

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, APRIL 5, 2011, 6:00 P.M., CITY COMMISSION CHAMBERS.

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

Others present: William G. Thiess, Director of Utilities; Rupert N. Koblegard, III, FPUA Attorney; Nina Hurtubise, Director of Finance; Timothy E. Perkins, Director Water/Wastewater Systems; Thomas W. Richards, Director of Electric and Gas Systems; Arne Taranger, Acting Risk Manager; Nancy Dallaire, Risk Manager; and Levette Dixon, Communications Manager.

The meeting was called to order by Chairman Drummond.

Invocation by Pastor Todd Schlitter of Grapevine United Methodist Church.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

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Mr. Drummond thanked everyone for coming out and said this is a new thing to have the meeting in the evening and he hoped it will be well received. He said we will have an opportunity to have a public hearing on the rate changes that will be going before the City Commission so individuals who would like to be heard on those items can speak at that time. Mr. Drummond asked if anyone had a cell phone to please turn it off or put it on vibrate. He opened the meeting for comments from the public and asked them to keep their comments to five minutes and to give their name and address.

Marty Lavin of 2400 South Ocean Drive, V-115, Fort Pierce, said he wanted to thank Mr. Perri for encouraging the Board and FPUA to have their meeting at this time of the day for additional public comment. He applauds that for those having difficulty in making it; this is a good thing and wishes the Board well in their experiment. Mr. Lavin thanked the Board for their support in Lincoln Park's newsletter. He said as someone who has recently become involved in assisting Lincoln Park Main Street, he noticed with great interest and wanted to acknowledge FPUA's support of their publication. Mr. Lavin said he does not represent the organization, but he knows that FPUA is very helpful and very supportive of many initiatives in this marketplace. He said on the 16<sup>th</sup> of this month at the Manatee Center there will be the coconut float as part of energy environment education week between the 10<sup>th</sup> and the 16<sup>th</sup>. The coconut float will be a series of activities taking place between 10:00 and 2:00. Particular interest that day will be the floating of the coconuts at noon and anyone can contact the Manatee Center for more information. Mr. Lavin said the large energy services companies have been making the rounds of this municipality and speaking with Board members as well and he hopes that will bring to bear many exciting positive things in energy efficiency, conservation, and generation. He looks

forward to hearing more. He spoke recently to the Fort Pierce City Commission and wanted to speak directly to this Board. He understands that the wastewater treatment facility is working quite nicely on the island, off the mainland, and there is nothing wrong with it. He said at some point and time we all realize that it may be moved. If it were to be replaced, it would be a big challenge and there would be a lot of resources and may take a long time to come. Since it is in the purview of FPUA as it is their asset, the City certainly has a role to play as does the County and so many others. Mr. Lavin said he would like FPUA to support the investigation of accessing the Brownfield dollars that are available. It is just as important where eventually it goes, where those services are provided, whether it is through Port St. Lucie or the County, it is FPUA's asset. He encourages FPUA to assist the County and the City and he believes it will be a good thing for all.

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John D. Diehl of 473 Hemingway Terrace, Fort Pierce, said he lives in Tropic Isles Mobile Home Park and has lived there 14 years. He would like to know if the Board keeps any kind of record of people that complain about excessive bills and what is done about it.

Mr. Drummond said this is the public comment section and the Board is here to hear any concerns, but it is not a dialogue setting. He said if Mr. Diehl has specific questions, he would be glad to have staff investigate them.

Mr. Diehl said his bill for January was \$35.78 and the amount of water was 200 gallons a day. On his bill for February the utility said he used 30,000 gallons of water within that month. He has done everything he could possibly do to try and determine where that water went. Other than reading the meter, there is no physical evidence of water going anywhere on his property. Mr. Diehl said he has been under his house about four times, has flushed and taken a reading, flushed again and taken a reading and he has done everything he can. He even hired a plumber and there are no leaks. Mr. Diehl said he has a central tremor and is not nervous and that is why he is shaking. He said he has spoken with a very nice man and that he is not the type of person that jumps up and hollers and screams when he has a problem. When you find the problem, you solve it and move on and that is what he would like to do, but he cannot find the evidence of 30,000 gallons of water. Mr. Diehl said his lot is not that big to begin with and he went all the way back through his bills for a year and his average is 202 gallons a month usage. He is 79 and his wife is six months younger. He does not go running or play tennis any more, takes one shower a day and his wife about two times a week. The water use has always been pretty consistent. The utility company did send someone out with a meter, a young man by the name of Tony, and he did a ten minute and ten gallon test and his meter was right on with what he was showing. There is one thing that happened, when he was running the water off from the test, it wound up in the street and went on down. It did not go into the ground and that is what they are basically saying to him is that he does not see it because it goes right into the ground. Tony was putting the situation back together again after and he had a leak and he had to take it apart and put it back together again. That little leak in that time puddled up a lot and did not go down. Mr. Diehl said he is bewildered about what happened because if you look at

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the next bill or take the bill before, that 30,000 gallons was not spread over a 30-day period, it was compiled in a shorter period of time than 30 days.

Mr. Drummond suggested Mr. Diehl get with the Director, Bill Thiess and he will be more than happy to investigate exactly what happened in that particular instance. He said it does not sound like a normal consumption for a residential unit. Mr. Drummond said he would love to hear back from Mr. Thiess to what happened in this particular situation.

Mr. Thiess gave Mr. Diehl a business card.

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Maurice Lepine, Community Association Manager for Nettles Island of 5047 North A1A, Fort Pierce asked if any consideration about the rate increase has been given for bulk users. He said they are a major user of water at Nettles Island and they have a budget of \$240,000 for water this year.

Mr. Drummond said he would suggest that when we get to the item on the rate increase, he will direct staff to answer that question so we all will know whether or not there has been any real discussion with regard to the bulk rate as well.

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Malcolm Sanderson of 21 Harbour Isle Drive West, Fort Pierce said he is curious that the Board is asking for an increase on natural gas, yet the price of natural gas is dropping dramatically over the last number of years. He would like that explained as well as the power cost adjustment explained if it is not too much of an imposition.

Mr. Drummond said the part about the increase on all the utilities including the gas will be an area under the public hearing as well as the staff comments and we can get into the details at that time. He does not believe the power cost adjustment is on this agenda tonight and it is not one of the items being discussed.

Mr. Sanderson asked when that could be explained because he is looking at his current bill and it is 38.5% of his basic electric bill. How does he find out about it?

Mr. Drummond asked Mr. Thiess to provide Mr. Sanderson one of his cards and one of his staff will be more than happy to sit down and go through the formulation of how we come to the power cost adjustment.

Mr. Sanderson said when he can buy electricity from FPL a lot cheaper than what he can buy it from here, then there is something not right.

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Mr. Drummond asked if the Board or Staff have any item they would like to pull from the Consent Agenda for further discussion. (No items were removed.)

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

1. Approval of the Minutes of the Regular Meeting of March 15, 2011.
2. Approval of Specific Authorization GT-11-01 with Globaltech, Inc., in the amount of \$97,500 to replace four (4) blower housings at the Water Treatment Plant (WTP) lime softening air scrubbers, approve project budget of \$104,000, and approve a budget transfer of \$90,000, contingent on available funds.
3. Approval of the initial purchase of concrete poles from Durastress Pole Inc. for stock and the State Road A1A Phase 1 project through the Florida Municipal Power Agency (FMPA) Joint Purchasing Project Agreement, for a total of \$33,058.00. In addition, request approval of \$105,682.00 for concrete poles to be purchased as needed for inventory for the remainder of the 2011 fiscal year ending September 30, 2011. The total requested purchase is \$138,740.00.
4. Approval of the "Emergency" replacement of two Reverse Osmosis Plant clearwell transfer pumps with a budget transfer of \$50,000 and the authorization of Florida Bearings Inc. as a "Sole Source" vendor.

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A note was received from The Mustard Seed thanking FPUA customers for the amount of \$283.83 contributed through Project Care.

An email was received from 1<sup>st</sup> Lt. Timothy Hichak serving in the U.S. Marine Corp in Afghanistan thanking FPUA employees for the care package his unit received.

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Nina Hurtubise, Finance Director, presented the Quarterly Financial Operating Results for September 2010. She apologized because this was six months ago and said there was a delay in getting the financial statements closed out as a result of the actuarial report required to report our Other Post Employment Benefits (OPEB). The financial results should be very little surprise and we did have a year-to-date increase in net assets of \$3.3 million. That is only 2.9% of total revenue, all revenue that came in from all sources including contributed capital. Ms. Hurtubise said she knows it is a big dollar amount and her point is that it really is not. At least we did have an increase instead of a decrease. It was a 59% decrease from FY 2009. We had a 54% decrease in capital contributions, basically half. It was \$3 million this year and the \$3 million of contributed capital contributed \$3 million of the \$3.3 million increase. Contributed capital cannot be spent on operations and maintenance, so as a result, although it looks like we did

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very well this year, we really just squeaked by. Ms. Hurtubise said we do have a very good cash position at the end of September, 77 days and it has increased since then. We are going to discuss the disposition of that cash later on this evening. She said we have a mixed bag of results for the units sold for 2010. On the displayed graph, the gray bar is 2010, the dark blue is 2009, and the light blue is 2008. There were increases in units billed compared to FY 2009, but they were still down from 2008 in electric and gas. Electric being the largest money maker of the organization, you can see we still are not back where we were in 2008. It is the same situation with gas. Electric was up 3.3%, but still down 4.75% from 2008. Water is up 1.2% and also up 1% from 2008, so a little bit of an increase there. Wastewater was down 4% and is down 9% from 2008 as shown, there is a steady decline in wastewater usage. Natural gas was up 2%, but down 0.6% from 2008. Our operating revenues, which are the dollars we are speaking about, shows electric revenue is down 1%, because the PCA was down \$1.9 million the year before. If you take that out of the mix, we were really up 1%. Water was up 3%, wastewater down 2%, and natural gas was up 9%, with or without the PGA. Our operating income and our debt service coverage is still extremely healthy, well above the 1.25 required by our bond covenants. At September 2010, the debt service coverage was 2.80, up just slightly from 2.74 for the twelve months ended September 2009. Ms. Hurtubise said some of the big activities that occurred last year, both the quarter and for the year; we had a year to date operating income increase of \$24,000 out of \$100 million. She said our employee compensation and benefits were less 3.4%, \$675,000 and were primarily a result of vacant positions being held vacant and not being filled and a very good year again with our health insurance. We are self insured and when we have a good year we can reap the benefits. If we have a bad year, we will also have to pay for it to a certain extent. The last couple of years have been very good for us being self insured. Depreciation expense is up \$1.1 million from last year. We are continuing to shorten the useful lives of our depreciated assets to more closely reflect the period of time they actually remain in service. When you have over \$2 million in assets, it turns out to be a very big number. Our interest expense went up \$979,000 as a result of refinancing the pooled loans we did back in December 2009. The interest rate, although fixed and really very favorable in the big scheme of things was nowhere near the interest rate that FMPA was charging us on those pooled loans. Ms. Hurtubise said in some cases if things are too good to be true, they are and they have to go away, but we enjoyed it while it lasted. We did transfer the HD King Power Plant property to the FPRA and it was recorded on our books at \$511,000 and that transfer took place in October 2009. She said the City Distribution is usually a very interesting number that we always want to hear about and it will be \$4,925,280 upon approval and acceptance by the City of FPUA's audit. It was a very slight increase of \$72,000, about 1.5% up from last year. Ms. Hurtubise said she is presenting both the Quarterly Operating Results and the next item on the agenda is the FY 2010 Comprehensive Annual Financial Report (CAFR). She said that normally these are presented at two different meetings and the subject matter is exactly the same and she will not be doing two presentations for the same topic. She wanted to extend special thanks to the folks that helped her put together the Comprehensive Annual Financial Report. She said her executive assistant has been out on extended medical leave since early February and she is very thankful for all the people that put in the extra effort to get it done: Barbara Mika, Finance Controller; Michele Harris, Assistant

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Controller; Will Braun, Utility Accountant; and external auditors, Jim Hartley of DiBartolomeo, McBee, Hartley & Barnes. These are both information only items, but she is open for any questions or comments.

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Ms. Hurtubise presented the rate comparisons for the month of February 2011. She said this is February's comparison of the residential electric rates that are compiled by the Florida Municipal Electric Association. FPUA's relative position compared to the other municipal electric utilities in the State of Florida is now 6<sup>th</sup> from the right and it is one position from the right of last month. Since January, seven utilities have increased their bills and seven have decreased their bills. There were five cities that require special mention: Chattahoochee increased their bill by \$14.04, Kissimmee had an increase from last month of \$12.16, Newberry had a decrease of \$16.36, Williston had a decrease of \$16.00, and Starke had a decrease of \$11.20. Ms. Hurtubise said if we were to reflect the power cost adjustment (PCA) reduction of \$4 in April and the \$4 rate reduction, which we are proposing here this evening for the month of May, which would put FPUA between Alachua and Fort Meade, which is almost midway down the comparison at #15. She said the 2,500 kWh comparison is a bit less favorable with FPUA being #2. The local comparison of Fort Pierce, Port St. Lucie, St. Lucie County, and Vero Beach shows the only difference in this comparison from January is FPUA's PCA increase that was implemented in February. This is an information only item and Ms. Hurtubise said she would be happy to answer any questions.

Mr. Drummond said he would like to stress Ms. Hurtubise's comment is very appropriate at this time that it does not reflect the PCA adjustment that was made at last month's meeting and it does not reflect the possible reduction from the rate change that is being proposed later in the meeting. He said that should have a very positive impact to the left if those are factored in.

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Ms. Hurtubise presented Resolution #UA-2011-01 amending the budget of the Fort Pierce Utilities Authority of the City of Fort Pierce, Florida for the Fiscal Year beginning October 1, 2009 and ending September 30, 2010. She said this final budget amendment ties into what was discussed earlier, but the comparisons she will be making through this part of the presentation will be compared to the amended 2010 budget and some other historical charts that show where we are today. Our revenues were down from what was the amended budget of 2010, but so were the expenses, the expenses more than the revenues and that is a good thing. The electric consumption had been decreasing, but seems to have bottomed out and is increasing at a very slow rate. The consumption is up 1.5% from the amended budget, but you will see that the operating revenues are down about 1.3% as a result of the PCA being down \$1.9 million from actuals. We have had a steady decline in water consumption and it has flattened out. The operating revenues are up about 2.4% from the amended budget. For wastewater, the decline we saw earlier is also depicted here. The consumption is down 2.7% from the amended budget and the operating revenues are up 1.26%. You may ask if consumption is down, how did operating revenues go up. It is primarily due to guaranteed revenue charges

which are charged to developments that do not hook up to our system within one year. That was a provision that was added some time ago and has been fortunate for us. It has helped stabilize our revenue situation on the wastewater system. Consumption was up for natural gas by 2% from 2009 and did increase for 2010; however, it was down 2% from the amended budget. Operating revenues were down 2.5% from the amended budget. Ms. Hurtubise said the changes in expenses of the operation and maintenance budget show the largest decrease in the electric system as compared to the amended budget. Purchased power was down so that is a big part of the electric decrease. Employee benefits were down from what was projected and maintenance contracts were down from the amended budget. The word of warning is that we need to be very careful that we do not let maintenance go because we might end up paying more in the long run if we have to do repairs in the event of a breakdown. On the operation and maintenance there was a 1.9% decrease in the actuals for 2010 versus the amended budget, excluding the electric purchases for resale. There was a 1.3% decrease in operation and maintenance versus 2009 with excluding the electric purchases for resale. We have decreased from the amended. We had a 7% decrease from 2008 and a 2% from 2007, so really our operating and maintenance expenses were at historic lows in 2010. We have really tightened our belt and are continuing to do so on a daily basis, trying to save everywhere we can. Ms. Hurtubise said she requests the Board's approval of Resolution #UA-2011-01, which is the final budget amendment for FY 2010.

Mr. Drummond said for clarification, this is just a house keeping matter to amend the budget to make sure we are in alignment with the actuals as of September 2010.

Ms. Hurtubise said that is correct.

A motion was made by Mr. Perri, seconded by Mr. Summerhays, and unanimously carried to approve Resolution #UA-2011-01 amending the budget of the Fort Pierce Utilities Authority of the City of Fort Pierce, Florida for the Fiscal Year beginning October 1, 2009 and ending September 30, 2010.

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Mr. Drummond said the next item is Resolutions UA 2011-02, 03, 04, and 05 and he is going to turn this over to Mr. Thiess to direct us through this because these are rate change requests and it will necessitate public hearings at this level and it will also go before the City Commission.

Mr. Thiess said he would like to start this item by having Mrs. Mazzarella reading into the record each of the resolutions by title.

Mrs. Mazzarella read the resolutions as follows:

Resolution No. U.A. 2011-02, a Resolution Amending, Superseding, and Rescinding the Schedule Of Rates for Electric Services Furnished by Fort Pierce Utilities Authority, Fort Pierce, Florida, in

Resolution No. U.A. 2009-06 and 2008-04, in accordance with the Charter of the City of Fort Pierce, Florida, Article XII; Establishing the Definition of an Inactive Account, and a Rate Schedule for Net Metering Service; Revising the Rate Schedules for Outdoor Lights and Streetlights; Removing the Schedule for Standby Electric Service, and the Charge for Outdoor Security Lighting Disconnect; and Providing for an effective date hereof.

Resolution No. U.A. 2011-03, a Resolution Amending, Superseding, and Rescinding the Schedule of Rates and Charges for Water Services Furnished by Fort Pierce Utilities Authority, Fort Pierce, Florida, in Resolution No. U.A. 2009-02, in accordance with the Charter of the City of Fort Pierce, Florida, Article XII; Establishing the Definition of an Inactive Account, and the Charge for Fire Hydrant Meters; Removing the Charge for Flat Rate Water, and the Provision for Franchise Fee; and Providing for an effective date hereof.

Resolution No. U.A. 2011-04, a Resolution Amending, Superseding, and Rescinding the Schedule of Rates and Charges for Wastewater Services Furnished by Fort Pierce Utilities Authority, Fort Pierce, Florida, in Resolution No. U.A. 2009-03, in accordance with the Charter of the City of Fort Pierce, Florida, Article XII; Establishing the Definition of an Inactive Account, and Removing the Provision for Franchise Fee; and Providing for an effective date hereof.

Resolution No. U.A. 2011-05, a Resolution Amending, Superseding, and Rescinding the Schedule of Rates and Charges for Natural Gas Services Furnished by Fort Pierce Utilities Authority, Fort Pierce, Florida, in Resolution No. 2009-04, in accordance with the Charter of the City of Fort Pierce, Florida, Article XII; Establishing the Definition of an Inactive Account, and Charges for Inactive Accounts; and Removing the Provision for Compressed Natural Gas Charges, and the Provision for Franchise Fee; and Providing for an effective date hereof.

Ms. Hurtubise said we are here this evening to consider the rate adjustments that have been discussed since FPUA's strategic planning workshop on January 11, 2011. She said ultimately we will request approval of the resolutions that Mrs. Mazzarella just read. Prior to the workshop on January 11<sup>th</sup>, staff prepared an updated capital improvement plan for FY 2011 through FY 2015, as well as an extensive list of proposed operations and maintenance costs cuts, which will be implemented over that same time frame. These projections were prepared by staff and provided to Public Resources Management Group (PRMG) from which they made observations, provided a variety of different rate adjustment alternatives, all which took into consideration existing cash balances and future cash flow deficiencies. Ms. Hurtubise said one of the observations that PRMG made was that we had proposed \$1.6 million in O&M expense reductions through 2015. She said the deficiency of \$3 million was noted at that time. In the year 2015, there would be an annual system deficiency of \$3 million a year. It was also noted that the electric system is subsidizing the other utilities. The electric system had an excess that was paying the way for the water, wastewater, and gas utilities that were deficient. As we discussed earlier, FPUA's cash reserves are currently very healthy and really the electric rate payers should only be paying their fair share. Electric rates need to be reduced and water, wastewater, and gas rates need to increase. What is being proposed is to lower the electric

rate \$4 per 1,000 kWh for an average residential customer. The increase combined with the water and wastewater bill is \$1.84. There is a \$4 decrease in electric and 2.5% increases in the water, wastewater, and natural gas, these are the amounts that relate to that increase. The other item is that not all of our customers have all of our services. If someone had all four utilities, an average residential customer, they would have a net decrease in their bill of \$1.47. We only have about 4,000 natural gas customers so a customer that has electric, water, and wastewater should see a decrease of \$2.16 on their bill. In turn, not all of our water customers are wastewater customers, so if a customer only has electric and water service, they will see a \$3.29 reduction in their bill. There are electric customers that do not have water, wastewater, or natural gas and they will see the full \$4 decrease in their bill. Ms. Hurtubise said for water and wastewater, there is an increase of \$1.84 and it is still a net decrease overall. The plan is to use cash reserves to support the water and wastewater deficiencies until water and wastewater catches up. We really need to eliminate the subsidy of water and wastewater and we really do want to move toward the goal of having each utility stand on its own. Our cash balances as of September 30<sup>th</sup> are very healthy, in the amount of over \$20 million. The plan is to utilize the excess cash reserves to subsidize the water and wastewater systems moving forward. You can see dips in the cash reserves generally in the month of April, which is the City Distribution payment. The assumptions made in the revenue sufficiency analysis by PRMG, we did prioritize those capital projects based on system's needs. We eliminated all O&M and capital contingencies. In prior rate studies, we had eliminated O&M, but were not eliminating capital contingencies. We have taken that extra step this time around to eliminate funding those through rates. As a result, if there are unforeseen needs, we will have to fund those also through cash reserves, if they are required. We are reducing operating expenses and will continue to do so. Ms. Hurtubise said we did not build into the revenue sufficiency analysis any new customer growth, basically the same number of customers served, but a modest 0.5% increase in electric sales. She said some other assumptions that were made, overall about 2.5% inflationary increases were plugged in. There were other items that were pulled out separately and estimated accordingly: merit adjustments of 2% per year, an expected increase in employee insurance of 8% per year, which historically we have not seen, liability insurance an expected 5% per year, repairs and maintenance at 3% per year, and anything else the underlying inflation rate of 2.5% per year average. Before any adjustments were made, the projections without any reductions before what PRMG is calling service level adjustments, those are the O&M cuts we were projecting. On the table displayed, the black across the top is the existing rates and the colored bars represent all the costs. As shown, the costs are going to exceed the revenues. We have anticipated increases of 2.5% per year in 2012, 2013, 2014, and 2015 after this first adjustment. There are deficiencies in each of the years and the unrestricted cash balances are decreasing at about \$2 million a year and the days of O&M will decline. After the service level adjustments or the O&M cuts, we have two different projected revenue lines. The black line is at current rates and the purple line is the proposed rates. When we reduce the rates initially, it will go down, but over time as the water, wastewater, and gas rates are increased it brings it back up to a better level. We are not saying in 2015 we will break even, but as it says on the chart, to break even by FY 2015, water and wastewater increases would need to be 4.5% per year. Looking at the systems individually, the electric system is well above

the expenses and the purple line shows the proposed reduction of \$4 and again still exceeds the expenses, but brings it closer to a break even. The water system and the wastewater system with the 2.5% annual rate increases for each system, we are trying to recover the cost associated with operating those systems. Natural gas with the 2.5% increase looks like they will bring it just above the actual expenses in 2015. Ms. Hurtubise said the rate adjustments that are being proposed this evening are only for FY 2011. We will bring back to the Board any other adjustments moving forward. The next table shows the steady decline of our cash balances. We would like to have a 60-day minimum target, but come 2015, all things being the same, our operating reserves would fall below that. What we are looking at at this point is an electric rate on May 1<sup>st</sup> for 1,000 kWh of \$125.84 and if you compare that to the \$149.84 in November 2009 that is a \$24.00 decrease. FPUA will be very close to the municipal average and the water and wastewater rates will still stay competitive. The next chart was prepared by PRMG and currently FPUA is below the middle of the pack. The rate increases for water and wastewater that are being proposed this evening, we would still be in the middle of the pack. The cumulative effect of the increases would move us up, but that does not take into consideration any of the increases that may be put in place by any of the other utilities. There are some that have standard rate increases that go in every year. Even with the rate increases we are proposing for the water and wastewater, we are still looking pretty good on the water and wastewater comparison. Ms. Hurtubise said we will continue to focus on rates, to be involved at FMPA, continue cost cutting measures, moving forward evaluating the contract rate of delivery exit option from the All Requirements Project, and we will continue to evaluate lowering the base electric rate in 2012 if at all possible. She said also in the plan is we will be fully funding the renewals and replacements again in 2015. One of the ways we were able to make the deep cuts was to defer some of the routine renewal and replacements that we really should do if we had the money, which we do not. Ms. Hurtubise said she wants to express her thanks to our Information Management Technician, Nancy McConkey, for providing her assistance in working on these resolutions, assistance in updating and improving the presentation of the rate resolutions and the electric tariff sheets. Clearly it was a monster project and Ms. McConkey was helping Ms. Hurtubise out on borrowed time and it was very appreciated her stepping up to the plate and helping. Staff recommends approval of these four rate resolutions.

Mr. Drummond said we are able to suggest these decreases in electric as a combination of use of our cash balances as well as the recognition that the increases on the other systems will be somewhat less if we did only the electric. In other words, we would eat through the balance of the cash very quickly if we just did the electric and did not do the increases on the other systems.

Ms. Hurtubise said without a doubt, it would be instant; it would be very quick that we would eat through that.

Mr. Drummond asked that Ms. Hurtubise speak to the impact this would have on the bulk rate as it relates to water.

Ms. Hurtubise asked if he was talking about St. Luce County bulk rate.

Mr. Thiess said the rate increase on the water and wastewater on our system for our retail customers whether they are bulk customers being a master-metered customer is what we are talking about, not a bulk customer. Those all have the same percentage increase, the rates are the same across the board, whether it is a single family or a high rise with 150 units on a large meter, it is still the same increase, percentage wise, dollar wise per gallon. On the bulk agreement with the County, there is a clause in the agreement that allows us to increase the bulk rate to the County at the same percentage that we increased the rate to our retail customers. Our rate increase is 2.5% to our retail customers and that would be a 2.5% increase to the bulk rate on the bulk contract with the County.

Mr. Drummond opened the public hearing on the resolutions and the proposed changes to the rates to the electric, water, wastewater, and natural gas. He said if anyone would like to be heard to please come forward and give their name and address.

Maurice Lepine of 5047 North A1A in the North Island said he is Community Manager for Nettles Island. He said there is a pretty hefty number in there for repairs and maintenance. He said at Nettles Island they have seven miles of road, 1578 units and FPUA delivers the water to the road. Nettles Island takes it from the road and gets it to all of the residents on the island and any repair and maintenance is at their costs. Mr. Lepine said they feel the increase would impact negatively and he does not think it would cost the utility any more money to get it to them. He said they do their own repair and maintenance for all of their units. He would like the Board to consider that when talking about bulk rates.

Mr. Drummond said he knows enough not to try and be an expert on this so he will turn it back over to staff. He said he does not believe our increase impacts any capital expenditures on our part on private property.

Mr. Thiess said our responsibility is to the meter. He said if FPUA had built the entire system to our specifications to where we owned and operated it, we would be responsible for it. It did not happen in that development and a number of others. For whatever reason, they chose to keep the utility on their side of the meter private and not build it to our specifications and let FPUA take it over. Mr. Thiess said most of these happened years ago. Nettles Island was back in the 70's, as was High Point and some of the others that have that same history.

Mark Boston said he is the Area Vice President for the Florida Alliance for Retired Americans and lives in Nettles Island at 579 Nettles Boulevard. He is here because he has several groups here in Fort Pierce that are also involved in this and would like to know because the condominiums in the senior part of it, if the billing could start the first of the year due to the fact the condominiums budget is put together in November to be passed in December and start January 1<sup>st</sup>. The increase will cause a special assessment and for the seniors it might be a little

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hard. That is one thing he would like to suggest be done. Mr. Boston asked for a list of all the bulk customers in the condominiums like who is on water or water and electric and so forth so he can get a breakdown on that.

Mr. Thiess asked Mr. Boston to get him a written request so we know exactly what he is looking for and FPUA could get it for him.

Mr. Boston said mainly just the water because he knows out on the island FPUA has a lot of bulk customers that just get water.

Mr. Thiess said we have master metered customers on the island.

Mr. Boston said one meter per unit like the place he is out there is 1,578 units and there is only one meter.

Mr. Thiess requested Mr. Boston give him his contact information and he would get with him on that.

Malcolm Sanderson of 21 Harbour Isle Drive West said he does not know if this is the appropriate time to ask the question or not. He said his concern today is when we are going to start running some of these things like a business. He is not asking for a profit, but when we are looking at some of the expenses we have, some of the retirement programs we have, some of the proposed increases in salary and benefits, when is it the appropriate time to ask these questions of FPUA.

Mayor Benton said being someone that sits on both Boards, when it comes to the City, he has to try and explain. He said as someone that has worked for FPL indirectly for ten years building St. Lucie No. 1 & 2 and knows the electric business very well as does Mr. Perri, FPUA is a little bit unlike the City as much as it is a branch of the City. FPUA is competing with other utilities for workers and our insurance and benefits have to compare or next thing we know we will be unionizing as a lot of utilities are. The prices will definitely go up then. We are just competing with the business we are in and unfortunately Fort Pierce is not making power any more. When we had the power plant over there, the rates were considerably lower. If you look at some of the charts, we are a member of the All Requirements Project which is with many cities and brings our rates a little bit higher because we do not make power any more versus Vero Beach who still does. Mr. Benton said it is a little bit different than the City, but we are competing in some cases with the private sector like FPL, Florida Power, and several other groups. If you look at our pay and insurance benefits, they are comparable to the other and private sector when it comes to utilities.

Mr. Drummond said as was suggested in Ms. Hurtubise's presentation, back in January we had a strategic workshop and a part of what we attempted to do was to look at it very much as a business and try to make those adjustments. He said this reflects the work that was done by

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staff and there are many suggestions of cuts both in personnel cost as well as operating costs, which are a direct reflection of our intent to do everything we can to approach it from a business standpoint. Either Ms. Hurtubise or Mr. Thiess may want to add to that.

Mr. Summerhays asked Mr. Thiess to refresh his memory on how many years it has been since our employees have had a raise.

Mr. Thiess said the last raises were 2008. He said we have cut back on some benefits and obviously we cannot slash the benefits because like Mr. Drummond said if we slash the benefits and as soon as the economy picks up, we are looking for a lot of people to fill positions. We have a lot of very technical positions like operators of water plants, wastewater plants, power plants that have very impressive resumes and those people are very hard to find. Mr. Thiess said for an Instrumentation and Control Technician at the power plant it took a year to fill that position with a qualified individual. He said those searches sometimes go nationwide. We have to walk that balance between cuts we feel are essential to keep us at a certain level rate-wise versus going over that line and cutting something that will cut our own throats eventually. This could result in an exodus of staff or dissatisfaction of staff which translates to a later exodus or unionization. We are trying to strike that balance between keeping an adequate trained professional staff and making the cuts where we need to be rate-wise. Mr. Thiess said on the water and wastewater rates, FPUA is the lowest in the County and there are four utilities in the County. We also compared very well in the 4-county area. To the north of us in Indian River County, their rates on the bar chart are at the bottom of the scale. It is known that they are underfunded and are operating those utilities in the red every year. This is probably because they have not had the political will to implement the rate increases that were recommended by their rate consultant. On water and wastewater we are very competitive and we will stay that way.

Mr. Boston said the County buys water from FPUA also and he asked if they will be paying 2.5% more than what it is today.

Mr. Thiess said on May 1<sup>st</sup>, if the rate adjustments go through, that will require the City Commission's approval. If they do not approve it and it does not get disapproved by super majority, the new rate would go into effect 30 days after we take it to the City Commission, which would be the middle of May. When the increase gets approved on the retail side, which is our side, it goes to the bulk side also at the same percentage rate.

Mr. Drummond closed the public hearing.

Mr. Perri asked how many days cash supply will we have in 2015. He said Ms. Hurtubise said it would be less than 60 days, he asked what the approximate amount of days would be.

Ms. Hurtubise said it would be 53 days.

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Mr. Drummond asked if there was a certain way the motion had to be read.

Mr. Thiess said there was and asked Mrs. Mazzarella to read it into the record as it is written in the agenda.

Mrs. Mazzarella read the motion as follows:

Approve Resolutions No. U.A. 2011-02, 2011-03, 2011-04, and 2011-05, contingent upon the City Commission approving all of the Resolutions which together implement rate changes for electric, water, wastewater, and gas services. In light of the interrelationships among the Resolutions, if all of the Resolutions are not approved by the City Commission, none of the Resolutions shall be effective.

A motion was made by Mr. Summerhays and seconded by Mr. Perri and unanimously approved Resolutions No. U.A. 2011-02, 2011-03, 2011-04, and 2011-05, contingent upon the City Commission approving all of the Resolutions which together implement rate changes for electric, water, wastewater, and gas services. In light of the interrelationships among the Resolutions, if all of the Resolutions are not approved by the City Commission, none of the Resolutions shall be effective.

Mr. Drummond asked when this would go to the City Commission.

Mrs. Mazzarella said on April 18<sup>th</sup>, which is the City Commission's next meeting.

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Mr. Perri said he would like to thank any of the public that showed up tonight and this reinforces his idea that we should hold all the meetings at this hour.

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There being no further business, the meeting was adjourned.

ATTEST:

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SECRETARY

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CHAIRMAN