MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, JANUARY 17, 2017, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Chairman Glynda Cavalcanti; Vice Chairman Daniel M. Delulio; Secretary Darryl Thomas-Bey; Deputy Secretary Michael A. Perri, Jr.; Mayor Linda Hudson; and Nick Mimms, Ex-Officio Member/City Manager.

Others present: Clayton W. Lindstrom, Director of Utilities; Rupert N. Koblegard, III, FPUA Attorney; Nina B. Penick, Director of Financial Services; Paul Jakubczak, Director of Electric & Gas Systems; Bowdoin G. Hutchinson, Director of Water/Wastewater Systems; and Jason Hoffman, Customer Solutions Manager.

The meeting was called to order by Chairman Cavalcanti.

Opening Prayer by Christelle Myrick of FPUA Water Distribution Department.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to approve the set agenda.

A motion was made by Mayor Hudson, seconded by Mr. Delulio, and unanimously carried to approve the December 6, 2016 minutes.

A motion was made by Mayor Hudson, seconded by Mr. Delulio, and unanimously carried to approve the Consent Agenda items.

1. POA 17-31: Approve the single source purchase of a trailer mounted wire puller-tensioner in the amount of $132,110 from Electric Supply of Tampa, Inc. dba Electric Supply, Inc., of Tampa, Florida.

2. POA 17-23: Approve the purchase of a 2017 Ford F-250 3/4 Ton 4-Door Crew Cab Pickup Truck 4X4 Bi-Fuel CNG in the amount of $48,404 from Duval Ford, LLC dba Duval Ford of Jacksonville, Florida, under The Florida Sheriffs Association & Florida Association of Counties, Bid Award No. FSA16-VEL24.0.

3. POA 15-11: Approve the single source purchase of Neptune water meters from Sunstate Meter & Supply, Inc. of Newberry, Florida, in an amount not to exceed $176,635 annually, for 5/8" x 3/4" meters ($58,050), 6-inch by 1.5-inch firemain meters ($69,685), and 10-inch by 2-inch firemain meters ($48,900). The term of this purchase will be from January 18, 2017 to

January 17, 2018, with unlimited one-year renewal options which allow for price increases of up to 3% over the previous year's price.

4. POA 13-67: Approve Contract Amendment No. 1 with Altec Industries, Inc. of Birmingham, Alabama for miscellaneous truck repairs and maintenance to increase the not-to-exceed amount from $20,000 to $40,000 annually.

5. POA 17-09: Approve award of bid and Contract for 16-inch Pipeline Removal at the Observation Walk below Peter P. Cobb Memorial Bridge, to and with Ferreira Construction Southern Division Co. Inc., of Branchburg, New Jersey, in the amount of $84,980. The Contract will commence upon written Notice to Proceed and end within 90 days, contingent on receiving the required Certificate(s) of Insurance.

6. POA 17-23: Approve the purchase of a 2017 Ford F-250 3/4 Ton 4-Door Crew Cab Diesel Pickup Truck 4X4 in the amount of $36,366 from Duval Ford, LLC dba Duval Ford of Jacksonville, Florida, under the Florida Sheriffs Association & Florida Association of Counties Bid No. FSA16-VEL24.0.

A letter was received from Kimberly Call who is stationed in Iraq thanking FPUA employees for the care package.

Mr. Lindstrom introduced the new proposed Director of Water/Wastewater, Bo Hutchinson. He said Mr. Hutchinson has 13 years of experience with the utility company, was intricately involved in the development of our utility master plan, lifelong resident of Fort Pierce, served in the United States Coast Guard prior to service with FPUA, graduated of the University of Central Florida, and is a licensed Professional Engineer in the State of Florida. The position was advertised on August 9, 2016 and closed on December 20, 2016 after receiving twenty-five external applications and three internal applications. We went through a process where we narrowed down to six applicants, three internal and three external candidates were interviewed. Mr. Lindstrom said FPUA can be very proud because the top three candidates were all internal candidates. He said participating in the process was the HR Department headed by Lois Wolfe, Dan Delulio represented the Board in a capacity of oversight, and it became very clear that Mr. Hutchinson was the chief candidate. Staff is requesting confirmation of Mr. Hutchison at this time.

Mr. Delulio said he sat in on the interviews and commended Mr. Lindstrom and Lois Wolfe for the professional manner and fair and even hand approach taken during the interviews. He said it was almost relaxing to sit through the interviews the interactions Mrs. Wolfe had with the candidates. He commended them on the thoughtful process and said it could not have been an easy decision, but it was well thought out. It was a nice opportunity for him and Mr. Delulio thanked the Board for allowing him to participate in the interviews.

A motion was made by Mr. Perri, seconded by Mayor Hudson, and unanimously carried to confirm appointment of Bo Hutchinson to the position of Director of Water/Wastewater Systems.

Mr. Hutchinson thanked the Board.

Jason Hoffman, Manager of Customer Solutions, presented the annual FPUA's Identity Theft Detection and Prevention Program (FactAct). He said the FactAct is for FPUA to be proactive in detection, prevention, and mitigation of identity theft. Identity theft can take many forms, usually it is seen as a financial or character theft. There is a difference between theft and fraud. Fraud is fictitious information such as social security numbers that have not been used or do not exist, addresses that do not exist, and people that do not exist. Theft is the fraudulent information such as if people use a social security number that belongs to someone else or someone that has passed away, and a name or address that actually belongs to somebody else. Mr. Hoffman said FPUA's Prevention Program is training that is done bi-annually with staff such as updates or things few may hear from other utilities. He said there are always scam alerts being put out to customers about people calling to try to get their information. FPUA's program is designed to be proactive to detect, prevent, and mitigate identity theft. The committee meets periodically and consists of ITS, Finance, and a few others. If we hear something new out there, we discuss it and decide if it is something we want to implement. Also part of the program is identifying red flags and how we respond to them. The definition to red flags is a pattern, practice, or specific activity that indicates the possible existence of identity theft. Mr. Hoffman said FPUA will usually get alerts, notifications, and warnings from the credit agency when running background checks on our customers. He said there may be a fraud or active duty alert on a credit report. Suspicious documents are identifications or paperwork that look like they have been altered. The photo may not match the person in front of the Customer Service Representative (CSR). Personal identifying information may be inconsistencies with what we know. Our CSRs know our customers so when someone is calling about an account we know about, we may be able to identify something fraudulent on their accounts. An address, phone number, or other personal information may have already been used on another account or someone may be trying to use a social security number that belongs to someone else to open a new account. To prevent identity theft, FPUA monitors the customer accounts with IT's help. If staff does identity theft, we notify the customer on file to see if they are the ones calling in. If we do see some fraudulent activity, staff will call the customer to change their password and have even closed an account if there is some activity going on and ask the customer to open another account. Mr. Hoffman said FPUA cannot eliminate fraud, but can mitigate it with the new technology. He said in 2016, FPUA did not have any identity theft issues. FPUA has had fraudulent attempts via checks or credit cards that belonged to someone else. We do identify them and it is one of the reasons we went with Invoice Cloud is because that takes the

responsibility away from FPUA and puts it on them. This is for information only and no action is required of the Board.

Mr. Hoffman presented the contract for a new kiosk for customer payments. He said FPUA has several methods of allowing a customer to come in and pay and a lot of utilities are going to a kiosk program, which is similar to an ATM. One of the main reasons FPUA would like to install a kiosk is because at the beginning of the month on Monday and Friday, our lobby is packed. There are two cashiers and three frontline people working and those lines can go pretty slow. The kiosk program should help mitigate some of those lines for the customer. Right now our customer can pay via mail, IVR phone system, auto pay, mobile payment centers, drive through, and onsite. The impact staff is hoping for is short wait time for the customers and these will help with identity theft protection, ease of customer use because they can scan a bar code that is printed on their bill, there is a touch screen, and there is potential for multiple locations. The kiosk could possibly be one stop shop for the utility for the City or County if the customer wants to pay their bill at our locations, which would be an option down the road. Mr. Hoffman said the impact to FPUA is improved customer relations where CSRs would be able to spend more time per customer, mitigate potential fraud or theft, and potential to lower costs. As of August 1, staff has been pushing customers from our call center to use the IVR system, which went up from 1,500 to 6,000 users in a month. The call volume is the same because they are still coming into the system, but they are going to the IVR. The call volume to the call center where we are talking to them has gone down, but the call times have gone up. They are able to spend more time with the customer instead of trying to rush through a list to try and get those numbers down. Mr. Hoffman showed a picture of the kiosk machine that will be placed in FPUA's lobby and said there are options down the road to have a drive up window or just an outside one that is weather resistant. He said with the Board's approval, staff can get it in and see how it goes. If we like it, we will put more throughout our territory.

Mayor Hudson asked if there would be someone in the lobby that could help people.

Mr. Hoffman said there would be help.

Mayor Hudson said a lot of people get confused and she does also. She said there was an option for cash and understands a lot of our customers pay cash.

Mr. Hoffman said they can pay with cash and check at the kiosk.

Mayor Hudson asked if they use credit cards.

Mr. Hoffman said credit cards would be the next step.

Mayor Hudson said then we are starting off with cash and check. She asked if the cash has to be the exact amount.

Mr. Hoffman said they would have to have the exact amount because the machine will not give change. He said it will put a credit on their account if they pay over the amount.

Mr. Bey asked how many machines FPUA is going to start with and asked how user friendly they were.

Mr. Hoffman said we are starting with one and from what he has seen, they are very user friendly. He said it is similar to an ATM.

Mr. Perri asked the proposed location of the additional stations.

Mr. Hoffman said down the road, we can put them in Walmart and other stores that are coming into our territory such as a gas station.

Mr. Perri asked if we would have to ask permission to do that.

Mr. Hoffman said we would have to ask permission.

Mr. Perri asked if it was common for them to do that.

Mr. Hoffman said it was because they want the traffic.

Mr. Bey asked if multiple machines are used, would FPUA at some point make money off of them.

Mr. Hoffman said if we took payments for the City, County, and other agents we could.

Mr. Lindstrom said that is not the intent. He said the intent is to make it easier for the customers.

Mr. Perri said it frees up our labor force for other things.

Mr. Hoffman said that is correct for the call center we have more time to talk to the customers.

Mr. Delulio asked if the machine takes credit cards.

Mr. Hoffman said he was wrong, it will take credit cards.

Ms. Cavalcanti asked if it gives change back.

Mr. Hoffman said no it will not give change. He said there are options where we could have it give change, but it is not as reliable. It is easier to take the extra as a credit to the customer account. A month or two down the road when the customer knows they need exact change, they will get used to it.

Mayor Hudson asked if FPUA has had a demonstration of the machine.

Mr. Hoffman said he saw the Orlando Utilities demonstration.

Mayor Hudson asked if the others that are using them, find they do what they hoped it would do.

Mr. Hoffman said they love them.

Mayor Hudson said the lines are long in the drive through at the first of the month.

Mr. Hoffman said we will try the lobby first with one and if it works out, we will do an external one either out under the canopy or a drive up window where the customer could pay their bill after work.

Mayor Hudson said Walmart is open 24 hours.

Ms. Cavalcanti asked why the customers do not realize they can go through Seacoast Bank and pay their utility bill.

Mr. Hoffman said a lot of customers that pay with cash do not like banks.

Ms. Cavalcanti said even if they do not like banks, they have a choice of lines of one or of ten.

Mr. Hoffman said he does not know the answer to that.

Ms. Cavalcanti said they can pay at other places besides Seacoast.

Mr. Hoffman said there are and there are some customers that want to come into the lobby and know they were seen here to pay.

Mr. Delulio said it is because we are so friendly.

Mr. Bey said it is probably habit for them to pay their electric bill here.

Mr. Hoffman said moving customers from talking to our contact center to the IVR took about three months to go through those growing pains because people were so used to talking to our reps and giving them their credit card information. He said right there was a potential red flag so that is why it was all moved to the phone system.

Mr. Bey asked if FPUA needs to offer any incentives to draw people to the kiosk system.

Mr. Hoffman said no.

Mr. Perri said the contract says a minimum of 1,500 transactions a month and asked how long it will take to get that kind of participation.

Mr. Hoffman said the first couple of months it will be iffy, but after that it should not be a problem. He said we have 12,000 customers that come into our lobby now so he does not see that as an issue.

A motion was made by Mayor Bey, seconded by Mr. Perri, and unanimously carried to approve POA 17-14: Contract with CityBase, Inc., of Chicago, Illinois, as a single source, to provide a kiosk for customer payments, and electronically process and record each payment transaction. The cost to FPUA will be $1.50 per transaction, with a minimum of 1,500 transactions per month, for an initial term of three years, from January 18, 2017 to January 17, 2020, with unlimited, automatic one-year renewal options, contingent on receiving the required Certificate(s) of Insurance.

Barbara Mika, Finance Controller, presented the bill comparisons for the month of November 2016. She said the first graph displays the comparison of Florida Residential Electric Rates for the month of November. The data has been compiled by the Florida Municipal Electric Association and the graph shows municipal electric bills in the State of Florida for usage of 1,000kWh. FPUA is identified in yellow, so that we can see our relative position compared to the other municipal electric utilities. FPUA, with our rates unchanged, has moved two positions to the right to the eleventh position from the left. FPUA's electric bill for November is still holding at $107.84 and remains below all three averages shown in this graph for the All Requirements participants, all Municipal Utilities, and the Investor Owned Utilities. Since September, which was the last presentation presented, there have been twenty utilities that have had changes to their bills. Six have had increases and 14 utilities have decreased their bill. The two changes that have affected our standing for 1,000kWh for November were decreases for the two months of September and October were Williston that had an $18 increase over two months and the City of Havana had a decrease of $21.52. The next graph displays a similar comparison for usage of 2,500kWh. On this comparison, FPUA's standing has fallen four positions since September to 15th position from the left. In addition to the rate decreases that were implemented for Williston and the City of Havana, there were decreases for Chattahoochee and Quincy that have affected this change for FPUA. It is important to note FPUA's 2,500kWh bill for the month of November at $272.30 still remains below all of the same three averages shown in this comparison. Mrs. Mika said the table before you is the November comparison of local residential Electric, Water, and Wastewater bills that has been compiled by Finance staff. She said the table displays the comparison of the local Treasure Coast utility bills between Fort Pierce, Port St. Lucie, St. Lucie County Utilities, Vero Beach, and Martin County. All calculated bills include all applicable taxes and fees and have been verified to actual bills. Since September when this was last presented, Vero Beach has implemented a power cost decrease of $1.50 per 1,000kWh. Vero Beach also had a slight

decrease in their combined water and wastewater service charges of about $0.32. The City of Port St. Lucie had a combined increase for their water and wastewater customers of .02%, which was a combination of a decrease of wastewater charges and an increase of water, which amounted to about $0.20 change in the bill. FPUA's electric services remain lower than Vero Beach by 8% and FPUA's total bill shown here is the lowest overall of all other utilities in St. Lucie County. The next table is a more detailed comparison of the local residential bills with fees for services and a breakdown of the taxes and other charges to the customers in these different service territories. This item is for information only and requires no action from the Board.

Mrs. Penick presented the status report on Electric Power Cost Adjustment (PCA) for December 2016 with updated projections through December 2017. She said the PCA is the method by which FPUA recovers the cost of power from our customers that is in excess of the $79.52 base power cost, which is included in the base rate. The cost of power purchased from Florida Municipal Power Agency (FMPA) for the month of December was billed to FPUA at the rate of $81.10 for 1,000kWh, an increase of $12.66 as compared to October. The under-recovery from the customer for the month of December totaled approximately $843,674 and the cumulative over-recovery was about $3 million as of December 31, 2016. Over the last eleven months, FPUA returned $3.7 million to our customers. On the chart displayed, the blue bars are the actual over recovery as history has shown us, and the orange bars represent what the projections are showing. The blue line represents the PCA, which has been at -$9 for quite a few months. Mrs. Penick said as indicated, there has been a huge increase in cost passed through to FPUA from FMPA. She said the orange bars depict what the over or under collection would be if the projections are correct and it assumes a $2 increase in the PCA, which is what staff is proposing here today. That will change the PCA to a -$7, effective February 1, 2017. These projections were prepared by Public Resources Management Group (PRMG), which in turn are based on projections prepared by FMPA. Since October's forecast, FMPA's estimation of the price of purchased power for the upcoming 12 months increased 8%. Current projections are indicating that the balance of the over recovery is expected to fall below the $1 million minimum in the month of March 2017.

Mr. Delulio asked if Mrs. Penick meant $1 million positive.

Mrs. Penick said yes it was $1 million positive. She said as a result, Staff is requesting approval of an increase to the PCA of only $2 per 1,000kWh, from -$9 to -$7 for 1,000kWh, effective February 1, 2017. It is hoped the rates from FMPA improve over the next month or so, but if that is not the case, we may be back to request additional increases in the future.

Mayor Hudson if it was discussed about only $1 change.

Mrs. Penick said the $2 change does not hardly do anything.

Mayor Hudson said she realized how Mrs. Penick was saying it was only a $2 change.

Mrs. Penick said there was discussion of $1.50 and the rate consultant recommended $5, but we wanted to remain optimistic with the possibility of the gas prices that have been all over the place. She said they have been up because of the weather up north so the future's prices show high numbers as they normally do this time of the year. The problem is we cannot ignore how much the over collection has depleted and if we do not do something now, we might have to do more later on. We would rather not hit our customers too hard all at once. Mrs. Penick said to make it remain above the $1 million floor, we would have had to do an adjustment of about $15 and we knew that was not even close to reasonable. She said staff is hoping the projections improve over the next month.

Ms. Cavalcanti said looking at this based on 50% confidence, it looks like in May we are going to be at -$7 million.

Mrs. Penick said we will go to zero in April. She said if we were to simply leave it at -$7 for 12 months, we would be a little over $5 million in the hole. That is if the projections stay as they are with no other adjustments. The way these types of adjustments were displayed in the past were in $2 increments so you could see some of the negative numbers offset a little bit. Staff is banking on change in the gas prices.

Ms. Cavalcanti said her question is as much as she does not want to do it, the last thing she wants to see is a big spike in the PCA cost to our customers in May and running through October. She would rather see us go for the bigger number now in the winter where it is not so painful and people are using electricity over all, plus there are a lot more people here to divide it amongst.

Mr. Bey asked if Ms. Cavalcanti is suggesting that we raise it more than $2.

Ms. Cavalcanti said yes.

Mr. Delulio asked the likelihood of Mrs. Penick coming here in another month and ask it to be raised another $1.

Mrs. Penick said there is a pretty good chance it would have to be raised another $1. She believes there will be additional increases in the future, but how much they are she would not even consider taking it to zero right away. We have seen in the past how high FMPA's projections have been historically. The only problem is for this particular past month there is a lot of red ink where they actually under estimated what the prices were going to be for this month over the last eleven months. They did not anticipate prices being as high as they were in the month of December. We are hoping it is an isolated occurrence and there is a lot of gas in storage.

Mr. Delulio said there is a lot of winter still ahead.

Mr. Bey said he follows weather a lot because ii affects his business and the weather up north is crazy, historically crazy.

Mr. Perri made a motion to pass it as recommendation by staff of $2 and it was seconded by Mayor Hudson.

Mr. Delulio said he is more inclined to go with $3 because in a month from now we are going to be talking about another $1 or $2 because there is a lot of uncertainty out there.

Ms. Cavalcanti said she would like to add since our consultants recommended $5, she believes Mr. Delulio has a very wise opinion.

Mr. Bey said he agrees with that and we are dealing with the inevitable in raising it a little bit knowing we are going to have to raise it more. He would be in favor of the $3.

Ms. Cavalcanti asked if Mr. Perri wanted to amend his motion.

Mr. Perri did not want to amend it.

Those that voted for the motion were Mr. Perri and Mayor Hudson with Mr. Bey, Mr. Delulio, and Ms. Cavalcanti voting against the motion. It did not pass.

Attorney Koblegard said the Board may want to be careful that we do not end up with something that no one will agree on because then we will stay where we are.

Mr. Delulio made a motion to approve an increase to the Power Cost Adjustment of $3 per 1,000kWh, from -$9 to -$6 per 1,000kWh, effective February 1, 2017, it was seconded by Mr. Bey. Those voting to approve the motion were Mr. Bey, Mr. Delulio, and Ms. Cavalcanti. Those voting to not approve the motion were Mr. Perri and Mayor Hudson. The motion passed.

Mr. Lindstrom said at the last budget workshop, the Board approved a carryover on project basis and Mrs. Penick is going to give us an update on how we stand on the contingency at this point.

Mrs. Penick said this was the first year staff thought it would be a good idea to be proactive and know there would be projects that were not going to finish before the end of the year, so we set $1 million aside for projects that have money left over in 2016. We did not spend it, it was built into the rate study, so we were just going to use the money we still had in the bank we could spend it. The Board gave staff the ability to use up to $1 million of that money for projects that just did not get done. Mrs. Penick said we did not estimate very well because we came up with $1.5 million worth of projects that were not finished in 2016, the funds are available, the money is sitting in the bank, and we would like to spend it in 2017. She said because we only have authorization to spend $1 million, we did have $500,000 of contingency money we have had in

years past. We would like to use all of that contingency funding right now for these carry over projects and expect to be able for any unforeseen situations to get by until we budget for 2018. Staff is asking for Board's approval to allow the other $500,000 contingency money to be used for carry over projects.

Mayor Hudson asked if this is money that is budgeted.

Mrs. Penick said it was money budgeted as contingency.

Mayor Hudson asked if it would come back to the Board in any other way.

Mrs. Penick said this is it.

Mayor Hudson said then we really do not know what it is going to be spent on.

Mrs. Penick said the list of the projects is in the Board's packet and it is for the whole $1.5 million. She said when the amount was set up, it was not designated by system so it was on a first come, first serve basis. About $1.3 million has been spent on these projects in either 2016 and prior and there are a couple of projects that have been going on for quite a while. A good example is 2nd Street that we have been working on since 2013.

Mr. Delulio said Mrs. Penick is referring to the $1 million the Board already appropriated and now it is an additional $500,000. He asked if the additional $500,000 was change orders.

Mrs. Penick said most of the projects listed are in conjunction with the County, City, or FDOT with the exception of the Jaycee Park project. She said we are not asking for extra money on these projects, but asking to use the money that was already approved for these projects.

Mr. Delulio said it is more of a timing thing with the fiscal year and closing out the projects and it is going to work out well.

Mr. Lindstrom said he promises that we will get better at this.

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to approve use of contingency funding, in the amount of $500,000, to cover the amount of unspent FY 2016 rate-funded Capital Budget to be carried over to the FY 2017 Capital Budget.

Mr. Lindstrom said FPUA has received a payment from the City for the loan that was processed early on. He said at tonight's FPRA meeting there is another recommendation for approval to sell the last volunteer tax credits for $0.88 or above, which will go towards the payment of the loan.

Mr. Delulio asked if that was $0.88 on the dollar.

Mr. Lindstrom said that is correct. He reminded everyone that our next meeting will be at the FPUA administration conference room on 6th Street.

Mr. Perri said he has a concern about our bidding procedures and would like to take another look at it to make it more favorable to businesses in the city and the county. He said the way it is now, it is patterned after the City's and FPUA needs our own pattern because we have a different type of need than the City. It would be good to take a look at what it is now and how maybe to critique and make it more favorable to city and county businesses.

Mayor Hudson said it is okay with her and she would like to have her memory refreshed on what it is anyway.

Mr. Perri said the Legislative Session in Washington coming up next month, there is still a big push from the government for tax exempt bonds. He said APPA is asking organizations to sign a letter supporting leaving them the way they are. Mr. Perri requested the City to sign the letter and asked if Mr. Lindstrom had signed it yet.

Mr. Lindstrom said FPUA signed the letter.

Mr. Perri said maybe we could ask the County to sign.

Mayor Hudson said it is important for all of us.

Mr. Perri said it is good for the School Board and everybody. He said it will be catastrophic to the tax payers if they eliminate that, our rates would instantly go up. Mr. Perri asked if Mr. Mimms received the email he sent.

Mr. Mimms said he did receive it.

Mr. Perri said he hoped the City would consider it.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN