the minimum of \$240, and say we will work with you on the balance? This would be a new customer, not the ones we are requesting additional deposits from. Mr. Abramowicz said our

policy has been to seek the average two month bill if that is what we need. If the customer states he doesn't have the money, we would begin an arrangement situation for payment of the deposit. We like to collect one month up front, because we feel that would at least reflect the first bill that comes out and cover us for 30 days. That also gives us a chance to see what the bill is going to be. We would collect half of the deposit or the minimum and from that point we would make arrangements on the rest for 30 days. If we see the first bill does not reflect the two month deposit, we could adjust it at that point.

Mr. Thiess said one thing we haven't discussed is if a customer has an excellent payment history for a 24 month period, their deposit is refunded. Mr. Summerhays said, unless you are a commercial customer. Mr. Abramowicz said that is correct. We also pay interest on our deposits. Mr. Perona said that is important, too. He thinks it should be immensely clear in whatever letter we put out that this money is not collected for the benefit of the UA. It belongs to the customer. They will earn interest on it. It is not to be confused with something we are charging the customer. It involves their cash flow. We are holding it for them. The end product is we have the responsibility to collect on all the accounts. Every ratepayer out there expects us to collect all the accounts, so we can keep their rates lower. When we don't collect the money it ends up being a cost to the ratepayers, too. Mr. Abramowicz said we will put that in the letter and make it clear.

Mr. Perona said he doesn't think we have any direction on this other than what we've discussed. Mr. Summerhays said he doesn't see that staff has a choice but to do it. He just hopes they will exercise sensitivity in doing it.

Mr. Bill Baldwin presented a request for approval of transfer of funds.

Mr. Baldwin said it seems the economy is on everyone's mind. He isn't going to stand here and tell you what the economy looks like, but we prepared this year's capital improvement plan last spring, and things did look a little different then. What you have before you is a request to realign our Fiscal Year 2009 budget. This request comes as a result of our efforts to cut costs and control spending. One of those cost cutting measures was to demobilize our unit price contractor for overhead line work. We are making preparation for FPUA crews to take over that work. It is important to remember any time a crew leaves a job site, they need to button things up. They need to leave it safe and secure. That is important for both public safety and reliability of the system. FPUA crews are much more likely to be pulled off to take care of a trouble call or some other unexpected event on our system. That is why we find it difficult to hand them a big job and have them work it. We don't know if the same crew will be back, and it gets difficult to manage. So, what we prefer to do is break this up into a bunch of smaller projects. It is better for us to try to manage these with a blanket work order. In that way we can manage daily timesheets, warehouse inventory tickets, and those details that come with a project. This represents a sufficient reduction to avoid raising electric rates this year. That is what set us on this path to begin with.

Mr. Drummond said if he is understanding this correctly, the table that has the description of all these items that totals \$1.5 million, are items that are budgeted this year from capital, which are now not going to be done, and the \$1.5 million blanket is for items which are already budgeted and are planned to be done, which will be done out of these dollars, thus saving the overall budget \$1.5 million. Mr. Baldwin said he got him on the last portion. The

savings on the overall budget is not \$1.5 million. It is a lesser amount. It is around \$600,000. Mr. Drummond said now he is lost. Mr. Baldwin said \$1.5 million is the cost of the projects we intend to complete this year. Mr. Drummond asked if the table reflects items that are not going to be done. Mr. Baldwin said that's correct, or they will be redefined. Mr. Drummond said the items that are already budgeted which are not listed which are going to be done by our crews are now going to use this funding source to pay for them.

Mr. Baldwin said he needs to clear up something. Some of the items on this list will be done, but they will be redefined and reduced in scope. He referred to Item 508, Storm Surge and Storm Hardening. We will do quite a bit of that work, but we won't do \$411,000 worth of work. It will be a reduced amount. Another project is Electric System Bar Control. Some of that work will be done, but lessened by \$50,000 in this case. Item 517, Essential Customer Reliability Improvements, we will do, but it has been reduced in scope. Some of these things have been completed and they came in less than we intended to budget. Mr. Drummond said he is lost as to what the \$1.5 million going to blanket means. Mr. Summerhays said this is money that was budgeted elsewhere and it is just being transferred out of where it was into these projects. The reduction is something else altogether different. Mr. Baldwin is just saying that we may have budgeted \$411,000 for Item 508 when we were going to hire a contractor to do it, but since our guys are going to do it, we may not get it all done, or we may get it done at a lesser cost, but they're not going to spend it all. We have just moved \$1.5 million from another category.

Mr. Drummond said in that instance, he can see where some of these items we went through during the budgeting process and said this makes sense, are either going to be done to a lesser degree or will be used somewhere else. He doesn't know the trigger that says where they're going to be used. Mr. Thiess said some of the work done under the \$1.5 million on this list will be done under project numbers that are different from this list of numbers. A lot of this will be done under existing project numbers elsewhere in the budget. That is where we will realize the reduction. We will spend \$1.5 million under the blanket, and we are going to do \$2.1 million worth of work that is already in the budget if we're saving \$600,000. Mr. Baldwin said that is accurate. It is not that we don't feel we could get it all done, we just don't feel we can afford to do it all at this time.

Mr. Drummond said his concern is that we are only doing things that were, or we are doing less than what was budgeted. He doesn't want it to be a world where we are now doing things that were not budgeted that we didn't have an opportunity to say yea or nay on, but we are now doing it under a blanket, and it is going to be assigned as we go. He knows some other institutions that do that sort of thing. Mr. Thiess said he thinks the answer to that is all the work done under this \$1.5 million blanket is work that has been in the budget and approved by this Board under various project numbers. Mr. Baldwin said that is correct.

Mr. Perona said he thinks it would have been clearer if we saw another page that showed like items where the reductions were that would show the \$1.5 million minus the real costs would equal a savings to the UA. He understands we are transferring the \$1.5 million out of the capital budget, but that doesn't mean you have \$1.5 million to spend on anything you want. That is the fear he would have, too. We really don't know where this \$1.5 million is going. We're not even sure what the exact savings will be, but there is going to be a \$600,000 savings. Mr. Baldwin said that is correct. The savings will be in that approximate amount. Mr. Perona said that would have been easier for him to understand if he was looking at that

number after deductions were taken out and showing the savings. Then he would know that was a savings and not just in some open account that can be used at whoever's discretion. Mr. Drummond said he would be a lot more comfortable with that. Mr. Baldwin said he understands the concerns and if the Board would feel more comfortable with more supervision of this, we will be happy to come back in some other form.

Mr. Summerhays said he thought these were the same projects, but UA crews are going to do them. Mr. Baldwin said they are the same projects but somewhat redefined. There are some that we would have liked to see go underground, but we don't feel we can afford it, so we will go back and rebuild it overhead. Mr. Summerhays said this is the same location and general item that existed in the original budget. Mr. Baldwin said that is correct. Mr. Summerhays said we have just taken it out of a contractor situation and moved it into a different place, because our guys are going to do it. Mr. Baldwin said that is correct.

Mr. Drummond said he thought Mr. Baldwin said some of the items that are going to be done are not on this list. Mr. Summerhays said no. Mr. Baldwin said he didn't mean to say that, but we didn't make up any new projects. Mr. Perona said they are existing projects that are going to be handled with these monies. There are items that are not numbered where our crews are probably going to do the work. Mr. Baldwin said Items 508 and 517 are kind of combined, and we decided rather than try to put a lot of things underground, which is very costly, that we can rebuild a couple of overhead lines and achieve the same purpose. Mr. Perona said he wouldn't have a problem with that at all. Everybody is talking about a \$600,000 savings, and he doesn't see it anywhere. Mr. Summerhays said there is no increase. This \$1.5 million has been approved. Mr. Perona said yes, for the items on the list. The way we approved them was going line item down the row and being able to take these estimates of what each one of these will cost. He remembers going through each one of them, and now those have changed somewhat. He would have to say as a Board Member that he doesn't have the control that he had before on being able to make a decision, because the first item, which is \$37,000 and it costs \$25,000, he would like a little bit more control over what those items are really going to cost us. He thinks it is our responsibility. Mr. Summerhays said it would be under the budgeted amount. It appears to him that Mr. Perona is attempting to micromanage. We have never done this. We have budgeted items and left it to staff to get it done. Why would we choose to micromanage, because they have moved it over here and instead of using a contractor? They are going to do it with our guys and keep them employed full time. Mr. Perona said the micromanage thing is not his figure. He didn't come up with the \$37,000. He just thinks if it was going to be presented back to him that number needed to be changed. It can all equal \$1.5 million, but we really don't know what the savings are. What Mr. Summerhays is telling him is that \$1.5 million is fine with him and, hopefully, there will be..... Mr. Summerhays said we already approved it. Mr. Perona said yes, but now we are changing what our objectives are for the year that aren't going to include some of these items. Mr. Summerhays said they are the same projects. All we're doing is changing who is going to do them. Mr. Perona said he understands that some are being eliminated.

Mr. Drummond said the sheet that says Post Budgeted Projects totals \$1.5 million. Is that where these items are going? Mr. Baldwin said that is what this is all about, this Post Budgeted Work Order. Mr. Drummond said, okay, these are the items that are going to be done with the \$1.5 million under the blanket. Mr. Baldwin said yes. Mr. Drummond said the funding source is the sheet before. Mr. Baldwin said yes. It is the page with the table. Mr. Drummond said the \$1.5 million on the table will not be done, but they will be done on the

Post Budgeted Work Order. Mr. Thiess said the Post Budgeted Project Request form that shows the FERC codes breaks it down into things like poles, fixtures, overhead lines, etc. that shows what types of facilities we're spending the money on, but not the projects. The page before shows the funding source it is coming from.

Mayor Benton said now he is confused. When we looked at Item 508, because he was under the impression just like Mr. Summerhays that we were just doing this in-house, but now if there is going to be a cost savings, and you are telling him on the storm hardening that we might be going overhead instead of underground, before we do that, he would like to know what the savings are going to be. If it is minimal, maybe we don't want to do that. It depends on what the savings could be. At the time we are telling people we are looking at a possible increase for capital projects, he would think hardening in case of a storm could be one of those excuses why we're looking at raising rates. If there is a legitimate cost savings here, maybe those rates don't have to go up as much. He thinks we've opened a can of worms here.

Mr. Thiess asked Mr. Baldwin what is the urgency for approval of this item at this meeting. Mr. Baldwin said he doesn't think two weeks would make a difference. Mr. Thiess asked him how difficult it would be to put together a more definitive description and a table of what exact projects are encompassed in this \$1.5 million and list existing project numbers the money is coming from and where the funds are going. Mr. Baldwin said it would be no problem at all. We could bring it to the next meeting. Mr. Thiess said we can have a list of where it is coming from and another list of project numbers of where it's going to, both of which would add up to \$1.5 million. Mr. Baldwin said yes. Mayor Benton said he would like to see projected cost savings if we're going to change what we are doing. Mr. Thiess said we will look at savings and overhead versus underground and specifically the savings in the decision to go overhead. Mayor Benton said if you are budgeting \$411,000 and you're going to save a substantial amount, that's one thing, but if you're only going to save \$20,000, he doesn't think it would be worth it. Mr. Thiess said we will bring this back to the next meeting.

Mrs. Nina Hurtubise presented a request for approval of a reduction in the Purchased Gas Adjustment.

She explained we have had a significant drop in the price of gas, and we want to pass that along to our customers. We are only proposing a reduction of \$.05 per CCF. We do not believe the cost will continue to stay this low. We don't want to give back all of the over recovery we have built up all at once and then have to raise the price again. The whole idea is to level out the cost of gas over time. The reduction being proposed today is from \$.60 per CCF to \$.55 per CCF. It equates to approximately a 2% decrease. The average 13 CCF user will see a reduction from \$33.48 to \$32.83.

Motion by Mr. Drummond, seconded by Mr. Perona and unanimously carried to approve the reduction in Purchased Gas Adjustment for Firm Service to +\$.550/CCF for the period from March 1, 2009 until further notice.

Mrs. Hurtubise presented an update on the Power Cost Adjustment issue. She explained about a week ago we received our January bill from Florida Municipal Power Agency

(FMPA). We had been gaining ground at a fairly decent clip over the last four months, and we lost a significant amount of it in the course of one month in the amount of \$626,000 approximately. We under collected this amount during the month of January alone. We did anticipate there was going to be an under collection in the month of January, so that was not a surprise. The magnitude was a surprise. At one point we had projected about \$225,000 in under collections, but it was about \$400,000 more than that projection. Predominately, the reason is the 60 days operating cash at FMPA. It is not the cost of fuel that is driving the costs being passed on to us by FMPA. It is the 60 days of operating cash they require.

In October of 2008, FMPA had about 60 days operating cash on hand, so they had a very low certainty when they projected the futures. They were less concerned about their cash. But, their bond covenants indicate their funds cannot go below 30 days. It is the same 30 days we've been talking about with respect to our rate structure. FMPA cannot at any time go below the 30 days. In the month of November, they went down to 53 days. In the month of January they were down to 46 days, and that generated a need for 73% certainty. It is not reflective of the cost of natural gas or fuel, but it is part of our electric bill. In the month of December, it was only 65% certainty, because they had 51 days of operating cash. We are watching very, very closely, but this was just a huge increase. It was an \$8.87 increase per megawatt hour in the energy rate we were charged. It equated to a little over \$20 per megawatt hour to us as a whole for the month of January. About a month ago she heard loud and clear that the Board wanted to reduce the PCA if it was at all possible. This is further evidence that we really need to have some kind of rate stabilization on hand for these unexpected swings. Also, at the FMPA level they are looking at doing this differently. They are hearing the member cities asking how we can be expected to live with this. Budget season is beginning at FMPA. Some of us just went through Strategic Planning with them. There need to be changes at the FMPA level before we can cut back our PCA. We are not proposing a change in it at this time, but we wanted to let you know we are down to approximately a \$50,000 cushion, which is virtually nothing.

Mr. Thiess said he did send PRMG's projection for the PCA to the Board by e-mail this afternoon. It is a roller coaster ride. In May and June, we are looking at being \$1 million or more in deficit and recovering to over collecting in September by over \$1 million. When we get into spring we are being charged more, because they are burning more fuel and delivering more power. By the same token, in the fall they are looking at the months ahead of buying less fuel and having operating cash shrinking. In the best case we will be able to beat the projections and be able to come back with a reduction at some time in the ensuing months. Worse case is we might have to ask for more down the road. We are pretty confident that will not be the case. We are thinking we can ride this out and hopefully things will get better, and we will be able to do a reduction at some point in time. You will not see the biggest reduction until October, because FMPA's hedges on natural gas are solid through September. If we get to October and the hedges come off and gas is still in the \$5.00 range, we are going to see a marked decrease in the PCA that we can pass on to our customers.

Mr. Drummond said if he is looking at the projection by PRMG correctly, he doesn't believe staff is going to be recommending a further reduction in PCA before September. Mrs. Hurtubise said that is correct unless something changes dramatically. We would like to hope that happens, but we also don't want to be kidding ourselves. It doesn't look like that is going to happen. If you look at the history, it looks very similar in the summer months. We end up in the hole and in a deficit situation with our customers, and we are willing to live with that deficit

through the next six months or so with the expectation that we will make it back in the month of September. Mr. Drummond said more than likely this suggests we will not see our utility move to the left. Mr. Thiess said that depends on the other utilities. Even if we don't move on the PCA, we have no control over what other utilities are doing. They may be raising theirs. There are so many variables in this it is hard to predict where we will be. Really, it's too early to predict at this time that we won't be lowering the PCA before September. If things turn around, we may get there. These are just projections. They are far enough out that it is not something you can take to the bank.

Mr. Perona said our direction to staff is to run the utility on a shoestring and try to cut all costs and keep our cash reserves at the lowest possible. He can just picture going to the mailbox and getting a bill that is a million dollars more than you thought it was going to be. In this day and age, he doesn't understand why we don't have a better contact with our provider so that we know this is coming. We suspected \$200,000, but it was \$600,000. He doesn't know how we, a small utility, are supposed to run our business in this environment. It is crazy. This Board sat here last month looking at a downward trend where we were going to be able to start nipping at the PCA and cutting it back. He has told customers and friends that we are going to be cutting back and to watch their bills fall a little bit at a time with incremental decreases. All of a sudden he gets this item in his packet, and he went crazy. There's got to be better communication between us and FMPA. He is sure we're not the only ones out there screaming right now. He knows this has happened to us in May or June, but he is hearing this can happen again in a couple of months, depending upon the cash position of FMPA, which is a guess until we actually receive their bill. That has to stop. If this information had been available last month, we wouldn't have lowered the PCA more than likely. It would have been tougher to do. If we had lowered the PCA again last month, we would be in the negative right now. Mrs. Cully said we have to take it one month at a time. With the economy the way it is there isn't anything that is stable. She attends those FMPA meetings once a month, and she attended the Strategic Planning Meetings with Mr. Thiess and Mr. Richards. Every member is in the same boat we are. There is just so much FMPA can do at this time. They are looking at this and trying to do something different.

Mayor Benton said he knows that Mrs. Cully and Mr. Thiess go to those meetings, and if all public utilities are dealing with this same thing, he hasn't seen them in Washington. We are representing the public that hasn't been helped out at all in Washington. He sees the car dealers and the banks up there, but this is something the leaders of FMPA and other public utilities should be dealing with in Washington. Mrs. Cully said we are going next week. Mayor Benton said he hopes the voices are loud and clear, because this is a health and safety issue. The public sees the cost of gas and oil going down, and we're still raising the rates. It doesn't make sense to them. They see everybody getting bailed out but themselves. Somehow we have to educate our elected officials that they need to start helping out the general public.

Mrs. Cully said she will be attending the Legislative Rally in Washington, D. C. next week with Mr. Richards along with many FMPA and FMEA members. We will be looking at all the issues.

Mr. Thiess said at the Strategic Planning Meeting we attended week before last at FMPA there was a very clear message. You have to remember we are FMPA. FMPA is us. There are fifteen utilities in the All Requirements Project. The direction to do the 60 days cash on a

month to month basis was direction from those fifteen utilities several years ago, not realizing what a roller coaster it would put us on month to month. That is going to be addressed by FMPA staff in the very near future. The single predominate message that came out of the Strategic Planning is we need to get more competitive. The number one goal out of the Strategic Planning is for FMPA to be the wholesale power provider of choice in the State and to have the lowest wholesale rates in the State of all wholesale providers. The historians in the group, including Fred Bryant, who was there from the inception, reminded us that at one time FMPA was the lowest cost wholesale provider in the State. He thinks with the new direction they have from the Strategic Planning Meeting, the staff has a clear direction to get back there. It is doable. It is not out of reach. Given the right direction and going back in and looking at the business plan and looking everywhere possible to save money and reduce our costs and manage their hedging programs that don't get us out of whack for a year, those kinds of things can guide us back in the right direction. As little as six years ago we were even with FPL on our retail rates. So, things are variable, they are out of whack right now, staff has the clear direction to get back and be competitive, and he thinks that is where the agency is headed.

Mayor Benton said because of that 60 days being a bond issue requirement, have they reconsidered refinancing their bonds? Interest rates couldn't be any lower than they are right now. If that's the predicament they are in and all this money has been put out there, he would think what better way or time to refinance or renegotiate those bonds. Mr. Thiess said he isn't sure if that has been looked at or not. Mrs. Hurtubise said they just did a serious refinancing from variable rate to fixed rate. Mr. Summerhays said unless the bonds are callable, the idea of refinancing is whistling in the dark anyway. There is nobody that will give up a 5% bond so they can get a 3% bond. Mr. Thiess said the bond refinancing rates are headed in the other direction. They are going up.

(Mayor Benton exited the meeting at 5:10 p.m.)

Mr. Tom Richards presented a request to award the lowest and best bid that met specifications to Barrett's of Southwest Florida, Inc. for purchase of one Yanmar Mini-Excavator.

Mr. Richards, Director of Electric/Gas Systems, explained staff's recommendation under bid 5893, which is to purchase a Yanmar Mini-Excavator from Barrett's of Southwest Florida, Inc. as the lowest and best bid in the amount of \$72,574.09. He pointed out this bid was written specifically for a Yanmar Excavator and the bid specifically said that no substitutions are allowed. You may ask us why we specified that so tightly. We did put a little bit of information in the Board packets about that. There are a number of mini-excavators that exist, and you will see some of them on the bid sheet. He wants the Board to know that our Gas Operations staff evaluated the other machines. You can see in the table in your packet that the Yanmar machine was superior in many ways. Specifically, some of the more important ones are the maximum digging depth, which gives the ability to dig a deeper hole, and, also the swing speed, which relates to the productivity of the operator being able to move the material faster from the hole to the pile. The bucket break out force is the ability of the bucket itself to actually dig forward. If you are in hard pan or trying to pull up a piece of concrete or those pesky water pipes or something like that, you need to be able to pull hard on them and break them up. The Yanmar was superior in that way. In addition there was a safety feature and

convenience feature which relates again to productivity, which is the hydraulic quick coupler. This allows you to change the bucket devices pretty easily. It involves just pulling a safety pin and operating it pretty much by remote. In those respects, the other machines just didn't have those capabilities on them on one machine. We want to make sure you understand that we have been using the Yanmar machine as a rental for quite some time. In addition, our folks demo'd the New Holland machine. They demo'd the John Deere machine, and they went and looked at the Bobcat machine, although they determined that one was a little too wide for their application. It wouldn't fit in some areas they wanted it to go. That is the reason for our recommendation and that is what is before the Board.

Mr. Drummond asked Mr. Koblegard what flexibility do we have with regard to going with anything other than the lowest bid. Mr. Koblegard said he has to disqualify himself on this. He really should not give the Board advice. He didn't know for sure this was coming up today until today. He didn't know if the Board wanted another Attorney to advise them on this. Tom Kindred with New Holland is his son-in-law. He is in the audience today, and he does not know whether he wants to speak or not. He would anticipate that. Mr. Drummond asked if we have a representative from the Purchasing Department.

Mr. Koblegard said what he can do and did do is get a copy of the City Code that he can read from. He doesn't know if it specifically answers your question. There are three definitions you take into consideration. One is responsible bidder, because that is something you do take into account when approving these bids. The Code states, "A responsible bidder is a person who has the capability in all respects to perform fully the contract requirement and the tenacity, perseverance, experience, integrity, reliability, capacity, facilities, equipment and credit which will assure good faith performance." A responsive bidder is, "a person who has submitted a bid which conforms in all material respects to the requirements set forth in the invitation for bid." Regarding the criteria the award is based on, the Code states, "it shall be awarded with reasonable promptness by appropriate written notice to the lowest responsible and responsive bidder whose bid meets the requirements and criteria set forth in the invitation for bid."

Mr. Drummond said his concern is he doesn't want to be in a posture where the lowest bid comes back and suggests to us that they met the qualifications and we didn't. That would be his concern. Mr. Perona said until he actually got this and talked to Tom Kindred from Sunrise Tractor, he didn't know what a mini-excavator was. The closest he got to it was a Tonka truck when he was four years old. He got to see one on South Beach. He doesn't know if it is the one we rented or not, but it is a canary yellow and it says Yanmar on it. He actually drove over to it and looked at it. That didn't help much, but at least he knows what one looks like. He is kind of happy this didn't get into a Consent Agenda, because he thought it was a little odd and awkward to put in a bid requirement with all the bid requirements from a specific brand. It means all we wanted were bids on Yanmars and not on mini-excavators. That is the thing he didn't understand. When we are trying to find the cheapest and best price for a piece of equipment the Utilities Authority is going to use, it is like asking for a Cadillac versus a Chevrolet. They are both GM products, but what's the difference when you're all done. They have the same engines built in the same plant. He is going through these specs and is somewhat confused as to what the big difference is between a 9.6 max. digging depth versus 8.4. If we are setting these bids up to avoid local dealers so we can go out in the open market, it kind of bothers him in a sense. He guesses he is not speaking specifically to this bid. Somebody has to tell him why a Yanmar is the product and not a mini-excavator, he

guesses is put more appropriately. He asked Mr. Richards if he knows the difference between the two.

Mr. Richards said he thinks he tried to explain that earlier in his introduction, but we really feel like having evaluated these machines ahead of time, that this is the best that we could get. We have used it for a long time, and it is superior to the others. It is not just the fact that they are all made in the same factory. They aren't. They are different and have to do in many respects with the performance, the ability and productivity we can get from the machine, and in some cases, the safety, which primarily relates to the quick disconnect coupler.

Mr. Perona asked if we are concerned at all about warranty or what it takes to get ... he assumes they break down, they're machines.... If they breakdown, dragging it across the State versus somebody that is here. He knows that's not part of the bid process, and he doesn't mean to complicate this whole thing, but this is an issue. He has always questioned these bids that come in, and they are normally on the Consent Agenda, making sure that we give every shot we can to the local vendors, because this is the environment in which they work. A lot of them are our customers and if we give them a fair shake.... As long as we're talking about apples and apples, and he understands from what Mr. Richards said, they're not apples and apples. He would almost like to hear from Tom Kindred. He spoke to him before. He would like to have him just comment on the New Holland, and maybe he can clear up some of that stuff for him.

Mr. Tom Kindred, Jr., President and General Manager of Sunrise Tractor and Equipment, addressed the Board. He stated, those of you who know me know I can talk about equipment for hours, but I will start by making this very simple. The mini-excavator is a very common, generic piece of equipment. The machine is only about five feet wide. You just can't put a lot of differences on this platform. It is a very simple machine designed for a very specific task. It is designed to get into small places and dig a trench. It is that simple. There are probably only a handful of manufacturers that actually build mini-excavators, and they are marketed and distributed and sold under many different brands. He will give you an example. New Holland owns Kobelco. Those two mini-excavators roll down the same line, different model numbers, different decals, but they are exactly the same machine. Our New Holland machine features a Yanmar engine, which is the brand that you are looking at purchasing. So, there is just not a lot of differences. There really isn't. He will be happy to discuss 8 inch differences in digging depth, because he can tell you by Yanmar's own brochure their maximum digging depth is only 9 foot, not 9.6. He will be happy to discuss those inches and the four gallons in the tank, but he can tell you, here's the bottom line, the bottom line is that New Holland's mini-excavator will do exactly what the Yanmar does, exactly what the Kobelco does, exactly what the Kabota does, exactly what the IHS does. It will do exactly the same job, probably as good as if not better than those other products. He can also tell you that ours is less expensive than the Yanmar and most importantly, he can tell you that warranty, parts and service support for that New Holland is two miles away, not 200 miles away. That is the bottom line. For us a sale to the UA is a relationship. That is what this is. He has to answer to you every day on the purchase of that mini-excavator. For Brentwood Equipment in Englewood, Florida, it is a transaction, and it's that simple. We can talk about the details, but after 17 years in the tractor business, he is telling you it is just a mini-excavator, and that's what it is. It will do the same job.

Mr. Thiess said the comments he has had from staff, and he has talked to the people in the Gas Department, there are some differences in these machines. Yes, they will all do the work. They might not do it as fast or dig it as deep or the bucket can't break out as big a chunk of concrete, so there is a significant difference in the specs. We wrote the specs. Mr. Richards or Ted Cook could probably tell us how many bids we got on the Yanmar machine, but we did get a number of bids on the Yanmar machine itself. The other machines are very close in price. The New Holland machine is only a couple of hundred dollars under the Yanmar machine. He thinks staff's feeling is the difference in the digging depth, particularly, the swing speed, the breakout force and having a hydraulic coupler, even with the fact that they have to do warranty work, not on the west coast, but he thinks they are doing the warranty work in Cocoa, so it is 80 miles away, but they feel the difference in price doesn't warrant taking the lesser machine. He guesses their feeling is it is a lesser machine based on those specifications.

Mr. Kindred asked to address a couple of quick items. We say we're going to do the warranty work. There is in fact a Yanmar dealer in Cocoa, but you're not purchasing it from Cocoa. He thinks you are making an assumption that the dealer is going to give you a priority. He can tell you he has been working in this industry for 17 years, and he can tell you that most dealers do not like the fact that you purchased the machine from Englewood, Florida, and now you are bringing it to him to conduct the warranty. He thinks that's an assumption. He thinks he would check that one out before he would assume Cocoa will conduct your warranty work. He would also wonder if you bought it from Englewood, Florida, and expected Cocoa to do the warranty work, what would Cocoa charge you now? Englewood would have a little more loyalty to you. They would probably give you the better deal. Again, it boils down to him, to support on this product. If we acknowledge that the products are fairly similar, then what's really the difference? What differentiates these products? It's the support. It's the parts, the warranty, and the service support. And, at the end of the day that's what's important to the UA. It's gotta be what's important to you. The whole meeting we've talked about customer service, and that's what this is about, keeping a piece of machinery going. He is really concerned as an individual who lives here, what Englewood will do after we have purchased a Yanmar 200 miles away.

Mr. Drummond would have to agree with Mr. Kindred that he is extremely eloquent, and he can go on forever; however, as Mr. Summerhays said earlier about micromanaging, and he certainly doesn't want to get to that arena, it would be his preference if indeed we at this level, at a policy level, wanted to speak to local preference or wanted to speak in terms of warranties that would be within a certain circumference or things of this nature, all items he would think everyone, local vendors as well as vendors from outside the area, would want to see as part of the bid process, but not to make a decision on those bases after we have gone through the bid process. Again, that's the only reason he would be hesitant to look elsewhere: a., he doesn't want to micromanage, and b., he wants to make sure it is an equal playing field for even the local vendors. He would hope if those are the sorts of things we are going to be involved in, we would do it prior to going out for bid.

Mr. Summerhays said he doesn't really know anything about mini-excavators, and it appears that Engineering and the departments involved spent a great deal of time picking the one they wanted, designing the specs, and then they went through the bid process. He notes Mr. Kindred did bid a Yanmar, but it was considerably more expensive than the low bid. He is not

willing to second guess our management. That's what they're there for. They followed the procedures.

Motion by Mr. Summerhays that we accept this bid. Mr. Kindred asked if could just address that real quickly. Mrs. Cully said let us have a second first. Motion seconded by Mr. Drummond.

Mr. Kindred said it was only after his call to the UA that we were allowed an opportunity to demo the machine. We delivered the machine to the Gas Department after we called. We know of no time that the UA came to Sunrise Tractor and demo'd the machine until we made the call. So, again, with all due respect, he doesn't think there was a lot of time spent. He simply thinks what happened was, you've been renting a Yanmar for two years, which makes sense, and his question was when he first called, he said are you going to buy the Yanmar that you've been renting, because it would make natural sense, and he would not be here today if they had been buying a machine they had equity in. The answer was no. So, at that point, as far as he is concerned, all bets are off. There are four local dealers that sell and distribute mini-excavators. You exhausted your effort and time to go find the two dealers furthest away from St. Lucie County? You are spending \$27,000 on the west coast, when he signs an annexation agreement, and he pays taxes here, and he wasn't even afforded an opportunity to truly demo the machine until he called.

Mrs. Cully said she is a firm believer in using local vendors as much as possible. She agrees with Mr. Drummond that she doesn't think this Board should be micromanaging equipment. If you had a truck you had been driving for two years that you really liked, but you had leased the truck, and you thought you would really like to get this truck and you found there was only \$215 difference between one other truck that someone else, maybe your wife, would prefer that you have, and you ended up getting the other one and you were disappointed. Mr. Kindred said, well, I'm a private citizen and that's my decision to make. This is a public entity who literally from the beginning of this process wrote out every local supplier, no substitutions. If you want to sole source a product, then come to the podium and sole source it, but if you ask us for a competitive bid on a generic machine, then how can you exclude us? He thinks the bid process was flawed from the first day, and when he spoke to the Purchasing Department of the City of Fort Pierce, they agreed.

Mr. Perona said not to get into an argument with you, but you did bid a Yanmar. Mr. Kindred said correct. We bid everything we had. Mr. Perona said the thing about it is you make it sound like the Fort Pierce Utilities Authority went ahead and tried to exclude locals to get one specific product, but a local firm did bid a Yanmar. He wanted an opportunity to be able to get here and to be able to send a message to staff that we really need to look at the local vendors, make sure that our bid specifications don't do that one issue to try to negate them, but he thinks we have a responsibility at this moment in time to follow the bid covenants and act accordingly. Mr. Summerhays said he believes the bid that was sent out said no substitutions will be accepted. Mr. Kindred said he tends to believe that's flawed from day one, and he tried to explain that to them. That's called sole sourcing. Basically, they should have sole sourced the unit, not ask us to bid equipment. He thinks it was flawed from day one. He thinks they had their minds set on a piece of equipment, and you excluded four local vendors. Now, you can talk around it all you want, but that's what you did. You excluded four local vendors. You excluded Pippin, Everglades, Smith Brothers and Sunrise Tractor. Mr. Summerhays said you bid a Yanmar. It was just too much. He is not sure Mr. Kindred has

anything to complain about. Mr. Kindred said his New Holland is a lesser priced machine. You have the opportunity to buy the Yanmar from him if you wanted to spend the extra money and spend it locally. He was giving you that option to do that. Mr. Summerhays said that would be illegal.

Mrs. Cully asked why Mr. Kindred's Yanmar bid is \$2,000 more. Mr. Kindred said it is because he doesn't get the discount that they got. They represent the territory. He doesn't get the same discounts as a Yanmar dealer who represents the territory got. It is as simple as that. Mrs. Cully said okay, she didn't know that. Mr. Kindred said he bid it as an option. He wanted to give the UA all the options he had. It's that simple. I was just attempting to give the UA options. Mrs. Cully said she thinks we appreciate that.

She thanked Mr. Kindred very much.

The roll was called and the motion unanimously carried.

Mr. Tom Richards presented a request for approval of Resolution UA 2009-05, Indemnification of Designated Representatives.

Mr. Richards explained this relates back to a resolution the Board passed back in 1994 right after the advent of the Clean Air Act Amendments and the requirement for utilities such as Fort Pierce to begin monitoring SO² emissions and signing reports as to the emissions that were taking place on a quarterly and annual basis and also maintaining a certified system in operation and many other requirements. They also required that the Utilities Authority designate a representative to sign those reports, and those reports contained some pretty punitive clauses about penalties of law, personal penalties. The Board agreed to indemnify the employees as long as they were working within the scope of the work for any monetary fines that may have come along as a result of that action. Nothing has ever happened in the intervening years that would cause us to be concerned about this particular issue except the exposure is still there. However, the situation has changed for the Utilities Authority in that we no longer own our own generating units, but we do have employees operating the Treasure Coast unit, and one of those employees is a designated representative for the operation of that facility. So, what he is asking today is that the Board consider modifying the resolution that was passed in 1994 to remove just one phrase from it. It is in Section 2.1 in the fourth line. It used to state "compliance plans and reports for Fort Pierce Utilities Authority electric generating units." We took that out so it would apply to any electric generating unit our employees operate. To avoid some confusion, you will notice on the third line, it does still mention Fort Pierce Utilities Authority, but that is in relation to the disposition of allowances. We still have allowances that were given to the King Plant, even though it is no longer there. We still have emission allowances that we can trade and will continue to trade for the next twenty years or so. We still have control of those, and when the market is right we will come back to you with a request to sell them. We sold some a few years ago for a pretty good amount. That market has gone away for the time being.

Motion by Mr. Summerhays, seconded by Mr. Perona and unanimously carried to adopt Resolution U.A 2009-05: Indemnification of Designated Representatives.

Mr. Thiess gave the Board an update on the Avenue Q sewer project. He believes that serves 26 homes. The funding has shifted around between FPUA and the FPR. Eventually, the City found a CDBG grant that would fund it to the tune of about \$350,000. That process is part of the CDBG funds that come through FEMA via the County. It is a little different than the City is used to dealing with. The local control kind of goes away, and the State gets more involved. He talked to Jon Ward last week, and he indicated that the final approval of funds through the CDBG program was going to be a six month process. There was going to be a considerable delay. He knows that was the project that was up front with this Board and some of the City Commissioners, but that is certainly out of our control and to a large extent it is out of the City's control. We will do all we can to cooperate and help the process move forward as we are asked for information, but that is beyond staff's control at this point. He wanted to make sure the Board was aware of that. We will bring back updates on that as we get them.

Mrs. Cully asked how long we have been working on this Avenue Q project. Mr. Thiess said the subject itself came up at least three years ago. We have had a design for at least a year now, he thinks. We are ready to go with permits, but the funding is what is holding it up. Mrs. Cully asked if Mr. Thiess thinks there is a problem in getting the funding. Mr. Thiess said we haven't had that indication. There are a couple of things he heard in talking with City staff. One of them was that the job had to be bid. We have done a very similar project through the same grant program on South 26th Street, which was also CDBG funding that came through FEMA. We went through probably the same steps they are looking at us going through on the Avenue Q project. One of the things was it had to be bid, and our answer was that we had bid the Unit Price Contract. That was a competitive bid and that is who is going to do the work, because it will save us money. That was okay on 26th Street, and he assumes it will be okay on Avenue Q also. There are some other requirements as far as notification to the customers and what their costs will be when the project is over, such as, connection charges and sewer bill. That notification has to go out by letter to all the affected parties. We also did that on 26th Street. He would think we could work out all the difficulties. It is just taking the time to dot all the I's and cross all the T's.

Mr. Thiess said an issue was raised at a City Commission Meeting regarding timely remittance of utility taxes and solid waste fees collected by the Utilities Authority. He received copy of a memo from the City's Director of Finance, Gloria Johnson, and we do appreciate it being pointed out to us. According to Chapter 19 of the City Code, that transfer is supposed to take place on the 20th of each Calendar month. We were under the impression that it was due at the end of the month, and we generally met the end of the month, but we didn't meet the 20th on a regular basis. That is a simple solution. Nina Hurtubise has already set it up through electronic transfer, so we have cut the time down, and we are aware of the date it is due, so the electronic transfers should start next week, he believes. Once that process is moving, now that we're aware of that date, we should have no trouble meeting the 20th. He will write a memo to the City Manager indicating that has been done and the problem is gone.

Mr. Thiess stated he issued a memo last week to FPUA employees indicating there would be no raises for the remainder of this fiscal year. There are a lot of things to take into consideration, such as rates and the financial situation in our service territory. That is part of

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what we are doing to tighten our belts and help out the financial situation with our customers and our rates.

He reminded the Board the rate resolutions will come before this Board two weeks from now for Water, Sewer and Gas. There are no proposed rate increases in Electric for the coming year. He thinks the Water and Sewer combined averaged \$3.50 on a typical customer account.

Mr. Perona said he heard at 5:30 this morning on Channel 5 that Fort Pierce Utilities Authority will be discussing the 5% increases today. Mr. Thiess said that was based on information that came from Scripps Newspapers, because they did attend the workshop. When we realized we didn't have time to meet the public notification requirements for a public hearing, we did send that to Scripps, but apparently it didn't get past to their partners at Channel 5.

There being no further business the meeting was adjourned.

ATTEST:

Secretary

Chairman