

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, JULY 6, 2010, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Chairman, Robert W. Summerhays, Jr.; Vice Chairman, Darrell Drummond; Secretary, Pamela K. Cully; Deputy Secretary, Michael A. Perri, Jr.; Mayor Robert J. Benton III, and David Recor, Ex-Officio Member/City Manager (*arrived at 4:10*).

Others present: William G. Thiess, Director of Utilities; Nina Hurtubise, Director of Finance; Thomas W. Richards, Director Electric and Gas Systems; Timothy E. Perkins, Director Water/Wastewater Systems; Evelyn I. Walker, Director of Shared Services; Nancy A. Dallaire, Risk Manager; and Samuel A. Barnes, Director of Procurement, City of Fort Pierce.

The meeting was called to order by Chairman Summerhays.

The Invocation was given by Dr. Ken Brown of Hope for Families.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Ed Cox, Human Resources Manager, said that for the last several months, the FPUA employees have been raising goods of various natures to send to our troops overseas. He said that those care packages now number 21 and they were gifts from a grateful nation. Mr. Cox said that here today to present is Bill Norton who was responsible for raising some of those gifts and is a former Marine that is very active, Owen Dennis who has a son in Iraq, and Shari Franco who has a son in Iraq. Bill Kaeff who has a daughter in Afghanistan and Terry Keck who has a son in Kuwait could not be here with us today. Mr. Cox said that we would like to make a presentation from those soldiers that are grateful for those packages.

Owen Dennis, Water Distribution Cross Connection Control Tech, presented a plaque from B Company 308th, Basrah, Iraq and said it is to say thank you and show appreciation of the Bravo Company of 308BSB from Basrah, Iraq 2009-2010 and the names of soldiers are listed on the plaque. Mr. Dennis said that they would like to say thank you and they really appreciate it every time they receive a package they can say to Fort Pierce Utilities Authority, thank you.

Shari Franco, Human Resources Assistant presented a United States flag that was flown on Memorial Day, 2010 over Camp Victory, Bagdad, Iraq. She said her son is in a coast guard unit raid station and the Certificate and flag are in appreciation of the packages that have been sent that they shared with the other members of the unit and they are very grateful. Ms. Franco said that we have some great employees doing some good things with these donations.

Mr. Summerhays said that he is happy that our employees are doing this and helping our fighting men make their lives a little bit better.

Mr. Summerhays asked for comments from the public.

Christopher Williams, 1006 Avenue L, Fort Pierce, said that he just wants to do what is right. He has four points that he would like to direct to the Board and Mr. Thiess and two points from Concerned Citizens, which is the organization that he represents directed to the Mayor and Commissioners. Mr. Williams said that on Monday, June 28, 2010, he spoke with Mr. Thiess and was told that after he gave his presentation on the water meters that were literally buried in Sheraton Plaza, Mr. Thiess sent his guys to Sheraton Plaza to read the water meters and they were accurately billed. Mr. Williams said that he finds it almost scientifically impossible for the meters to correctly match the bill. He said his second point is that the bill should consist of a span of 30 days and he videoed the meters on June 12, 2010 at 11:00 a.m. This is not a full 30 days so how can the meter match the bill? Mr. Williams said that what Mr. Thiess is saying is the bill which should be for a full month, but was read for only 16 days that was charged to the customers for a full month's bill and it is correct? He said that this clearly shows that FPUA is over charging the customers and are still estimating. FPUA needs to prove to the citizens that the meters are clean and readable for every home that FPUA services for the entire community. Mr. Williams said that Mr. Thiess needs to prove to the citizens that the meters are being read and asked what proof do you have? He said that on June 28, 2010, Mr. Thiess stated that the meters in Sheraton Plaza are read on a monthly basis and if that is the truth how come the meters on the video are buried beneath sand and debris. Mr. Williams said that he can guarantee that those meters have gone untouched for months and maybe even years. He said that Mr. Thiess' explanation is that the meter readers have a little brush and a water bottle to clean and read the meters. It is well documented that the meter reader has not touched these meters. Mr. Williams said "just how stupid do you think customers are?" He said that it will take more than a little brush and a water bottle to clean those meters. If the meter readers use a little brush or a water bottle then these meters would be clean and readable. Mr. Williams asked if anyone has questioned the meter readers in the Sheraton Plaza area and what the outcome was. He said there are two points that the Concerned Citizens has for the Mayor and the Commissioners. Mr. Williams said that the Mayor and the Commissioners can put a stop to this madness by dismantling the FPUA Board. He said that some consider what the FPUA Board is doing is theft by taking. The FPUA Board was put in place by the Commissioners in 1972 and it is time to do the right thing and this is why they as citizens do not have legal representation by elected officials since 1972. The Commissioners that were there at that time did not want the political responsibilities for running the Utility Authority. Mr. Williams said that the Commissioners created a monster that has been crushing the citizens for 38 years and it is time for the Mayor and the Commissioners to stand up for the people that elected them and trust them to do the right thing and dismantle the FPUA Board by voting it on the ballot to allow the citizens to vote and dismantle the FPUA Board. The people are crying to get rid of the FPUA Board and you need to help the people that elected you. Mr. Williams said to the Mayor and Commissioners that the political lives that they would be saving is their own by doing the right thing and give the people back the power and let the people vote to dismantle the FPUA Board.

Mr. Summerhays said that it would be helpful on occasion if Mr. Williams would have any fact right before he appeared before this Board. He said starting with FPUA was formed by the vote of the people not by the Commissioners as Mr. Williams just stated. Mr. Summerhays asked Mr. Williams if he had a conversation with Mr. Thiess where he offered to take him around and show him how the meters are read.

Mr. Williams said he does not have to go see anything because he is not the citizen.

Mr. Summerhays said of course not, Mr. Williams does not want to see it because facts will interfere with the garbage he is spewing.

Mr. Williams said that we want you guys to prove what you are saying because he said he has proven that FPUA is not reading the meters.

Mr. Summerhays said that he has noted with interest that the only time the Concerned Citizens shows up is when Rick Reed is running for office.

Mr. Williams said that this has nothing to do with Rick Reed.

Mr. Summerhays said that he is sure it does not have anything to do with Rick Reed.

Mr. Williams asked Mr. Summerhays if he has proof that FPUA is reading the meters.

Mr. Summerhays asked Mr. Williams if he has any proof that FPUA is not reading the meters.

Mr. Williams asked Mr. Summerhays if he has seen the video.

Mr. Summerhays said that he has seen the video.

Mr. Williams said that Ray Charles could see that the sand and the debris were in there.

Mr. Summerhays said that his meters are full like that every month.

Mr. Williams said that he did not come to argue and that he said his point with his five minutes.

Mr. Summerhays told Mr. Williams that he does not have any points and that he is just spewing lies.

Mr. Williams said prove it. He said that he proved that FPUA is not reading them so they have to prove that they are reading.

A motion was made by Mr. Drummond, seconded by Mayor Benton, and unanimously carried to approve the items listed on the Consent Agenda:

1. Approval of the Minutes of the Regular Meeting of June 15, 2010.
2. Approval of a Vendor Non-Disclosure Agreement with Digital Domain Holdings Corporation to allow collaboration in service planning.
3. Approval of a Reciprocal Non-Disclosure Agreement with CommFunction, LLC to allow collaboration in network planning.
4. Approval of additional funding using existing Piggyback Contract between Chaz Equipment Co., Inc. and the City of Delray Beach for sanitary sewer manhole rehabilitation in the amount not to exceed \$80,000 and approve post budget work order in the amount of \$30,000 from work order 836110802 (Lift Station Improvements) for lift station rehabilitation work.
5. Approval of the Sunrise/Oleander Gravity Sewer Main Replacement Project, budget transfer of \$100,000, and authorize the use of the Unit Price Contractor to complete the construction at a cost of \$95,000.
6. Approval of budget transfer in the cumulative amount of \$54,000 for temporary labor for the Department of Finance.

A note was received from The Mustard Seed thanking FPUA customers for the amount of \$337.81 contributed through Project Care.

A letter was received from Major Andy Hierstatten of the Combined Joint Special Operations Task Force in Afghanistan in appreciation of the care package received from FPUA employees.

Mr. Thiess said that he would like to give the Board a little bit of background that pertains to the meter reading issue. He said this is not a new issue and it has come up before. When it was out in the public the most was right after the 2004 hurricanes and there were complaints that FPUA was not reading meters and estimating for a period of time because the electric was down, etc. Mr. Thiess said back in January 2005, which was right after the fall 2004 hurricanes, we had the accounting firm of Berger Toombs Elam Gains & Frank do a little report on that. The report found that our meter reading practices were sound, the estimating practices were sound, and the problems that the people pointed out that we were not reading the meters and not estimating properly was all put to rest by that report. Mr. Thiess said the firm that did the report was the auditing firm for the City and FPUA at the time and was changed shortly after that. He said they also addressed the double rate issue in that report where they went through a large sample of accounts in FPUA's data base and confirmed that the rates were charged uniformly across the customer base. Mr. Thiess said that very shortly after that and what was going on at the same time is that we had the Florida Municipal Power Agency (FMPA) come in and do a peer review. He said that a peer review is when another group that performs similar functions as your utility comes in with their experts, looks at

your practices, and sees how it stacks up to the industry's standards. That peer review report was issued in February 2005 and the review team found that our practices were sound. They did make several suggestions, some of which were minor and none addressed cleaning out meter boxes. They did not find any problems there because any utility around here that has water service you will find sand in the meter boxes. Mr. Thiess said they spoke to a couple of things that FPUA was doing that were too customer friendly, like taking field collections that we used to do at the time, they advised us to cut that out. He said that we are no longer making appointments to read meters and we expect customers to have meters accessible. If they are not accessible, we install the remote meter reading capability. Following that review, we had the Concerned Citizen's group, the same group with different leadership, came to us with the same issues of high electric bills, that we were not reading the meters, and not doing our customers justice. Mr. Thiess said that he met with that group right after he got into his position of Utilities Director. Camille Yates was our Communication Manager at the time and she and Mr. Thiess met with them to listen to what they had to say. He said that there were a couple of bills that were being flashed around the conference room. We told them to bring their eight worst cases of abuse that they claim the Utility was doing to the customers and we would do an investigation on all eight homes. Mr. Thiess said that we ended up with nine homes because Ms. Yates threw her home in for comparison. He said FPUA did an energy audit on the homes, blind follow-up on both the water and the electric meter readings, we looked at the practices in the homes, and the auditor made recommendations for what they could do. They looked at the billing history, the consistency of the billing and as it turns out on those accounts, the average electric bills on the eight of the "worst cases" was under \$200, but the bills represented multiple months, back charges, and penalty fees. It also addressed the water meter issues that the water meters were not being read and all the blind follow up reads that we did; we had our people go behind the meter reader that was reading that route; and confirmed the read was accurate on every single account. Mr. Thiess said he just wanted to give a little bit of history that we have been around this block before, we have had these accusations thrown at us before, and we have done everything possible involving our people, involving outside consultants, and involving accounting firms to show the people that we are reading the meters and our billing is accurate. He said he did offer Mr. Williams to go out with our people in the field and for him to point to any residence and we would read their meter and have the read within 30 seconds. We know where the boxes are and we know how to read the meters. Mr. Thiess said these accusations have no basis in fact and the fact that there is sand in the meter box has nothing to do with the ability to get a good meter read. He said that Dorothy Long has prepared a presentation based on the accusations that were made at the last meeting and her presentation addresses every one of the addresses that was left with us last time.

Dorothy Long, Utility Services Supervisor, said that under her supervision are the meter readers and the meter installer and removers. She said in response to the concerns made by Christopher Williams of the Concerned Citizens Committee on behalf of the Sheraton Plaza residents, they have thoroughly investigated the addresses in question and found that all water meters, regardless of the condition are being read accurately. Ms. Long said that on Wednesday, June 16, 2010 Craig Brewer, Electric T & D

Superintendent, herself, and Edmond Williams, Meter Reader Foreman visited all seven addresses and located and read each water meter. She said they found the meter readings were correct and corresponded with the previous monthly utility billing. Because of the meters and the time required to complete any given route, the Meter Readers will make every effort to obtain an actual meter reading monthly. All water meters in the Sheraton Plaza subdivision are typically located at the corner of properties where two water services and meters can be connected and this is *as per* FPUA Water Meter Placement Policy. Ms. Long said that if there is an AMR (automated meter reading) meter, it is read remotely monthly by a radio frequency. She said that once a year during the month of March, they physically visit every AMR meter to obtain a visual read. In the event that we cannot access the meter, we will contact the customer by leaving a door hanger, by phone, and mailing a letter. We try to avoid estimating meters, providing the customer coordinates a time for us to revisit the location. Fort Pierce Utilities Authority provides the monthly reading on the billing statement and the customer can verify their meter readings. Ms. Long said that by visiting www.fpua.com and clicking on the customer service tab, there are more detailed instructions on how to read the meters; that is electric, gas, and water meters. On the screen, Ms. Long provided an excerpt from Resolution No. UA 2009-13 (Item H.1) "Location of Meters", which states "It is the Customer's responsibility to keep the meter location clear of grass, shrubs, and other obstructions at all times in order that the meter may be read and the metering equipment may be maintained and/or replaced". She showed a PowerPoint presentation showing each of the meters at the seven addresses that Mr. Williams presented at the June 15th FPUA Board meeting. Ms. Long said they visited 2602 Walker Drive and that particular meter is located in the north corner of the property in the driveway near the sidewalk. When visited there they obtained a read and as of June 16 it was 185 and the read on May 19 of the previous month in which we billed for was 179. At 2604 Walker Drive, the water meter is located in the southwest corner of the property by the fence. On June 16th the meter read 212 and the May 19 reading for that billing was 205. At 2608 Walker Drive the water meter is located in the southwest corner of the property. A meter reading of 1444 was taken on June 16 and on May 19 the meter read was 1440. At 2610 Walker Drive the meter is located on the north side of the property under the trees and that lid has been replaced. On June 16, they read the meter and it was 415, on May 19, the read was 411, and on June 8 it was 414. The reason why there are two readings is because this customer has moved out so we took a final reading for this account. At 2704 Walker Drive the water meter is located in the northwest corner of the property. The meter reading as of June 16 was 1726 and on May 19 the read was 1723. At 2605 Walker Drive the water meter is located in the northeast corner of the property under a roll of surplus fencing. Ms. Long noted that just above the water meter the wire has been rolled there for quite some time so that every time the Meter Reader visits this location, he has to somehow maneuver that wire so that he can remove the lid to obtain a reading. On June 16th the meter read at this location was 824 and on May 19 the meter read was 813. At 2703 Walker Drive the water meter is located in the southeast corner of the property. On June 16 the meter read was 1164 and on May 19, the meter read was 1150. Ms. Long presented a monthly consumption table showing the current read, the previous read, and the consumption of the seven addresses they visited. She made note of Resolution No. UA 2009-13 (Item D.7) "Access to Premises" that gives duly authorized agents or

representatives of FPUA access to Sheraton Plaza meters. Gates and dogs could contribute to the estimated "reads", if in the event they have to if the customer does not cooperate and provide us a time to read those meters. Ms. Long said that FPUA should have legal access to the premises of customers for the purpose of installing, maintaining, inspecting, or removing FPUA's property, reading meters, and other purposes incident to the performance of Utility Service work. She presented a copy of a bill that reflects the reads on every utility bill, the electric meter number, the current read, the past read, the consumption, and the itemized billing is indicated on the bill.

Mayor Benton said that he hoped the press got that so we can have an accurate story on the news tonight instead of the inaccurate news.

Mr. Summerhays said that would be a nice change. He said he noticed that Mr. Williams did not want to hear the facts so he left.

Mayor Benton said that we have gone through this many times and even with Mr. Gaines sitting here, when they did this audit some years ago. He said that he is glad to hear that it was done accurately and he knows that there are some meters out there that he has to clean off when he is doing yards. Mayor Benton said he is glad that we did answer Mr. Williams's concerns. He said that he wished Mr. Williams had been here to hear it and maybe we can make sure he gets a copy of this information.

Mr. Thiess said that the City of Fort Pierce Citizens Budget Advisory Committee Report on FPUA Fiscal Year 2010-2011 Budget will be presented by Committee Chairman J.W. Gaines. He said that we had four meetings over a period of four or five weeks.

J.W. Gaines, Chairman of the Citizens Budget Advisory Committee, said he had the pleasure of being the Chairman of the Committee along with fellow committee members Dan Delulio, Linda Hudson, Linda Salisbury, and Steve Weaver. He said they were asked by the City Commission and agreed to by FPUA to look at the budget for 2010 and 2011 for the FPUA and during that process they could not have done it without Bill Thiess, Nina Hurtubise, Barbara Mika, and Mike Perri participating. Mr. Gaines thanked them for their assistance. He said the Board has received their report with their recommendations concerning the two main employee benefits of retirement and health insurance and also they made some suggestions concerning the Operating and Maintenance and Capital Budgets. Mr. Gaines said he believes their goal was to challenge the status quo and think outside the box so there was a lot of dialogue that went on between the Committee and the Staff as their assumptions were challenged. He said as a result of that, the report is submitted and he will be glad to answer any questions.

Mrs. Cully thanked Mr. Gaines and his Committee. She said when she read the report they did for the City, she was very impressed with it and is impressed with this report as well. The Board will take to heart what has been put before us. Some of the things we may agree with and some of them we may not, but we will certainly look at it for future reference.

Mayor Benton thanked Mr. Gaines and Ms. Hudson for taking a look at the budget and he knows that it was rather quick because the budget had already been put together. He said that some of the issues that were brought to FPUA's attention are also issues brought to the City Commission's attention. He said he was glad to see something that was recognized by all of us is that we do not make power any more so buying power from an outside source; we are limited on what we can do with that. The cost is high and he is glad to see that in writing. Mayor Benton said it is frustrating for us, but there is not much we can do about the price except pay it.

Mr. Summerhays said he also wanted to thank them for their time and effort. He said that there was probably a lot of hours that they could have been spent doing something productive. He said thank goodness it was not tax season.

Mr. Gaines said no that was the City Commission. He said they got through it and you are welcome.

Mr. Perri said he would like to thank them for their efforts and he would suggest that maybe we do the same thing next year and do it in a timely manner where they have a little more time to fine tune and use a fine tooth comb to go through our budget.

Mr. Gaines said call me.

Mark Kobbe, Superintendent of Wastewater Collection, presented the Miller Pipeline piggyback contract. He said that this is a two part issue. Mr. Kobbe said that staff would like to ask for approval of transfer of funds in the amount of \$350,000 from Water/Wastewater Engineering's budget into Wastewater Collections' budget, which will give them a total of \$450,000 in the Wastewater Main Lining budget. The second part is approval of a piggyback contract between the City of North Miami Beach and Miller Pipeline. Mr. Kobbe said Miller Pipeline is the contractor they have used in the past and they actually had a \$450,000 contract with them in 2009 that was cancelled due to the constraints of funds. He said there are a couple of areas they are going to address that were addressed in that initial phase, but the lion's share of the money is going to be used to address the clay lines that are on South A1A in the area of second phase of the roadway project. We also have a 10-inch cast iron pipe that runs underneath U.S. 1 at Glenview and U.S.1 that is showing signs of wear. Another area that they are looking at is the roadway project on Sunrise and Oleander between Virginia and the Roundabout at Parkway. Mr. Kobbe said that whatever they have leftover is what they are going to kick back into some of the lines that were identified in their worst case scenarios, which the biggest one is the 18-inch clay-lined that they have running down Jersey Avenue between 13th Street and 21st Street.

Mr. Drummond said that Mr. Kobbe indicated that we had initially planned to do this work, but because of budgetary constraints we postponed the work and now are moving forward. He said he guesses that the need continues to worsen and we need to get it

done. Mr. Summerhays asked if we have entered into an emergency situation with regard to it or is it just that it is much timelier to do it now.

Mr. Kobbe said absolutely not. He said that they use their TV and grout truck and they go out and weekly TV different sections of the city and at that point, this was identified as the worst case scenario at that point. He said that we are not in any emergency situation. It is just a big line that has a lot of flow from the hospital and they have deemed it is the one that needs to be addressed right now.

Mr. Drummond said that given that it is not an emergency situation and we have known about this for a while, is there a reason we are piggybacking versus going out for bid and seeing what the market may bare in terms of this and possibly getting a local contractor.

Mr. Kobbe said Miller Pipeline has actually extended the prices that we had in 2009. It is the identical cost that was associated with what we had done as far as the piggyback. He said we have not entertained going out and looking for other bids due to the timeliness of the end of the year and to try and get this taken care of.

Mr. Drummond asked if the essential reason for piggybacking is to preclude the bidding process.

Mr. Kobbe said yes, it makes it easier. He said that other cities go out and do the bidding and their Board approves it and we piggyback off the price that is negotiated.

Mr. Thiess said that there are no local contractors that do this lining work. He said the closest one which we used to use is Lanzo Lining out of Palm Beach and this is another contractor from that direction. There are no local contractors that do sewer lining.

A motion was made by Mr. Perri, seconded by Ms. Cully and unanimously carried to approve a Piggyback Contract between the City of North Miami Beach and Miller Pipeline Corporation for Sewer Rehabilitation Services in an amount not to exceed \$450,000 for the remainder of FY 2010 and approve transfer of funds in the amount of \$350,000.

Mayor Benton said he spoke to Mr. Thiess about this and asked if they are going to have a chart today so that we can compare the folks like us. He said we see the big picture and not everybody is in that picture like those that are not making power, like us, that require all that power to be brought in and are a part of the All-Requirements Project (ARP). He would like to see where we stand versus everybody else that is in that group.

Nina Hurtubise, Director of Finance said that she has changed the graph around to show the All-Requirements cities, whether they are generators or not. They are indicated on the graph with the green bars and as you can see there are quite a few. The two very highest are All-Requirements cities, but it is not just the All-Requirements

cities that are seeing the very high rates and the highest rates in the states. Ms. Hurtubise said what she is presenting is the 1,000 kWh comparison for the municipals in the State of Florida for the month of May 2010. She said the red bars are the non All-Requirement cities. The All-Requirement cities are a participant of the FMPA ARP. We have also added an ARP average, which is the dotted line on the top. It is a little bit higher than the regular municipal average, which is a little bit below that and then there is the investor owned average below that. Ms. Hurtubise said that FPUA is now identified in yellow and purple and for the month of May, which is the month we reduced the power cost adjustment (PCA) to \$44 from \$48. We are now the 7th highest, which is an improvement of two positions lower for the month of May. Since April, six of these utilities have increased their bills and ten have decreased their bills. Bushnell had an increase of \$10.00, which was following on the heels of a \$10.00 increase in April. They have increased \$20.00 in two months. Chattahoochee is a decrease of \$11.29, but that fell behind an increase of \$10.58, so it was a net decrease over the two months. Ms. Hurtubise said their philosophy is apparently to reflect current costs each month and that has got to weigh on their citizens. Quincy reflects a decrease of \$12.70, which follows a decrease of \$13.00 so they have had a couple of decreases in the last few months. FPUA has improved their position because of the PCA decrease as we had hoped. Ms. Hurtubise said that on the 2,500 kWh graph, it is very similar to the 1,000 kWh comparison and we are also 7th on this comparison. It is actually three positions lower than we were last month. The All-Requirements cities are shown with the green bars and the non All-Requirements with the red bars and you can see how we compared to the All-Requirements average. The comparison of the local utilities for Fort Pierce, Port St. Lucie, SLC Utilities, and Vero Beach shows two changes from last month. The decrease in the PCA that FPUA had shows our position is better than it was the prior month and FPL reduced their storm charge in the month of May by \$0.08 for 1,000 kWh. We reduced our PCA \$4.00 for 1,000 kWh and FPL decreased their storm charge \$0.08 for 1,000 kWh. This is an information item.

Mr. Summerhays said it is nice to see us move in the right direction and hopefully we can continue that.

Ms. Hurtubise said she was going to present both the Operations and Maintenance and the Capital Budgets for FY 2011. She said it is the twelve months beginning October 1, 2010 through September 30, 2011 as well as our amended FY 2010 budget. Ms. Hurtubise said what we are looking at is decreased revenues and decreased expenses. The changes in the revenue are mostly due to projections and we were originally thinking that the consumption would rebound more than it actually did. We do have the advantage of having raised rates last year so that has helped a little bit, but also being very careful of how we spend our money, has saved us quite a bit. Ms. Hurtubise said what the table shows is that revenues slightly exceed Operations and Maintenance, but if we do the math, you will see we are a little bit short. In previous meetings, we have talked about our amended Capital Budget. The \$18 million that is displayed on the page reflects a reduction for the amount of the grant money that we did not receive for the current FY 2010. We really do not expect to spend that \$18 million. The number of \$10.5 million will not be presented as an actual amended budget, but that is what we

are estimating. If we run the numbers for FY 2010, we may come up approximately \$895,000 short and with that being the case, we will either cut spending or will spend available cash. Ms. Hurtubise said that for 2011, we have a whole year of estimates and in FY 2010 we are taking nine months of actual information and plugging in three months on top of it. She said we should be pretty close on the FY 2010 Budget. The FY 2011 is further out and there are a lot more variables that may or may not occur between now and September 2011, but even at that, the amount of cash available is expected to come up about \$2 million short. In that event, we watch very carefully as time goes by and cut if we have to because we will not be able to make up \$2 million. Ms. Hurtubise said that she is reading from page 25 of the Operations and Maintenance Budget and what it does is converts the revenues and accrual basis expenses to a cash basis so you can see how we pay for things that we do. She said we are very focused on what portion of our budget is funded by rates. We have a large Capital Budget that is funded by other sources, but we want to focus on the cost of service that our customers pay for. Over the past few years we have budgeted less and less. Although it is pretty flat for 2010 and 2011, those are very realistic estimates of what it costs us to operate and maintain our system and the Capital Budget is shrinking. There is a certain level that we have to maintain, but it has shrunk over the years. The Purchases for Resale are pretty much not within our control except if we try to shave our peaks, but that is very difficult to do. Over the last three years we have reduced our Capital Budget by about 31%. The O&M is the least dramatic decrease at about 1% a year and the Purchases for Resale have averaged 3% per year, but it really only happened in 2009 in the terms of the reduction in costs. We have had a budget workshop and at that time revenue estimates were not available, so this is the first that you have seen these revenue estimates. Ms. Hurtubise said our Sales Revenues are down about 2% or \$2 million from our original budget, but then again our expenses were down as well. She said the other large variances are the Non-Operating Revenues, where the grants are classified as Non-Operating Revenues. The grants that we originally budgeted in 2010 and we did not receive have been pulled out of the amended so there is a huge drop there. You will see that it bounces right back in 2011 because of the grant that we have applied for our Community Infrastructure that we have applied for. The amended budget for 2010, the cost of the land transfer from the HD King Power Plant, we had to book that as a loss of about \$500,000 and that is contained in the amended budget of 2010. Capital Improvement Charges continue to be at a very low level. Contributed Capital Cash represents money that we get from developers, the FPRA, TCERDA and even the Community Development Block Grant funds that we get through the City of Fort Pierce; anything where someone else is paying for our assets. The original budgets have very large numbers there because the Capital Budget is developed with the expectation of receiving those funds. If we do not receive those funds, we do not spend the money. Overall, the decrease in revenue is about \$4 million or 3% of the total budget. The actuals have come and gone, they peaked out in 2008, started to decline in 2009, and declined a little bit more in 2010. Ms. Hurtubise said that statistically we are projecting flat sales in terms of consumption. She said we can break it down into each of the utilities. The orange bar is the PCA. Where the rest of the Operating Revenues are derived by the electric system are the darker bars on the bottom. The declining consumption, which is the white line, and the revenues we are projecting to be flat. The water is the same situation and we are projecting flat sales

and as a result, flat revenue. Wastewater, we have a little bit of a peak in FY 2009 because of guaranteed revenue charges, but in general the operating revenues for wastewater is the same story, very flat sales and revenues. Natural gas consumption is all over the board and we do believe our revenues are going to be up from 2009 and they are going to stay there. Ms. Hurtubise said the reason she is showing an expense at the end of all the revenues, is the Distribution to the City of Fort Pierce is based on revenue derived of 6%, generally of gross revenue, which is very flat. The Operation and Maintenance Budgets are our expenses and because we are a full accrual accounting basis organization, we also have some non cash items in here which, in particular, depreciation is one of the most significant. This is a non cash item. When we set rates, we look at what the original asset costs at the original time. We do not use depreciation in our rate making. What is of concern to the rate payers is what the base O&M is. We are trying to keep it as low as we possibly can. The Purchases for Resale are an enormous portion of our budget. Personnel Services is one of the most controllable items in our budget and what we are doing to control cost in Personnel Services is if somebody leaves, we evaluate very closely as to whether that person needs to be replaced. As a result, we have had Department Heads that are willing to hold vacant another eight positions. We had five positions held vacant in 2009 and eight more positions held vacant in FY 2010 without having to involuntarily terminate folks. As well, we have had some substantial savings due to the 21 employees we have in our drop program. That hit the paper this morning and a number of our employees are very concerned whether it applied to them. We are not a part of the State Retirement System, but we do have a drop program. What happens when someone drops, when they are constructively retired, is the employer no longer has to pay the employer share of retirement. This is savings to FPUA of \$115,000 in 2010 and \$138,000 in 2011. It is a win/win for both the employee and the employer. As a result, the full time positions have steadily decreased since 2007 and they have been decreasing at a pretty decent pace. We are projecting 286 in both FY 2010 and FY 2011. The Capital Budget is expected to be \$20.5 million in FY 2011 and that includes about \$5 - \$6 Million of Comprehensive Community Infrastructure. This is a project related to fiber optic network and we have applied for the grant to fund this. As the situation occurred last year, in the event that we were not to receive those funds, we would pull that out of the budget right off the top. That would drop it to about \$14.6 million, so that in the event we do not get those funds, we will be showing a decrease of \$3.5 million. The Comprehensive Community Infrastructure project is a huge chunk of the budget as it currently stands. Because of the developer funded and grant funded projects that are being funded from other sources other than rates, what we see is there is a large decrease from the original budgets to the actuals, original 2008 actual and original 2009 actual.

Mr. Perri asked what the "other" is on the chart.

Ms. Hurtubise said that is primarily ITS. We do not specifically associate it with a particular system. As an example, her computer system in her office in finance does not get allocated to the different systems. It also includes our FPUAnet Communication System, which is not just fiber optic, but internet access for larger customers. If someone comes to us and wants to pay for an extension of our system, we need to

have the money in the budget to pay for it so we can provide the service and earn the revenue. If no one comes to us, then we do not spend the money. Ms. Hurtubise said that usually we have a list that is about a mile long of the capital projects for the upcoming year. We still have two big ones and there is a list of the other projects on page 2 of the Capital Budget. Mostly it is a lot of little stuff and renewals and replacements, things that we really have to do. There are really not a lot of projects that we choose to do, but there are a lot of projects that are a result of other entities such as road work. For regulatory purposes we will probably have to spend about \$4 million with FDOT and then there are some smaller requirements, but \$8.6 million of the \$20 million is basically projects that we really do not have a choice as to whether we do them or not; we are required to do them. The money to pay for the Capital Budget, \$9.2 million comes from rates and the Contribution in Aid is by all sorts of entities. There is a question about the FPRA funds they are expected to contribute. We expect them to live up to what they have committed to us. We have Capital Improvement Charges (CIC) that are coming in at a trickle at this time. We have to spend those CIC on extensions to our systems for new customers so we cannot spend that \$1.1 million just anywhere, it has to be spent on new growth. The Treasure Coast Educational Research and Development Authority (TCERDA) is moving forward with their project and we expect to participate in projects with them this upcoming year. There is \$4 million for the Comprehensive Community Infrastructure Project. Ms. Hurtubise said that although it is not in Resolution form yet, we are requesting the Board's preliminary approval of the Operations and Maintenance Budget as well as the Capital Budget.

A motion was made by Mr. Drummond, seconded by Ms. Cully and unanimously carried to approve the Operations and Maintenance Budget as presented by staff amending the FY 2010 Operations and Maintenance Budget and adopting the original FY 2011 Operations and Maintenance Budget.

Mayor Benton said that he knows it is too late and we just received the information from the Citizen's Budget Committee, but when it comes to next year's budget, there are some items the City Commission is looking into. Some things have to be negotiated with employees and he would like at a later date to discuss some of these. He said that one of the issues that he has is the sick leave and he would imagine that FPUA is similar to the City. If you have been working for the City for 30 years and were hired for \$6/hour and when you retire making \$30/hour you could acquire a lot of sick time. When you leave you get it paid at \$30/hour and that is not the way it is done in the private sector and he knows that is what we are doing at FPUA. We are competing with other power companies and the private sector and that is one item that gives him grief because it is amazing what they walk away with. Mayor Benton said that when he worked in the utilities and he knows Mr. Perri did too, it was use it or lose it.

Mr. Perri said that is correct.

Mr. Summerhays asked Mr. Thiess what our policy is.

Mr. Thiess said that we can accumulate up to 720 hours, which is the same as the City. If you have not used it, you can cash that 720 hours in towards your retirement; it goes

towards your retirement pay. He said we are getting set up for a strategic planning workshop in late summer. It will take us a little while to get ready and we are going to be looking at everything across the board. We are going to be looking at cuts basically anywhere you can make them because with a lot of those cuts comes cuts in services and diminished services to our customers. We are going through that exercise and it will be a balancing act of how deep do we want to go and to what level do we want to degrade service. We want to have that information available before we go into strategic planning so that we can give the Board several scenarios and levels and at the same time show the rate effect of those levels and the effect on our customers and employees. Mr. Thiess said that is an ongoing effort that we hope to bring to a head sometime late summer or early fall.

Mr. Summerhays said that we can always amend the budget at any point within the year.

Mr. Drummond said that Ms. Hurtubise indicated that the amended one is \$18 million, but still anticipates by the end of the year it will be closer to \$10 million. He asked if there was any reason why we would not do it now.

Ms. Hurtubise said that historically, we have never amended the Capital Budget. There is no reason why not to, but historically we have not.

Mr. Drummond asked when Ms. Hurtubise anticipated she would come back to the Board for a second amendment.

Ms. Hurtubise said that we normally would not. If the Board would like to make a motion to have us do that, we can certainly do it. It is just something that we historically have not done.

Mr. Drummond asked why we are amending it from the \$20 million.

Ms. Hurtubise said you mean the O&M.

Mr. Drummond said no the Capital.

Ms. Hurtubise said that is for 2011 and it gives us the spending ability starting October 1st. All that we are asking for the Capital is the FY 2011.

Mr. Summerhays asked Mr. Drummond if Ms. Hurtubise answered the question or confused him more.

Mr. Thiess said that is another item we can take up at strategic planning, if you want to hold it for a workshop type of environment. We can maybe look at doing it different next year.

Mr. Summerhays said he does not recall the Board ever amending the Capital Budget, now that it is mentioned.

Ms. Hurtubise said that she started to do it one once and was told not to. She said times are different today.

A motion was made by Mayor Benton, seconded by Mr. Perri and unanimously carried to approve the FY 2011 Capital Budget totaling \$20,565,345.

Mr. Summerhays said that we can always amend the Capital Budget any time during the year. Never having done it, does not mean we cannot.

Mr. Thiess said the next item is for a Resolution that the Board has seen many times concerning our Guaranteed Revenue Charges and Capital Improvement Charges.

Bo Hutchinson, Environmental Engineer for Water/Wastewater Engineering, presented Resolution No. 2010-07 that replaces Resolution No. 2009-11. He said the major changes to this resolution is that it exempts public education facilities from Capital Improvement Charges (CIC) and Guaranteed Revenue Charges (GRC) and it also corrects Exhibit D to not include the Accrued Guaranteed Revenue Charges (AGRC) in the Capacity Reduction option for the termination of supply agreements for nonpayment. Mr. Hutchinson said there are a couple of housekeeping items that are noted on the redline version in the Board packets.

Mr. Drummond said the table was an example and asked Mr. Hutchinson if the error was in including the AGRC charge or was it a practice that we were allowing as well.

Mr. Hutchinson said that it was included incorrectly. He said the CIC, by State Law, we have to give those back if the capacity is not being held; however, the AGRCs were for a completely different purpose and were not under those State Guidelines to hold. Mr. Hutchinson said when he originally put that example together, he was under the impression that they were restricted funds and after consulting with Mr. Koblegard found out that was not the case.

Mr. Drummond said that so we never did practice it.

Mr. Hutchinson said that is correct.

A motion was made by Mr. Drummond, seconded by Mrs. Cully, and unanimously carried to Approval of Resolution No. 2010-07, rescinding and restating Resolution No. 2009-11 concerning Guaranteed Revenue Charges for the Water and Wastewater Systems and abandonment of capacity Reservations.

Mr. Drummond said he read the City Commission minutes that Ms. Mazzarella was kind enough to send to him and under the Budget Workshop on June 3 there was a discussion with the changing benefits that he found to be very interesting. He said there

was also a discussion regarding the procurement card and it indicated that the City had pretty much agreed it was a problem because of the charges that we would be passing on to our ratepayers if they continued through with it. Mr. Drummond said the City Finance Director suggested that it has now been amended that they will go back to paying by check, but they would expect 1.6% discount. He said he knows we asked about whether we could do that and he thought our attorney said we could not do it.

Mr. Thiess said that was wishful thinking. He said our attorney addressed that at our last meeting and it would require us to do that same discount for at least all of our governmental customers and possibly, by one of the State Statutes, all of our commercial customers. It is something that could not be done.

Mr. Summerhays said the date on those minutes was before our last meeting.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN