

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, MAY 3, 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; Eve Walker, Director of Shared Services; and Levette Dixon, Communications Manager

The meeting was called to order by Chairman Drummond.

Invocation by Dr. David Thompson, Chaplin of the St. Lucie County Sheriff's Department and Jail.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Craig Brewer, Superintendent of Electric Transmission and Distribution, presented the Reliable Public Power Provider (RP3) Award. He said March 21st at the APPA Engineering & Operations Technical Conference the winners of the RP3 Reliable Public Power Award were announced and FPUA was recognized as a Platinum winner. FPUA goes through a set of rigorous explanations on what is done in the areas of reliability, safety, workforce development improvement, and system improvement. Mr. Brewer said there were 82 utilities recognized at this conference out of 2,200 potential candidates. He said we have 2,200 municipal utilities in the nation. There were three winners of the Diamond level which is the highest level and Platinum being the second highest level. FPUA missed by one point.

Mr. Drummond said that is outstanding and he appreciates this and as one that has a backup generator, it is just rotting away at home.

Al Caprio, Safety/Environmental Officer of Risk Management, presented the Florida Municipal Electric Association 2010 Safety Award, Category C – 1st Place and the American Public Power Association 2010 Electric Utility Safety Award. He said both of these safety awards are for low incident rates for the calendar year 2010. The rates are based on the number of hours worked as it relates to injuries and illnesses and the hours which we put in. The first award is a national award from the American Public Power Association and is for 1st place in group B. It is for electrical systems with 110,000 – 249,000 work hours of exposure. The second award is a state award from the Florida Municipal Electric Association and FPUA received 1st place in Category

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C, which is for systems between 180,000 – 399,000 worker hours of exposure. FPUA is committed to keeping safety first as a priority of protecting our employees and the community.

Mr. Drummond said that is outstanding and as Mr. Caprio suggested, it is a mindset of both heart and head and the Board really appreciates what the men and women are doing out there.

Mr. Drummond asked if the Staff or Board Members have any item they would like to remove from the Consent Agenda. *(No items were removed.)*

A motion was made by Mr. Summerhays, seconded by Mrs. Cully, and unanimously carried to approve the items listed on the Consent Agenda:

1. Approval of the Minutes of the Regular Meeting of April 19, 2011.
2. Approval of post budgeted project and transfer request in the amount of \$31,000 from Wastewater Engineering to the Water Reclamation Department.

A card was received from Lisa Spagnuolo of the Pot Belli Deli in Fort Pierce thanking Bill Abramowicz, Customer Service Manager, for taking the extra step and going to the City to make the Downtown Business Associates St. Patties Day Event go off with no problems on such short notice.

Ron Roark, Purchasing/Warehouse Manager, requested approval of \$365,000 for underground electric cable to be purchased from Electric Supply of Tampa, as needed for inventory stock for one year beginning May 1st of this year through May 1st of 2012. He said purchases will be made on an as needed basis to replenish stock of 1,000 kcmil aluminum underground feeder cable and 1/0 electric primary cable, both rated at 15,000 volts. Mr. Roark said FPUA purchases these materials through the FMPA Joint Purchasing Project and they awarded this bid to Electric Supply of Tampa on November 30th of last year. He said staff is recommending approval of \$365,000 for the purchase as needed of underground electric cable from Electric Supply of Tampa.

A motion was made by Mr. Perri, seconded by Mr. Summerhays, and unanimously carried to approve \$365,000.00 for underground electric cable to be purchased from Electric Supply of Tampa as needed for inventory for one year beginning May 1, 2011 thru May 1, 2012.

Mr. Drummond said that on Item E2, there has been a request that these items be separated.

Mr. Thiess said this item is one of our important water main loops that we need to close.

Bo Hutchinson, Environmental Engineer from Water/Wastewater Engineering said the North US 1 Water Main Project consists of approximately 3,200 lineal feet of 12-inch water main. He said this will also include a 300-foot directional bore under Taylor Creek. The project will serve to bolster the northern portion of our service territory and also provide a second water service for North Beach. Staff plans to split this project over the next two fiscal years. Mr. Hutchinson said they plan to do the engineering and construction of the portion north of Taylor Creek this fiscal year using our Unit Price Contractor and independently bid the bore in the southern portion of the project next fiscal year. He said because of the complicated permitting through the Army Corps of Engineers for the bore and for the parts to the north and the south, Staff recommends utilizing one of our Continuing Service Engineering firms, Engineering Design and Construction (EDC) here in Fort Pierce to engineer and permit the project. As with the construction, the engineering will also be split over two fiscal years. Engineering and permitting is estimated at approximately \$60,000, construction estimated at \$350,000, staff time and general overhead is estimated at approximately \$20,000, which brings the total project costs to a not to exceed amount of \$430,000.

Mr. Summerhays said he would like to request we split this authorization into two parts, one of them the contract with EDC, as it is owned by his son-in-law, and the rest of the item.

A motion was made by Mr. Summerhays, seconded by Mayor Benton, and unanimously carried to approve the rest of the item excluding the contract with EDC. Approval of the North US 1 Water Main Project for a project cost of \$430,000, (\$280,000 this fiscal year), approval of the budget transfer, and authorize the use of the Unit Price Contractor to complete the Phase 1 construction at a cost of \$230,000.

A motion was made by Mayor Benton, seconded by Mrs. Cully to approve the Specific Authorization with EDC, Inc., for \$60,445 (\$39,035 this fiscal year). Those voting to approve were Mrs. Cully, Mr. Perri, Mayor Benton, and Mr. Drummond. Mr. Summerhays abstained.

Mr. Hutchinson said he would like to present five looping projects that will improve our water system capacity, reliability, and water quality. He said to keep the costs and overhead to a minimum, staff plans to design, permit, and inspect these projects in-house and use the Unit Price Contractor for construction. Staff estimates the construction will cost approximately \$324,000 for all five projects and in-house costs will be approximately \$29,000, bringing the total to a not to exceed amount of \$353,000.

A motion was made by Mr. Summerhays, seconded by Mrs. Cully, and unanimously carried to approve five Water Main Looping Projects; South 21st Street near Boston Avenue, South 21st Street near Edwards Road, South 7th Street, South Market Street, and Looping at North 27th Street and Avenues M, N, and O for a combined project cost of \$353,000, approve the budget transfers, and authorize use of the Unit Price Contractor to complete construction at a cost of \$324,000.

Nina Hurtubise, Finance Director presented the February 2011 Financial Operating Results. She said this is two more months of operating results and is very pleased with her Staff to be able to get caught up after having such a delay with the annual audit. Year to date, our increase in Net Assets is \$3.9 million. The results for January and February are slightly better than what we have seen for the first three months. Ms. Hurtubise said we had a \$2.4 million increase from FY 2010. Although it sounds like an awful lot of an increase, it is really only 3.3% of the total revenue. It shows a 398% increase in Capital Contributions, but that is a drop from what was discussed two weeks ago. It is about a \$1 million increase and 26% of the net increase of Net Assets, so basically $\frac{1}{4}$ of the increase in Net Assets is made up of earnings we cannot spend anywhere. It is being invested in our system. Ms. Hurtubise said we continue to see the improved cash position due to the conservative capital and O & M spending. Now that it is May and we have both a \$4 lower PCA and a \$4 lower electric rate, we expect those cash reserves to begin to decrease. Our Units Sold are also slightly more positive than what we saw two weeks ago or through December. There are increases in gas and water as compared to FY 2010, but there were decreases in electric and wastewater Units Billed as compared to FY 2010. Electric was down 4% from 2010, but really flat from 2009 and that was an improvement from the trend we were seeing for the first three months. Water is up 2% and up 10% from 2009. Wastewater is down 3% and down 2% from 2009. As indicated earlier, the Gas Units Billed were up 8% and even up 6% from FY 2009. The dollars associated with those sales, our Operating Revenues, shows that electric is down 15%, but we have to take into consideration the PCA for that same time frame was down \$3.7 million. Instead of it being down 15%, the revenues were really down about 4%. Water was up about 2%, wastewater is up 3%, and although what is shown on the table natural gas being down 6%, the PGA was also down. When we pull out the decrease of \$185,000, the numbers are much smaller, it flip flops from being down to being up 5%. Natural Gas is doing better than it had been. Overall, for the first five months of the year, Operating Revenue is down 10% mainly attributable to the PCA. Operating Income is net of Operating Expenses and the Operating Income is slightly higher for the last 12 months ending February as compared to the 12 months ending December 2010. The Debt Service Coverage Ratio increased from 2.64 to 2.72 over a 12-month period. This is very stable as compared to the minimum of 1.25 that is required by our bond covenants. Some of the most significant changes comparing this year to last year, our year-to-date Operating Income is up \$337,000. Ms. Hurtubise said, as she mentioned two weeks ago, our employee's insurance is actually up, which is something that she has not been saying in months past. It is not that it is really up in 2011, it is really lower in 2010. There were fewer dollars showing up in that expense category in 2010 because of expenses that were reoccurred in 2009 and then reversed in 2010. As well, we actually had 27 pays, but we did not post an entry for those costs because all of our costs are divided by 26 pays which is standard. It is a very unusual circumstance where we have 27 pays in a year, but every couple of years it happens. It is not that we are up so much as we were down in 2010. The Interest Expense is up as a result of the refinancing of the FMPA pooled loans that were at a very low interest rate. The Capitalized Interest that we record on ongoing projects is down \$134,000, but that actually means there is more capitalized interest. We take our costs and associate the interest costs to the projects as they are being constructed. There is a cost of the use of the funds. Our Gross Receipts Tax, because we are not charging as

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much for our services, the taxes upon those are less. We are able to receive the benefit of lower utility costs ourselves as have our customers, down \$103,000 through the year. Ms. Hurtubise said this is an information only item.

Ms. Hurtubise presented the rate comparisons for the month of March 2011. She said the chart presented is the March Florida Municipal Electric Association (FMEA) electric bill comparison. Keep in mind the comparison that we are looking at does not take into consideration the \$4 decrease in the PCA that was put into place in April and it does not take into consideration the \$4 decrease in the rate which was implemented just yesterday. On March's comparison of electric rates compiled by FMEA, the graph displayed shows municipal bills in the State of Florida for usage of 1,000 kWh. FPUA's relative position compared to the other municipal electric utilities is 6th on this comparison, which is the same it was in the prior month. Since February, four utilities have increased their bills and eight have decreased their bills. Quincy decreased their bill \$11.50 for 1,000 kWh and Havana also reflected a decrease of \$11.27. Mrs. Hurtubise said if those two decreases in April and May were to have been reflected on this analysis, FPUA would have been between Alachua and Moore Haven at number 14, which would have put us right in the middle. She hopes there are no significant changes with the other cities in the next two months. On the 2,500 kWh comparison, FPUA is number two and that is the same position we held last month, February. The comparison on the screen now is the electric, water, and wastewater rates compiled by Staff and it displays Fort Pierce, Port St. Lucie, St. Lucie County, and Vero Beach utilities. The only change reflected on this comparison as compared to February was there was a rate increase by FPL, both in their base rate, as well as their fuel costs. It totaled about \$1.40 for both. This is an information only item.

John Tompeck, Gas Operations Superintendent, said Staff is requesting approval of Resolution 2011-07, which is a revised Interlocal Agreement with Florida Gas Utility (FGU) and execution of the Third Amended and Restated Interlocal Agreement. This Resolution amends and supersedes UA Resolution 99-05, which approved the Second Amended and Restated Interlocal Agreement. Mr. Tompeck said at the March Board of Director's meeting for FGU, the Board approved FGU Resolution 2011-1, which adopted the Restated and Amended Interlocal Agreement. He said this Agreement made some minor changes to the government structure of FGU, primarily in terms of voting quorum requirements for the Board of Directors and the Executive Committee. Over the last couple of years, FGU has had trouble scheduling board meetings to achieve a quorum for voting. The FGU members are spread out throughout the state and it has been difficult to obtain the physical quorum that FGU requires. The Executive Committee has also had problems with having quorums. Mr. Tompeck said to resolve the board quorum problem, the criteria for weighted voting rights was modified to include member throughput, which is the actual gas usage of the member in addition to the firm pipeline capacity entitlement, which was the only original criteria. He said this essentially puts more votes in the hands of the larger members such as FMPA, Clearwater, KUA, Leesburg and helps assure that quorum requirements are met. The Executive Committee problem has been

resolved by expanding membership in the committee to include three alternate members who can fill in for quorum purposes. There are some other minor changes that are identified in the red-lined copy in the Board packages. Some of the things the Board is already familiar with, for instance, we are allowed to have an alternate director, which we did several months ago or almost a year ago.

A motion was made by Mrs. Cully, seconded by Mr. Summerhays, and unanimously carried to approve Resolution 2011-07 and execution of the Third Amended and Restated Interlocal Agreement with Florida Gas Utility.

Mr. Koblegard said it is interesting that he has found out in our Harbor Isle lawsuit on the capital improvement charges, the Homeowners Association about one year ago split off the irrigation on the two irrigation meters and we now have an actual year's tracking of actual irrigation use. Based on the information they gave FPUA when we calculated their irrigation need, we calculated they would need about 108,000 gallons a day. Their argument in the lawsuit is that the potable water use is way down; therefore, we should give credit for that against the irrigation. Mr. Koblegard said the actual irrigation use for a one-year period is over 130,000 gallons a day so for irrigation alone, they would lose that argument. The potable water use is down because there is only 30% occupancy. In court that argument is going to be very difficult for them to take anywhere. That is a year's tracking so it should be very reliable.

Mr. Perri said he is still concerned by the lack of public participation in these meetings and having them at this inconvenient hour for working people at 4:00 in the afternoon. He thinks we should consider changing it to 6:00 in the evening and he knows he cannot get any steam behind that. He just has to bring it up every now and then because it is a real concern of his. We are not giving the public the opportunity to participate in the business that we do serving the public.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN