

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, APRIL 19, 2011, 4:00 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; Levette Dixon, Communications Manager; and Gelencia Carter, City of Fort Pierce Purchasing Manager.

The meeting was called to order by Chairman Drummond.

Invocation by Bill Baldwin, Supervising Engineer for the Electric Engineering Department.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

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Commissioner Tom Perona of 2006 Cypress Avenue, Fort Pierce said he is here to thank the Board for their efforts in the conflict resolution. As a member of the City of Fort Pierce Utility Authority for seven years, he said it is always frustrating to try and build consensus between the City of Fort Pierce and the Utility Board on certain issues without going back to past history and talking about disagreements that both Boards have always had. Mr. Perona said he appreciates the Board's leadership and direction in this and it is a real good move for both. He thought FPUA owned one of the highest positions on FMEA's comparison of rates for municipal providers of electricity. He is happy to see that we are making moves and some of the cost cutting in the business planning that FPUA is involved with is moving us down to within the middle of the pack. This is something that has not happened in the last couple of years. Mr. Perona said he does appreciate the fact the Board has in front of them shortly a very daunting task of analyzing all the reports on CROD and he is comforted to know that he does not have to make that decision. He is confident in the fact that every one of the Board members has the ability and business knowledge and enough knowledge of the Utilities Authority to be able to make these very difficult decisions. One is the CROD issue and the other one is our continued membership in FMPA. Both of these decisions are going to affect this community for several decades. He is comfortable to know everyone on this Board and has his confidence in the fact they will make good decisions.

Mr. Drummond thanked Commissioner Perona and said speaking for the Board; he does not think any of them could have said it better.

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Mr. Drummond asked if the Board or Staff have any item they would like to add or pull from the Consent Agenda.

Mr. Thiess said staff does not have anything to pull, but would like to add Item 6 to approve the Budget Transfer of \$68,856 for the City Distribution payment for FY 2010.

Mr. Drummond said it is very important to us as well as the City of Fort Pierce and if there are no objections, he would like to add that item to the Consent Agenda.

A motion was made by Mr. Perri, seconded by Mr. Summerhays, and unanimously carried to approve the items listed on the Consent Agenda including the added item #6:

1. Approval of the Minutes of the Regular Meeting of April 5, 2011.
2. Gas Rate Stabilization Fund update for April 2011 – For Information only.
3. Approval of the budget transfer of \$50,000 for the Avenue Q Sewer Improvement Project.
4. RFP No. 6039 – Fort Pierce Utilities Authority Contract Rate of Delivery Analysis - Approval to award the contract with Power Services, Inc., Raleigh, North Carolina in the amount not to exceed \$37,000.
5. Approval of the Interlocal Agreement between City of Fort Pierce and Fort Pierce Utilities Authority addressing resolution of four conflict issues and authorize payment to the City in the amount of \$200,000 for full settlement of the Fiscal Year 2006 Distribution to the City, the TECO easement and the 25<sup>th</sup> Street FDOT Delay Damages Claim.
6. Approval of Budget Transfer of \$68,856 for City Distribution for FY 2010.

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A note was received from The Mustard Seed thanking FPUA customers for the amount of \$311.65 contributed through Project Care.

Mr. Drummond said he was glad we were able to help that program.

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Bill Thiess, Director of Utilities, presented the Special Terms and Conditions for Local Vendor Preference for FPUA. He said at the last Board meeting, this Board expressed a desire for a draft of the Special Terms and Conditions for Local Vendor Preference based on the City's Terms and Conditions for Local Vendor Preference. Some of the high points are that local business is defined as one that is working out of a fixed street address within St. Lucie, Indian River, Martin, or Okeechobee Counties for at least six months prior to the bid. They have to

hold a business license as required by the City of Fort Pierce and St. Lucie County. A non-local contractor, which is defined as anyone that is not a local contractor, can qualify as local if they submit documentation they have 60% of the dollar value of the project in local sub-contractors and material suppliers or they employ more than 30% minorities and a minimum of 60% local employees whose primary residence is within the boundaries of St. Lucie County. Mr. Thiess said, like the City's, what this does is it gives the second place local contractor that is within 5% of the low bid a chance to submit a new bid with the low bid. It is a second chance bid opportunity. In the RFP process where you do not have the bids to go by, they have a scoring system that goes on the RFP scoring, when the proposals come in, where the top score is 25 if you are in the City of Fort Pierce and graduated scoring down to zero if you are located outside the State of Florida. Those are the main elements of the FPUA Special Terms and Conditions for the Local Vendor Preference and it is what the Board asked for at the last meeting.

Mr. Perri said he is disillusioned by not following the County's lead in giving preference to the local contractor's under more favorable terms so he will be voting no on this item.

A motion was made by Mrs. Cully and seconded by Mr. Summerhays to approve FPUA Special Terms and Conditions for Local Vendor Preference. Those voting in favor of the motion were Mrs. Cully, Mr. Summerhays, Mayor Benton, and Mr. Drummond. Mr. Perri voted against the motion.

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Nina Hurtubise, Director of Finance, presented the Quarterly Financial Operating Results for December 2010. She said hopefully we will accelerate very quickly through quite a few months of financial statements. The September financial statements for the end of the year were given two weeks ago, we are doing the 1<sup>st</sup> quarter today, and hope to do January and February at our next meeting. Ms. Hurtubise said in the first three months of the year, we had an increase in net assets of \$2.1 million, which is close to what it was in 2010, about a 10% decrease. She said our capital contributions which were dismal last year, have increased. Our cash position is quite favorable, thus the action that was taken two weeks ago and by the City Commission last night to go ahead and reduce rates. We are going to be giving back some of the cash we have been able to accumulate due to some conservative spending in the last couple of years. The units sold for the first three months of the year do not look that good and are down across the board except for the natural gas. We are fortunate we had a tremendous cold snap in December and Ms. Hurtubise said she believes that is what gave natural gas the boost it did to be up 9% as compared to last year. We are still down from 2009. Water is the other one that was a substantial change and although it is down 1%, it is back up 13% from 2009. Everything else is fairly flat, just a few percentage points plus or minus over the past three years. No major trends up or down. Electric operating revenues are down 14% and we do have to factor in the power cost adjustment (PCA) revenues that were about \$1.7 million of the reduction there. If we take out the reduction, we are really only down 7%, but we are down in both units and sales on the electric side. Water is down 5%, wastewater is down 4%, natural gas is up 4%, and the PGA is about what it was last year for the first three months. If you take the PGA out, they are up about 6%. Ms. Hurtubise said our operating income on the rolling twelve months that we

continue to have to report for debt service coverage, the debt service coverage ratio is 2.64, which is still very healthy. It is a little bit down from the last quarter as is the operating income just slightly down for the last twelve months. These are the only significant changes from last year. Our operating income is down about \$467,000 as a result of employee insurance being up \$261,000, which is different from what has been spoken to and that has continued on in the subsequent months. Ms. Hurtubise said she will talk about that a little bit more next time. Depreciation expense is more closely aligned to our useful lives of our assets to our experience. In general, we are reducing useful lives and that increases the depreciation expense. As a result of the refinancing of the pooled loans in December 2009, we have seen an increase in interest expense. It has been a positive thing refinancing because we have been able to reduce our debt service about \$1 million a year even though the interest expense is up. Those pooled loans were at an interest rate that was almost less than 1%, it was ridiculously low. The Board has a package of the financial statements if there are any questions or comments.

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Ms. Hurtubise presented the Status Report on Electric Power Cost Adjustment (PCA) for what has been recovered and what has been accumulated for March 2011. She said our over collection increased yet again in the month of March very slightly. It was less than \$100,000, but it has gone up a little bit again. We do expect to decrease in April with the \$4 decrease that was voted in for the month of April. The projections FPUA has been provided by PRMG and the projections FMPA has provided to us show a little bit of an increase in the costs to the extent that as we continue along at a \$34 PCA, if all the projections turn out the way they are predicting, we would need to increase our PCA to \$42 on October 1<sup>st</sup>. The last three months, we have had a pretty good run with the FMPA projections in terms that the actuals were less than what was projected. The outcome was better than what they were projecting and that seems to be consistently what is happening. As we get to the month it turns out to be better than what they are predicting. That is the case for the 80% scenario, which we have stopped looking at and even at the 50% scenario, the projections were really pretty good. Every month it changes and we will continue to watch. Ms. Hurtubise said staff is not recommending a change in the PCA at this time, but will be looking at it very closely next month because we do not want to have to jack it up too much in October. We want to try and keep it as consistent for the customer as possible. In July 2012, we are projecting a deficit of about \$900,000, which is a long way off.

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Mr. Drummond asked Mrs. Mazzarella to read the title of Resolution No. UA 2011-06, which is next on the agenda.

Mrs. Mazzarella read as follows: Resolution No. UA 2011-06 – Service Charges entitled, “A RESOLUTION AMENDING, SUPERSEDING AND RESCINDING THE SCHEDULE OF SERVICE CHARGES CONTAINED IN RESOLUTIONS NO. UA 2006-04 AND UA 1993-08 FOR THE USE OF FACILITIES OWNED BY AND SERVICES FURNISHED BY FORT PIERCE UTILITIES AUTHORITY, FORT PIERCE, FLORIDA, IN ACCORDANCE WITH THE CHARTER OF THE CITY OF FORT PIERCE, FLORIDA, ARTICLE XII; ADDING CHARGES FOR LIENS AGAINST REAL PROPERTY THAT BENEFITTED FROM

UTILITY SERVICES, OFF-SPECIFICATION WASTEWATER PENALTY, PRETREATMENT PUBLICATION, AND WATER/WASTEWATER MAIN EXTENSIONS; DELETING CHARGES FOR ANNEXATION AGREEMENT PROCESSING AND RECORDING, AUTOMATED METER READING (AMR) METER CONVERSION, AND METER VERIFICATION; ESTABLISHING CHARGES FOR ELECTRIC CAPITAL CHARGE INSTALLMENT PAYMENT AGREEMENT/RELEASE OF LIEN PROCESSING AND RECORDING, WASTEWATER SERVICE INSTALLATION, COMPRESSED NATURAL GAS (CNG) CYLINDER REFILL AND RECERTIFICATION, DOCUMENT PROCESSING AND RECORDING, FPUANET COMMUNICATIONS PRIVATE AND COMMON CARRIER SERVICES, GAS METER/SERVICE INSTALLATION, AND UTILITY CONSERVATION SURVEY/ENERGY AUDIT; RENAMING AND REVISING CHARGES FOR CONNECTION – NEW UTILITY SERVICE, INITIATION OF SERVICE – EXISTING UTILITY SERVICE, PROJECT DESIGN AND PERMIT REVIEW, AND UTILITY INSTALLATION FOR ELECTRIC AND WATER; REVISING CHARGES FOR FALSE GAS LEAK CALL, ELECTRIC AND GAS FIELD RECONNECTION – DELINQUENT ACCOUNT, GAS MAIN EXTENSIONS, GREASE TRAP INSPECTION, IRRIGATION INSTALLATION, MISSED APPOINTMENT – CUSTOMER CALL OUT (REGULAR HOURS), ELECTRIC TEMPORARY SERVICE, WATER/WASTEWATER CAPITAL CHARGE INSTALLMENT PAYMENT AGREEMENT/RELEASE OF LIEN PROCESSING AND RECORDING, AND GAS MAINTENANCE, REPAIR AND INSTALLATION WORK ON CUSTOMER’S PREMISES; TRANSFERRING INDUSTRIAL WASTEWATER DISCHARGE PERMIT FEES; AND PROVIDING FOR AN EFFECTIVE DATE HEREOF.”

Ms. Hurtubise said this resolution has her heart in it and has taken a great deal of time and effort to work with almost every department in the entire organization to bring forth the changes that are in this resolution. She said the last time this resolution was reviewed was 2006 and costs have changed a great deal since then, whether they increase or decrease. We have worked very hard to try to make this a document a customer or customer service representative or anyone can pick up and look at and understand what they are being charged for. If there is something the Board notices that needs revision, just let us know and we will try to make it clearer. We added a table of contents to this resolution and redistributed the charges by the different services. Ms. Hurtubise said another huge change made is there are service charges that are located in any of a number of different places. Specifically, the City Code of Ordinances, Chapter 20, there are some wastewater charges in there and the liens are in there. Some of the charges that are referred to in this resolution also appear in the General Rules and Regulations governing the provision of utility service. These are basically the customer services rules, which is how we commonly refer to them. The idea was to have a document where you could find everything in one place. It does not include any of the charges that relate to rates or capital improvement charges. These are the miscellaneous other charges for the special things that our customer may need. It is also sequenced from when a customer would first come to us for service all the way through to cut seal and tampering penalties, late payments, and any liens we might need placed against an owner of real property that benefitted from utility service for nonpayment. Ms. Hurtubise said she will not go through a lot of the details of each and every change that was made, but that was basically the intent behind making these changes. She would like to open it up to any questions because we could be here all day if the Board wanted to talk about all of the 56 different charges listed in the resolution.

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Mr. Drummond said he asked that they have the ability to see what the current rates are and Ms. Hurtubise passed out before the meeting a markup displaying the changes. He appreciates the fact that we are able to go back and do some housekeeping and get these all under one resolution and it is much easier to follow. The table of contents is extremely helpful, but one of his concerns is, not only is this aggressive from the standpoint of such a lot of things coming together and he can appreciate the hard work, he is concerned about some of the charge differences. He said they were based on a recouping of a cost for them, but he is a bit troubled as it relates to some of the commercial ones, the impact it may have as we are looking to try to work with the City to bolster getting businesses up and running. Those that are here to help them recover from the recessionary times. Mr. Drummond said some of the charges are rather aggressive and wished he had a little more dialogue ahead of having to pass it all at one time.

Ms. Hurtubise asked if Mr. Drummond was referring to page 9. She said this is for brand new construction installations; it is not for someone who is just getting turned on.

Mr. Drummond said the commercial ones are a little more aggressive and he recognizes it is for new ones. He is curious as to the impact that may have and would like to have digested it a bit before approving it.

Mrs. Cully said she noticed in the water meter only it is actually less and asked how that was determined.

Ms. Hurtubise said the change that was made there is they were split out between above ground and below ground. She said the charges we had before were the same price whether it was above ground or below ground. An above ground installation is more expensive than a below ground installation and most of the time the smaller ones are underground. It gave the residential a break because it was an average between the two. The previous charge was more like an average between what it would cost for an above ground and below ground and when we split it out, it made the below ground much less expensive and the above ground more expensive.

Mrs. Cully said in going back to what Mr. Drummond said about the recessionary times and we are trying to get new developments in, are these figures more or less average when it comes to public power in other communities similar to ours.

Ms. Hurtubise said she cannot respond to the charges, but she thinks we are focused on the water/wastewater charges. We were more focused on what it was costing us rather than what others were charging for the same service. We could certainly bring that information back to the Board, if you would like it.

Mrs. Cully said she was just curious more than anything.

Ms. Hurtubise said we did not look at it from that standpoint.

Mr. Thiess said that drafting these charges to cover the costs is part of the approach FPUA is taking with the inactive account fees to put the charges on the people that generate the costs. He said he believes these cost are comparable to other water and wastewater utilities. The costs on page nine include the water service that runs from the street to the main, the water meter, and the whole assembly. Almost all utilities buy their meters from the same place and pay about the same amount for them. We have to pay a contractor to build that service and our unit prices are as good or even better than most unit prices to put that in. Mr. Thiess said the whole philosophy is making the customer that generates the costs pay that cost. If we did not do that and a 2-inch meter cost us \$2,725 to put in and we are only going to charge \$2,000 for it, then \$725 is subsidized by our other customers or other utilities. We do not want to head in that direction. If they need to install that service and it costs \$2,725, we feel like we need to charge them \$2,725, which is our costs to put it in.

Mr. Drummond said he appreciates that and timing is everything. He said he was recently at a seminar and one of the discussions was in terms of how do you best look in terms of development if you want to encourage it. Sometimes that philosophy where it makes all the mathematical sense works directly against your efforts to try to attract development. Mr. Drummond said he just wanted to digest that ahead of wholesale going there. It somewhat surprised him to see some of these.

A motion was made by Mrs. Summerhays and seconded by Mrs. Cully to approve Resolution No. UA 2011-06 – Service Charges – effective May 1, 2011. Those voting in favor of the motion were Mrs. Cully, Mr. Perri, Mr. Summerhays, and Mayor Benton. Mr. Drummond voted against the motion.

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Mr. Thiess said at the last meeting, we had a public hearing on the rate adjustments and there were four speakers that he was going to give some follow up on. He gave his business card out to a few and spoke with one after the meeting. Mark Boston was talking about the timing of the water rate increases, particularly on South Beach with Nettles Island. Mr. Thiess said on South Beach they have water, but they do not have electric or wastewater so they will receive the water increase. Their budget is based on a calendar year, so Mr. Boston was concerned about from now until January 1 making up that deficit to cover the increase. When we looked at the numbers, it really was not that big of an increase, maybe \$2 a month per customer and Mr. Boston thought they could handle that in their budget. Mr. Thiess said he did tell him that other condominiums call us when they are preparing their budget and they talk to our Customer Service Manager and they will tell them to the best of their knowledge what the rate increases might be in a particular utility for that year going forward. Mr. Boston took down those phone numbers and said he would instruct his budget people to do that. Mr. Thiess said that Malcolm Sanderson's primary question was to have the power cost adjustment explained and he spent about 20 minutes after the meeting here in these chambers and explained it to his satisfaction. Mr. Sanderson was going to call Mr. Thiess if he had additional questions. John Diehl was from Tropical Acres and was concerned about a high water bill. Customer Service Manager, Bill Abramowicz, spend about one hour with him on the phone and followed up with

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a letter and a lot of information. There was a lot of communication there and Mr. Thiess has not spoken with Mr. Diehl since then. Mr. Thiess said the fourth speaker we were going to follow up with was Maurice Lapine, Property Manager for Nettles Island, and lives on North Beach, but we could not locate him by the address he gave the Board. He is not a customer and not in our database so we could not find him. He was given Mr. Thiess' business card and can contact his office if he has additional questions.

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Mayor Benton said that when he runs into Maurice he will have him give Mr. Thiess a call. He is one of the process servers so he visits City Hall quite often. Mr. Benton said he wanted to thank the FPUA Board for passing Item 5 on the Consent Agenda and for working through the issues that this Board and the City Commission had to resolve them. He especially wanted to thank Mr. Thiess and Mr. Recor for sitting down and throwing some numbers on the table that everyone could agree with and he hopes the City Commission also agrees with them. Mr. Benton said because he sits on both boards a few of those items just would get to eat you up. He hopes this is behind us and stays, and the future looks brighter.

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There being no further business, the meeting was adjourned.

ATTEST:

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SECRETARY

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CHAIRMAN