MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, FEBRUARY 2, 2016 6:00 P.M., CITY COMMISSION CHAMBERS.

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

Others present: Timothy E. Perkins, Acting Director of Utilities; Rupert N. Koblegard, III, FPUA Attorney; Nina Penick, Director of Financial Services; Paul Jakubczak, Director of Electric & Gas Systems; and Evelyn I. Walker, Director of Shared Services.

The meeting was called to order by Chairman Perri.

Opening Prayer by Jason Mittler of FPUA Electric & Gas Engineering.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Ms. Cavalcanti left the meeting.

A motion was made by Mayor Hudson, seconded by Mr. Delulio, and unanimously carried to approve the agenda as presented.

A motion was made by Mr. Delulio, seconded by Mayor Hudson, and unanimously carried to approve the Minutes of the Regular Meeting of January 19, 2016.

Earlene Gardner Bernard of 2701 Walker Drive in Fort Pierce and she said it is known as the Sheraton Plaza area. Her concern is she read an article on line and watched last month's meeting where FPUA supposedly gave the customers a little discount. She read where FPUA is trying to go up on the water bill and asked what to expect here.

Mr. Perri said our Charter dictates that each entity supports itself and for many years the electric part of the business supported the water and the wastewater. He said FPUA has attempted over the last three plus years to get the water and wastewater portion of our business to be self-sustaining. The way it is being done is raising the rates in small increments over time.

Ms. Bernard said that sounds a little sufficient to FPUA, but to herself as a senior citizen that is retired here from the University of Florida, it is a bit much for her with the water bill going up. She lives in a house by herself with her dog and she looks at her gallons and it is almost 3,000 for herself. With the other families that live in her community, if you go up, you are talking a totally different amount. There are five, six, or more members and to her it is unfair.

Mr. Perri said he appreciates her comments and we will have to see where it goes when it is voted on.

Ms. Bernard said maybe he could tell her what else can be done so this will not happen. She said the wages are not going up and definitely not retirement or social security. How are they supposed to go about constantly trying to figure it out with this going up? She invited others to attend this meeting and wanted know if there is an answer for her tonight.

Mr. Perri said he gave all the answers he could give her. He said we will vote on it and see where it goes.

Mr. Bey asked if there is a penalty for people who live in Sheridan Plaza and asked if we have been trying to get them to annex into the City so we can bring them in and lower their rates.

Mr. Perri said there has been some effort to try and get them annexed, but he believes the people do not have a mind to sign the annexation agreements.

Mr. Koblegard said the motion for processing annexations are in that area and there are quite a few of them.

Mr. Perri asked if they will be contiguous when all the agreements are signed so they can be annexed.

Mr. Koblegard said he does not know that and he only gets them filed and forwards them on to the City. He said he just talked to Mr. Perkins and the 3% increase in water amounts to $1/month.

Mr. Perkins said that is correct for an average bill.

Ms. Bernard said it is not average because she is average with one person and one dog. She said average for five or six adults at other homes is not average. Ms. Bernard has a problem with what goes on at Sheridan Plaza and she has been there for more than 30 years. She said when the hurricane hit Sheridan Plaza the next thing was crime there. It goes on other places, but it seems if they are being picked on. A while back there was some agreement signed many years ago and then what happened is it was renewed again without public effort being set forth to say it was being renewed again. Contracts are being put out there on the Internet and everybody does not go there because they do not have a computer. Her computer is 15 years old, but she goes there now and then. Something has to be done. Ms. Bernard said she is a citizen that pays her taxes, her tithes and offerings, and tries with other little donations. She said maybe $1 and $2 may not mean that much to some, but it means something to her and the other families.

Mr. Perri said if she was annexed, she would be paying 25% less on her water bill, if she was in the city limits.

Ms. Bernard said that when you read the fine lines with the annexation deal FPUA has out there, there is still other little conclusions that go in there. She feels if you want something said, the newspaper is not a good avenue, but we need to make sure people know what is going on. It needs to be put in plain English. She needs to know that this is not going to happen right now.

Ms. Cavalcanti returned to the meeting

JoAnn Schmidt of Ocean Village said she is on the Board of her cluster and keeps in touch with Eileen Snoberger, who is the Key Accounts Supervisor in charge of Ocean Village. She said the newspaper notice stated the rates are going to go up. Ms. Schmidt was in touch with Eileen Snoberger before she prepared her budget for this 2016 and she indicated to her there was not going to be any increases. Ms. Schmidt said she got in touch with Ms. Snoberger when the notice came out in the newspaper because it has the nice announcement about the Highway paintings on one side and on the other side it said something about a water increase, but it said 2015 and not 2016. Ms. Schmidt left a message for Ms. Snoberger and she called her back. Ms. Snoberger said she did not know anything about the water increase so she went on the internet and found it really was 2016. There really should be a proofreader before this goes out in an announcement in the newspaper. Also, she noticed last year the increase was $0.99 for 6,000 gallons and this year FPUA is proposing $1 for 6,000 gallons. Last year it said "Why is Fort Pierce Utilities proposing rate changes" and it was explained, but this time it does not give any explanation about why it is going up. Ms. Schmidt understands the Board has a responsibility and money is important and we want good water, but at the same time, it would be helpful to have the employees understand what is happening. She has to prepare a budget for the year 2016 and it would be nice to get the information ahead of time. Now their budget is set and they did not increase their water. A condominium cluster uses a lot of water for irrigation and they have a number of units in their cluster that goes through the sewer also. She has been coming here for a very long time and knows Mr. Bey from the Jazz Society.

Drunnell R. Richard of 1504 Citrus Avenue said she has a $728 utility bill and had a pipe leak. She asked if there was a way the meter reader should have contacted her some way to let her know to check for a leak.

Ms. Cavalcanti said she believes if Ms. Richard lets FPUA know now they will adjust at least the wastewater portion. She agrees Ms. Richard should have been alerted.

Ms. Richard said the City paid $200 and left them with $528.36 and she thinks she should have been contacted right away.

Ms. Cavalcanti said within a couple of days at least.

Ms. Richard said this happened Christmas Eve.

Mayor Hudson asked if she can leave her number for staff to contact her.

Mr. Perkins said staff will follow up on it and that Ms. Richard should have received a notice from our high consumption tracking system along with a phone call.

Ms. Richard said they did call that her on Thursday and she received the bill on Monday.

Mr. Perkins said they only read the bill once a month so they cannot tell you until they note the change in the system.

Ms. Richard said when he came out to read the meter and the meter was turning fast, why couldn't he tell her something may be wrong because it should not be running so fast.

Mr. Perkins said the meter readers cannot tell why it is running because Ms. Richard could have been doing something that uses a lot of water.

Ms. Richard said if they had looked at her water bill in the past it has been $150, but not more than $190 and it is paid on time every month. She said all of a sudden she received a $700 bill and she should have been told the next day.

Mr. Perkins said as soon as they were aware of it.

Ms. Richard said when he read the meter he was aware of it then.

Mr. Perkins said he knows it is running, but Ms. Richard could have been washing something down it the back. He said the meter reader would not be able to tell. When staff goes out and checks for leaks, they have the customer turn everything off and then they look to see if it is still running. That is when it can be confirmed.

Ms. Richard said maybe she is not making herself clear, why she was not notified when it went to the department that makes the bill.

Mr. Perkins said until the information comes back to the people that prepare the bills and the computer compares it with prior history, they do not know it is unusual. He said the meter reader does not know.

Ms. Richard said looking at her bills in the past and looking at it now at $728 bill, she should get a $600 discount since her bill has never been over $200/month.

Mr. Perkins said if Ms. Richard documented the repair, then she should get an adjustment for the sewer.

Mayor Hudson asked if an FPUA representative could contact Ms. Richard and go over it with her instead of taking up the time tonight.

Mr. Perkins said he would have staff contact her.

Mayor Hudson thanked Ms. Richard for coming in tonight.

Estelle Dunn of 3204 Kentucky Avenue said she needs an explanation as to why the water bill is being increased. She said it was increased last year and wants to know if it is a yearly thing that is happening. Ms. Dunn is retired and social security and retirement did not increase so she does not know how she will keep up with the cost of living and paying these bills.

Mr. Perri said as he stated earlier each entity, according to our Charter has to stand on its own two feet. He said the water and wastewater has not done that for many years and several years back the Board instituted a policy that FPUA would raise the rates incrementally each year until they got caught up so they can sustain itself. The downside of this is if we do not do that, we will not have any water. We have to keep the system up in order to keep the services at a maximum and that is why the increase is happening.

Ms. Dunn asked if that applies to every area.

Mr. Perri said yes it does and it is citywide.

Ms. Dunn asked if it is some areas more than others.

Mr. Perri said it is not and we have been through that. He said before he got on this Board there was a committee that scrutinized the way the billings were done for the whole city and found nothing irregular. Everybody and every area pays the same. If you are outside the city limits, you will get a surcharge of 25% for your water. If you are in the city limits you do not pay that surcharge.

Ms. Dunn said she really is not understanding what Mr. Perri is saying because it is not being stated clearly to her. She really does not understand the increase every year.

Mr. Perri said it is an incremental increase and if it was done all at once a few years back, we would have had to raise the water maybe $6 or $8 at once time. That would be sticker shock and is not acceptable to our ratepayers and not acceptable to anybody on this Board. We are doing this as painless as we can do it to keep the business open and keep it viable.

Mayor Hudson said if Ms. Dunn would call her at her office or leave her phone number, she would be happy to talk to her.

Mr. Bey said FPUA's Customer Service Department could aid in helping explain what our policies and procedures are. He said that would be a good place for customers that do not quite understand how the billing is done.

Ms. Bernard came back to the podium and asked what is being done with the franchise money that is being collected on the utility bill. She said FPUA is charging different franchise fees and she has eight different fees on her bill after she has been charged for the service and wants to know where that money goes.

Mr. Perri said he can assure Ms. Bernard that all the money that is collected goes through on the business and to give the City a distribution from that money received.

Ms. Bernard said he is repeating and to her if she has a bill for $118 and $25 of that has been taken for franchise fees. She said the $1 amount has been taken from her already without her having a say so. Can FPUA use what they already have opposed taking more from her?

Ms. Cavalcanti asked Mrs. Penick to explain that. She believes the franchise fees do not go to FPUA.

Mrs. Penick said the franchise fee goes directly to St. Lucie County. She said FPUA bills it and submits it to St. Lucie County.

Ms. Bernard said that should include her and asked why she is being billed for more and FPUA already has her in the County.

Ms. Cavalcanti said it is a tax that St. Lucie County charges.

Ms. Bernard said she understands it is a tax.

Ms. Cavalcanti said it is not a tax FPUA imposes, it is the County that imposes it. FPUA does not get that $25.

Ms. Bernard said somebody is getting an extra $25 from her. She said if FPUA is getting an extra $25 from her, how come you cannot put the $1 towards something else.

Mrs. Penick said the franchise fee is on the electric service and is a franchise fee St. Lucie County tells FPUA we have to bill customers. She said FPUA collects it from the customers and then pay it out to St. Lucie County every month. FPUA does not get to keep any of this money. It is similar to utility tax for the City of Fort Pierce.

Ms. Bernard said it was repeated to her what was said and what she is reading off her bill that she has paid FPUA and extra $25 and they still want another $1 from her opposed to her saying FPUA is going to charge the $25, give her a $1 of it back. She said FPUA can figure it out because they have geniuses working there. Ms. Bernard said she is real pleased to say she is a citizen here and does not mind having $1, but not taking a $1 from her and FPUA can work with her.

Mayor Hudson said she thinks we should and somebody individually can sit down and talk with Ms. Bernard to explain everything. She said this is not the forum to go over an individual bill. We would be happy to help you understand.

Ms. Bernard asked if she is going to get some differences here and get someone to explain it. She read in the papers and has done this for years. Every bill she has had in St. Lucie County for the last 30 plus years, she keeps her bills, but this is getting out of control. She thanked the Board for their time.

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

1. POA 16-30: Approve the purchase of two Changeable Message Signs in the amount of $31,193.32, from American Signal Company of Atlanta, Georgia, under GSA Contract Number GS-07F-0339L.
2. Approve the Standard General Service Economic Development Electric Service Contract in form only and grant the Director of Utilities authority to act as sole signatory on such Contracts with customers.
3. POA 16-32: Approve Contract with RBC Capital Markets, LLC, of New York, New York, to provide municipal financial advisory services. The fee for that service will be $1.25 per $1,000 of debt issuance with a minimum fee of $20,000, plus any actual out-of-pocket expenses. The initial term of this contract will be from February 2, 2016, to February 1, 2019, with automatic three-year renewal options.

A card was received from Parkview Baptist Church thanking FPUA employees for the 271.45 pounds of food donated for their pantry in December.

Keith Stephens and Steve Murto from Water Resources presented the process chemicals that are used at the water treatment plant. Mr. Stephens said Mr. Lindstrom requested a document about the process chemicals used in the treatment of FPUA water and it is ironic it is now with what happened in Flint, Michigan and with things happening in Vero Beach with their boil water notice. There have been several capital improvements over the last several years to prevent that type of thing actually which happened in Vero Beach at the water treatment plant. Mr. Murto

is the Water Resources Operations Supervisor and is over all the operation, prepares all the reports, and knows the most about all the chemicals.

Mr. Murto said there are several reasons treatment chemicals are added to the water with two main reasons. He said the first and foremost is to eliminate the incidents of water borne disease through the disinfection process. Staff's goal is to remove, deactivate, or kill any pathogenic organism that could cause illness or sickness in the public. Another reason is to improve the aesthetic quality of the water through processes that utilize chemicals. The goal is that the water look, taste, and smell good for the consumers. In addition, Staff adds chemicals that aid in protecting plant equipment and distribution system piping from scaling and corrosion. A chemical is added to reduce tooth decay, which would be fluoride. Mr. Murto said anhydrous ammonia, which means without water and is a gas. He said it is the only chemical that is fed as a gas at the treatment plant. Two years ago a conversion was done from gas chlorine to liquid sodium hydrochloride, which eliminated the dangerous gas from our facility. The purpose of the ammonia is it combines with chlorine in the water to form chloramines. The reason we disinfect using chloramines in the distribution system is it creates a long lasting disinfectant. If you feed just chlorine in your distribution system, free chlorine is very active and wants to attach itself and kill and oxidize things. If you put free chlorine in your system you can have problems maintaining a residual at the remote parts of your system, especially if you have a large distribution system like Fort Pierce has. Mr. Murto said there is information on these slides about the amount of chemical used to treat per million gallons of water and also information on the maximum amount FPUA can store on the plant site, but he is going to skip over that unless there are any questions. Sodium Hypochlorite 10.5%, which is the proper chemical name, but the common name is liquid chlorine or bleach like what is purchased in a Clorox product, but twice the strength you can get in a store. The purpose of this chemical is to disinfect the drinking water. Chlorine destroys microbes that are present in the water that could be disease causing. It is also used in FPUA's reverse osmosis (RO) plant off-gas scrubber system to help eliminate any hydrogen sulfide odors. Sulfuric Acid Baume 66 Degree is a commercial strength of the product, which equates to a 93% sulfuric acid. This acid is used in both the RO and lime softening plants. It used in the processes to control the pH of the water, which is the acidity or the alkaline water. A neutral pH is 7 and anything above that is considered alkaline and anything below that is considered acidic. PH is very important in water treatment because at different pHs different constituents and contaminates in the water become unstable. The pH controls the stability of the different chemicals in the water so if you are trying to remove things from the water, certain will want to come out of the water at a higher or lower pH or vice versa. Sodium Hydroxide 25% solution is preferred to as caustic soda 25% and is used as a pH control product in the RO plant off-gas scrubber system. It used to be utilized more in our RO product water, but now the way we operate our plant, we blend the water between our line and RO plants. We generally have been able to eliminate adding this chemical in the product water of our RO plant because we are able to control the pH better with the lime plant. With the addition of the sodium hydrochloride, it acts a lot like sodium hydroxide in that it raises the pH; whereas, when we were feeding gas chlorine, it actually lowers the pH in the water. This chemical is used a lot less than when we did when the RO plant was originally brought on line. Mr. Murto said Calcium Oxide 90% - 95% is

also called lime or pebble quicklime. He said the purpose of this chemical is used to remove hardness from the treated water through calcium carbonate precipitation. This chemical is what is referred to as lime softening and it is shipped to the plant in a pebble form. It is put in silos and fed through a feeder and mixed with water to create a slurry. It is then pumped into a big mixer and mixes with the water. When you add a high calcium oxide to a water containing a lot of mineral salts like calcium manganese, which are the constituents that make most of the hardness in water. If you are trying to soften it, you add this chemical and it takes it above the saturation point that the water cannot hold the calcium any longer. It precipitates it into a solid form in the water. That is how FPUA removes the hardness from the water. Anionic Polyacrylmide also known as polymer. This is used in the lime softening process so once we create those solids that are formed, we are doing the lime softening process. The purpose of this chemical is to coagulate those particles together because they are not heavy enough themselves to want to settle out and that is what we are trying to achieve. This chemical is a sticky substance so if we put a little bit of it in the water, it makes the particles clump together. Once they clump together, they become heavy enough to settle out. Mr. Murto said the next three chemicals are in the same realm and you will see the same kind of phosphate in the title. He said they are all used in similar reasons and used in different places in the plant. They each have a specific purpose. Glassy Polyphosphate Sodium Salt has several names, but we refer to it as calgon in the plant. It is used to sequester mineral ions, therefore protecting the lime softening plant sand filters. This is used before the water goes through the sand filters because they have real small openings on the underdrain. The sand filters are trying to slowly put water through the sand. The openings at the bottom where the water actually filters through the clear well are really small and we are trying to keep those from scaling up and keep any corrosion from occurring. Organophosphanic Acid Blend is referred to as scale inhibitor or antiscalant and the purpose of this chemical is it interferes with the growth of mineral crystals in supersaturated water produced during the reverse osmosis process. This helps to prevent scale formation in the RO plant membranes and is very crucial when talking about RO where you do what you can to protect the membranes from scaling. Once you start scaling membranes, it can be a slippery slope where you get some on there it will want to grow on top of itself. It could lower production in a hurry and then we would have to spend a lot of money trying to clean the filters or membranes. Mr. Murto said Poly/Ortho Phosphate Sodium Salt Blend is referred to as corrosion inhibitor. He said the purpose is it decreases the rate of corrosion of metal or alloy piping in the water distribution system and customer plumbing. This is a very important chemical and the incident in Flint, Michigan recently, if they had been feeding a chemical such as this in there system, they would not have had the problems they were having. We try to control the corrosion rate of the water through the chemistry that we produce in the plant and in of itself by maintaining the correct pH and hardness. We also feed this chemical in a low dose as an insurance and we have been instructed by DEP that is a good practice in our plant. In light of what has happened in Flint it is a good insurance policy even though our distribution system does not have a lot of lead piping. This can also help with things like if you start getting corrosion on iron piping, you can start getting red water type complaints from consumers.

Mr. Stephens said hydrofluorosilicic Acid 23% - 25% is commonly known as fluoride and it is the only chemical we put in our water that is not needed in the treatment of the water. He said we do that because of a City directive started in 1959 and there was a legal case that was fought. The judge ruled they did not have to do it, but they went back to court and another judge over road it in 1962 and said the City could do whatever they wanted to do when it comes to fluoride. Fluoride was put in the water in 1964 when the new plant went on line at 25th Street. We put in 3,300 gallons and it does assist in the prevention of tooth decay. The pros of fluoride are: it can reduce cavities, as well as, tooth decay, which is the main reason they put it in; it is recommended by the American Dental Association (ADA), the Center for Disease Control (CDC), and the Department of Health (DOH); and it is important for customers who do not have access to or utilize non-water sources of fluoride such as toothpaste. The CDC says it is one of the top ten greatest things we do for the water is put fluoride in it. Mr. Stephens said when he was a kid and went to his grandmother's house they did not use fluoride at her house, she still used baking soda. He said fluoride toothpaste has been available for many years and it can come from many places. Some cons of fluoride is overexposure to fluoride can cause fluorosis, which is white or brown discoloration of the teeth. FPUA has a natural occurring of fluoride in our well water of 0.25 to 0.3 parts per milligrams per liter. The recommended dosage coming out of the finished water is from the Department of Health is 0.7. There has been a lot of adjustments recently where there was a range from 0.7 to 1.2, but now they came down to 0.7 as a max. FPUA was already down there and it is a rolling average that is adjusted every day. Staff adds enough to get to the 0.7 as recommended by the Department of Health. The National Kidney Foundation dropped its support of fluoridate water in 2008 due to the unknown effects on people with Chronic Kidney Disease. It is very important that our water is stable and consistent every day it goes out from the chlorine to the pH because there are people that use the water for medical reasons. They have to adjust their equipment based on the water FPUA puts out. We do so much testing daily at the plant and do continuous monitoring for this reason. Fluoride is readily available in dental products, processed foods, and tea. Mr. Stephens asked if the Board wants staff to continue with the use of fluoride or want a discussion to have staff pursue something with the City to revise the Fluoride Ordinance.

Mr. Perri asked if the City has an opinion on the fluoride.

Mr. Mimms said no.

Ms. Cavalcanti said when all that happened around the time when Dr. Dannahower was a dentist in Fort Pierce and Norm Trabolsy, who was a very dear friend to her family, and they said because of our community they put the fluoride in and there was a drastic drop in tooth decay in children. The demographics are such that it still benefits a lot of children in our community. Ms. Cavalcanti said she is not a big proponent of fluoride and when she goes to the dentist she does not get the fluoride treatment because she gets it in water and toothpaste. She said there are other studies that show it may cause thyroid problems. When we look at our community and the number of children that may have rotten teeth if we did not have it, she believes it should stay.

Mayor Hudson asked if it is known if other communities have eliminated fluoride all together and if they have an increase in tooth decay.

Mr. Stephens said there are communities that have eliminated it and they did not say if there was less tooth decay. He said some of the research there was one that showed it and it depends on the demographics. The City of Boynton Beach did away with it along with Hernando County, Palatka, and Port Orange. As a chemical, FPUA does not use much fluoride and only adds what is needed. Staff wanted to present all our chemicals and fluoride is the one that is not needed to put out safe drinking water, it is an additive we have been doing for 50 years.

Mayor Hudson said in follow up to what Ms. Cavalcanti said, the Hands Clinic is now offering free dental care for children because the children in some of our schools have real pain with their teeth. She said they have no dental care and that is one of the biggest uses of the Hands Clinic. The dentist are contributing their time because it affects the children's school work and learning. Mayor Hudson said knowing no further information and with what has been presented tonight, she would not be in favor of taking the fluoride out of the water based on the children.

Mr. Perri said we are mandated by the City now to put the fluoride in.

Mr. Stephens said by resolution that is correct.

Mr. Perri said in order for FPUA to take it out, it would be a City function.

Mr. Stephens said that would be correct, but staff said we do not have to pursue that. He wanted to make the Board aware of it.

Mr. Mimms said the fluoride issue is very thorough and very specific and there has to be much greater information provided. He said we have to look at the composition and asked if there would be an adjustment in the composition of FPUA's treatment and would there be any additional cost or reduction in cost to the operation. We need to look at the affects to the community and asked if there is any raw data on the benefits on the fluoride application and how it affects the community. Mr. Mimms asked if there is any raw data on the advantage of removing the fluoride treatment from the composition. He said there is a lot more information needed.

Mr. Stephens said staff did not come here to say yes or no because we already use it. He said there are people very much against fluoride and very much for it. In the big picture of things the actual cost for FPUA for the chemical for the year is not a lot of money. The water plant has approximately $500,000 to $600,000 spent in chemicals a year for treating the water and $28,000 is for the fluoride. It is very nominal in the big picture of what is spent. That does not count the maintaining of the tanks over the years as part of Capital expense.

Attorney Koblegard asked if by the time the chemicals get to the meter, if the chemicals have already done their job.

Mr. Stephens said when it leaves the plant it has except corrosion inhibitor that goes out and is supposed to protect the pipes and the customers' house pipes. He said staff does testing every three years for lead copper, which is on the Consumer Confidence Report going out shortly. Because FPUA has done so many changes to the process and improvements at the plant for the last few years, we were required the last two years to test twice. FPUA is very minimal on those.

Attorney Koblegard asked if by the time it gets to your faucet whether you are going to drink it or use it in the shower, is there an advantage at that point to filter it out if you can or does it really not matter.

Mr. Perkins asked what it is he was wanting to filter out.

Attorney Koblegard said any chemicals.

Mr. Stephens said staff has made changes to the process that has reduced the chemicals by about 33% to 34% of the same chemical used to treat the same amount of water in the last six or seven years. FPUA only adds the chemicals needed. Customers can remove fluoride from their water, but it is a very expensive process. There is an ion exchange reverse osmosis system that can be put in.

Attorney Koblegard asked if a carbon filter cleans the water and if there are any advantages to drinking it after it is run through the filter.

Mr. Perkins said some customers use carbon filters to remove chlorine for taste, which is an esthetic and there is no health benefit to removing the chlorine. He said some people do not like the taste of their coffee or tea that is made with chlorinated water. All most all the chemicals FPUA uses are in the plant and stabilize the water before it leaves the plant. There are only three chemicals that matter when it gets to the customer, which is the corrosion inhibitor, the disinfectant, and the fluoride for dental assistance. All the other chemicals are just going towards coming out of the plant as stabilizer. Mr. Perkins said stabilized means it is not going to dissolve the plumbing system or change its condition as it is transferred through the system.

Mr. Stephens said FPUA uses chloramines, which is chlorine and ammonia mixed together for a more stable disinfectant. He said Indian River County uses free chlorine. When you see them doing burns with signs out, doing flushing, and adding higher chlorine to disinfect their pipe, Fort Pierce has never had to do that. When Mr. Perkins first got here, he found out based on his experience he had staff do extra testing to make sure they did not have to do it.

Mr. Perkins said on the quantities, a gallon of water weighs about 8.34 pounds so when you are looking at those quantities, if it says 8.34 pounds in a million gallons, it means one part per million. He said that is equivalent to taking one drop from an eye dropper and dropping it in a

railcar full of water. It is a small amount of chemical for the volume of water going out. Some of the chemicals are denser in water.

Paul Jakubczak, Director of Electric and Gas Systems, presented the FPUA Reliability Update ending December 2015. He said a lot of this information is what has been presented previously and this is the 12-month average for the year ending December 2015. FPUA's SAIFI numbers, which are the average number of outages that someone could experience on our system is 0.50. This means the average customer is going to see a half an outage. The second number is CAIDI is for those that did see an outage, they would experience roughly an 81-minute outage. That is all perspective to when it went out and when it got turned back on. It is misleading seeing the 81 minutes because some outages lasted longer. A couple of weeks ago when we had the wind storm, there were customers off for six to seven hours because a tree was blown on the pole and knocked out the underground. That took a little bit longer and will work into the outage. The SAIDI number is the average of the total number of minutes customers are out across our entire customer base, the average customer would have seen about a 40-minute outage. Mr. Jakubczak presented a slide from FMEA and is the State Municipal Comparison, which showed FMEA's SAIFI average for the number of outages is 1.1 compared to FPUA at 0.5. The CAIDI averages shows FPUA's outage lasted about 21 minutes longer than FMEA, which is based on size and frequency of the outage. FPUA's SAIDI averages were about one-half of what the state average was. FPL does not have any numbers available for 2015 to compare to us, but their 2014 numbers are SAIFI was 1.07 so the average customer saw about one outage for the Treasure Coast area only. Public Power, which are the 2,000 communities across the nation was slightly better at 1.05. There could be major outages in the smaller communities that would affect the entire grid similar to what happened in Vero Beach. The CAIDI numbers for FPL were 69 and Public Power was 75.7 and the SAIDI numbers were 74 for FPL and 79 for APPA's members. Mr. Jakubczak said as he gets the 2015, he will reference back to what FPL's numbers were to give a real comparison.

Mayor Hudson asked how the CAIDI number compared to last year.

Mr. Jakubczak said he does not have that number, but he will get it for her. He said staff constantly looks at these numbers.

Mayor Hudson asked if it was a rolling 12 months.

Mr. Jakubczak said it is a rolling 12 months, but they normally compare these numbers to last year's number to see where they can improve. He said in addition, they see what type of outages FPUA had to see if they need to trim trees more, rebuild lines, or do more maintenance to equipment. Staff is getting ready to start a project with a consultant firm to do some reliability system improvements.

Mayor Hudson asked about the squirrels.

Mr. Jakubczak said he was reading a story about a hawk that flew into a window with a squirrel in his mouth and he was happy the hawk was okay, but disappointed to hear the squirrel lived.

Mayor Hudson said the 81.4 number seems higher than our number last year and she would like a comparison for all three of the numbers for last year.

Mr. Jakubczak said he would get that number for her. He said this is for information only and no action is required from the Board.

Nina Penick, Director of Financial Services, requested the use of contingency funding for the natural gas low pressure incident that occurred in December. She said on December 12 there was a significant problem with FPUA's system that caused staff to shut off and relight about 2,200 customers. Mr. Tompeck was unable to be here today, but he has already presented the operational side of it. Staff is requesting the use of $300,000 in contingency funds included in the Board packets. It is an accounting of what we have so far and there are still three bills still outstanding. Mrs. Penick said the hope is it does not amount to this total, but we did not want to come back to the Board again. She said these are extraordinary expenses and believe it was in the best interest of the community to call on people from the outside to assist in the relighting of the customers as quickly as possible.

Mayor Hudson asked if this is approved tonight, will there be a final accounting at some point.

Mrs. Penick said she will make sure it gets to the Board.

Mr. Mimms asked if there was an effort to contact the Fort Pierce Police Department to get any additional cost or resources allocated to this effort.

Mrs. Penick said she does not believe that was done and asked Mr. Mimms to let her know. She was aware FPUA asked the assistance of the Police Department to get access to meters.

Mr. Mimms said we are a partner agency so if it could be worked out in-kind services or look at all of our costs associated, he would like to reach out to staff and see if we can work together to get through this issue.

Mrs. Penick said she was not there so she is unsure of how big of a problem it was. She said they were trying to turn people off at night.

Mr. Mimms said he will have the City Police Department follow up on this.

Mr. Bey said he noticed in the summary it said there is $32,200 in straight time salaries and wages during the incident for which contingency funding is not being requested. He asked for an explanation.

Mrs. Penick said the reason we are not requesting funds for that additional $32,200 is because we would have paid it anyway and it was already included in the budget.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti, and unanimously carried to approve use of contingency to fund the cost of the Natural Gas Low Pressure Incident, in an amount not to exceed $300,000.

Eve Walker, Director of Shared Services, presented an update on the Annual Report of FPUA's Identity Theft Detection and Prevention Program, FACT ACT (2003). She said this insures FPUA's compliance with the Fair and Accurate Credit Transaction Act (FACTAct) red flag rule enforced by the Federal Trade Commission (FTC). Written procedures and internal controls are set up to insure FPUA meets the standard established by the Red Flag Rule. Annually, FPUA monitors and reports on the programs integrity, completeness, and deficiencies if there are any. Any oversights or patches to perfect the program are reviewed and amended semi-annually. Any red flags or patterns, particularly specific activity that indicates the possible risk of identity theft, occurring throughout the year are identified and mitigation steps are taken at that time. Mrs. Walker said as part of our program, FPUA has an identified FACTAct privacy committee and they met on December 8, 2015, to discuss the status of the program and any red flag incidents that may have occurred. She said at that meeting, no changes to the program were identified and no incidents had occurred in 2015. We would have normally brought this report to the Board in December; however, because of Bill Abramowitz's retirement, it has been a little delayed. The next report for 2016 will come to the Board December 2016. This is for information only and no action is required from the Board.

Mrs. Penick presented the Rate Comparisons for the month of December 2015. She said this is December's comparison of residential electric rates compiled by the Florida Municipal Electric Association (FMEA). The graph displays municipal electric utility bills in the State of Florida for usage of 1,000 kWh and FPUA's relative position as compared to the other municipal electric utilities in the State of Florida. Although FPUA's bill amount did not change in the month of December, our position improved one position since November and remains 22nd from the right on this comparison. At $111.84, FPUA's electric rates for 1,000 kWh are below the Investor Owned Utilities (IOU) and Municipal averages. Mrs. Penick said FPUA is displayed in blue to show where we would be with the $2 reduction in the PCA, which was effective on February 1. At $109.84, FPUA would move two positions to the left. Since November, only two utilities have increased their bills and eleven have decreased their bills. Starke reflects a decrease of $24.60 for 1,000 kWh. The 2,500 kWh comparison displays FPUA's position and it has lost one position since November and is now 17th from the right on this comparison. At $282.30, FPUA's electric

rates for 2,500 kWh are below the IOU averages. The blue bar shows where FPUA would be with the $5.00 per 2,500 kWh reduction in the PCA effective February 1. At $277.30, FPUA would move two positions to the left. The table displayed is December's comparison of residential electric, water, and wastewater rates as compiled by staff and it shows the comparison for Fort Pierce, Port St. Lucie, St. Lucie County, and Vero Beach/Indian River County utility bills. The amounts reflected in this table includes any applicable franchise charges, which is generally outside the city, as well as gross receipts, which is for all, and utility taxes, which is generally inside the city; whereas the FMEA comparison does not include those taxes and recoveries. This comparison reflects a $2.50 decrease in Vero's bulk power cost. Port St. Lucie's total bill shown on this comparison is 2.1% more than FPUA. St. Lucie County's total bill is 3.6% more than FPUA's and Vero Beach's electric bill is 8.6% higher than FPUA's. Mrs. Penick said the next chart displays water and wastewater rates for a few more local utilities. It is prepared by our rate consultant annually in October; whereas the other comparison is December, this is October 2015, and is posted on www.fpua.com. This graph provides a good comparison of how FPUA's water and wastewater rates measure up to the other utilities in the four-county area. This would include Martin County and the City of Stuart as requested by Ms. Cavalcanti. The comparison also displays where FPUA will be if the proposed water rate adjustment is approved. This is an information only item and no action is required by the Board.

Ms. Cavalcanti said she has some things she requested of Mrs. Penick and had to go to her office and make the copies so there are only enough copies for the Board Members and Mr. Mimms. She has been asking for a number of months to get a comparison and this is very similar to what Mrs. Penick gives the Board each time, but the back sheet of the first group, it has Martin County on it. It gives a comparison of FPUA, Vero Beach, St. Lucie County Utilities, and Port St. Lucie. Ms. Cavalcanti said Mrs. Penick is saying Martin County does not have any fees on the chart.

Mrs. Penick said no fees for the electric and we do not have sample bills for that group either. She said we are going off the resolutions and we could not verify those amounts are absolutely correct.

Ms. Cavalcanti said her concern is Fort Pierce is a poor community in general and if she looks at Vero Beach, it is $202 versus FPUA at $205. She said if she looks at Martin County, theirs is $168 versus $205 and perhaps some of that is fees on ours that they do not have such as franchise fees.

Mrs. Penick said franchise fees are charged on the electric service that are outside of the city limits. She said in lieu of the "inside city limits" there is normally a utility tax charged by the municipality by the City. She believes Martin County and/or the City of Stuart is in the process of considering imposing those fees in those communities and is not sure the comparison was a fair one to not include either one or the other on the electric service in Martin County.

Ms. Cavalcanti said if they have it.

Mrs. Penick said if they have it, but we do not have those bills to compare to.

Ms. Cavalcanti said she can get a bill and send it to Mrs. Penick.

Mrs. Penick said she would be happy to work with Ms. Cavalcanti if she could share what she has.

Ms. Cavalcanti said at the current time there is a $37 difference between what they are paying and what FPUA is paying, which she thinks is very significant. She wonders if there is any thought as to what can be done in our community to bring our bills down to this kind of level. That is a question for this entire Board and for our Director who is not here today.

Mr. Delulio asked if Martin County is an independent board or are their rates included with their county and the same with the City of Stuart.

Ms. Cavalcanti said they are on FPL and on Martin County Utilities.

Mr. Delulio said some of these counties appear to have it where the taxes may subsidize their utility and it is hard to compare apples and oranges in that regard.

Mr. Bey said he would be curious to know what the City of Stuart charges are.

Ms. Cavalcanti said she has asked for that too.

Mr. Delulio said he would like to know if the City of Stuart is running the utility or if they have a Board like ours now.

Ms. Cavalcanti said she thinks they are FPL and is not certain about their water.

Valerie Schulte, Supervising Engineering for Water/Wastewater Engineering, said she is requesting approval of the low bid to Melvin Busch Construction for the Parkland Municipal Services Benefit Unit (MSBU). This is a water project, which will result in potentially 68 new customers and this project has been around for about five years. Just recently it has received the majority approval from the community so the County can move forward with the project. The project consists of 2", 6", and 8" water mains, the appurtenances, and also the fire protection in the area. The lowest responsive bidder is Mel Busch Construction and they also have recently completed the Noa Street MSBU about 1.5 years ago.

Mayor Hudson said the second and third bid were kind of close and asked if there were other reasons besides the lowest bid for choosing Melvin Busch.

Mrs. Schulte said if the bids are that close there would have to be a reason not to go with the lowest one such as if they had a bad reputation. She said we could not throw out the lowest bid because they are a qualified contractor.

Mayor Hudson said the second bid had a Fort Pierce address.

Mr. Mimms said he has the same comment as the Mayor and does not know many companies that have a Fort Pierce address that are not in Fort Pierce within the corporate limits. He sees the difference between the bids is less than 5% and typically when the City of Fort Pierce has a bid, we do have the local preference. He does not know if FPUA utilizes local preference for construction bids, but if this is an opportunity to help a local company within the corporate limits of Fort Pierce, typically what the City of Fort Pierce does is to consider that option.

Mrs. Schulte said the bid documents did have the local preference; however, it includes the three surrounding counties and there is not a special designation for just in Fort Pierce.

Ms. Cavalcanti asked if Mrs. Schulte knows anything about Blue Goose Construction if they have a good reputation as well.

Mrs. Schulte said Blue Goose Construction just completed the Jenkins/Starcher MSBU project and they did a fine job. A lot of them were past Ditchdiggers' employees and they have a lot of work throughout the state. They are a big company that has a local office in Fort Pierce.

Mr. Bey said he was impressed to see three Fort Pierce companies on here because we do not often get that for projects of this dollar amount. He hopes we can continue to get that kind of bid participation from local Fort Pierce contractors.

Mayor Hudson said she is torn because there is no reason to throw out the lowest bid, but there is nothing against the second bid.

Mrs. Schulte said that would be a legal question for Mr. Koblegard if there was anything he could add.

Attorney Koblegard said staff could take the lowest and best bid, it does not have to be the lowest. He does not know how staff could qualify that to say it is being done because it is a local bidder as against a Port St. Lucie bidder. Although Busch is in Port St. Lucie, he is local and not statewide like Blue Goose.

Mayor Hudson said then he is truly local as opposed to part of a statewide company.

Attorney Koblegard said he used to live on Indian River Drive for years. He said his plant is in Port St. Lucie, but that is a local company.

A motion was made by Mayor Hudson, seconded by Mr. Delulio, and unanimously carried to approve Bid No. 16-10: Approve the Award of Bid and Agreement with Melvin Bush Construction, Inc., of Port St. Lucie, Florida, in the amount of $293,363.50 for construction of the Parkland MSBU, contingent on receiving the required Bonds and Certificate(s) of Insurance. The Agreement shall commence upon Notice to Proceed and achieve final completion within 210 calendar days.

Mrs. Penick said it is that time of the year again where FPUA considers making adjustments to our rates and she is presenting Resolution U.A. 2016-02. We are only considering an adjustment to the water rates this evening. The process begins with the rate sufficiency analysis that staff puts together in conjunction with the Public Resources Management Group. They have been performing that service for FPUA for quite some time and we can usually put it together fairly economically. The key assumptions made when putting together that rate sufficiency analysis is that our expenses are arising on an average of about 2.5% per year. It is much more granular than that and line by line with different percentages for different line items, but on average it is about 2.5% per year. What is slightly different this year than last year is capital funding is considered at 100% and last year we only expected to spend about 65% of what was budgeted. This year we only excluded growth related projects and in the event there were great growth related projects in part, they would be offset by the additional revenue. Our best estimate was rather than using 65%, we used 100%, but excluded the growth related projects. Another big change in FPUA's finances is going to be $1.8 million decrease in debt service in FY 2017, which has been expected for many years. That decrease has already been figured into the need or lack thereof for the rate adjustments. Contingency, although included in our budget is funded from cash reserves and is excluded from the rate sufficiency analysis. Another key assumption is the purchased power and gas costs are recovered through the PCA and PGA and are not considered when we are doing the rate sufficiency analysis. Mrs. Penick said the rate sufficiency analysis does not include non-cash expenses like depreciation. She said when preparing the rate analysis, staff keeps a number of objectives in mind and reliable service is right at the top of the list. As discussed earlier, we want to eliminate the support of the water utility by the electric utility. We do not have all services in all areas of the city and so there are some customers that have electric service only. There are some customers that have water service only and some have water and wastewater and no electric. It is very important to be fair to all of our customers for each utility to be self-sufficient. We want to maintain competitive rates in the utilities and based on what we just looked at compared to the municipal utilities state wide, our electric utility is doing very well. For a water and wastewater utility, FPUA is not the lowest, but we are not the highest. Our goal is to maintain 60 days of operating reserves and we are required to maintain 45 days of cash on hand ratio on a debt service coverage ratio required by our bond covenants. Under no circumstances do we ever want to dip below those required minimums. It is in FPUA's plan to use excess cash reserves to support the deficient rates and all that means is we will use the cash we have before we have to ask for the additional rate increases. In addition to this proposed adjustment, FPUA plans to use $13 million in cash reserves over the next three years to fund the operating and capital costs of the organization. Mrs. Penick said the City Charter Article XII,

Section 176 (6), reads in part: "Rates shall be sufficient to pay all operating and mainte4nace expenses of each respective utility operation, capital outlay, all bond interest and redemption costs, and payments authorized by this article." She said not only is it the right thing to do, but it is what FPUA is required to do to make each system pay their own fair share. FPUA's existing water rates are not sufficient to meet these costs. A customer that uses 6,000 gallons of water in a month, which for comparison purposes is the amount FPUA uses, the February bill today a customer pays $34.18 and if the City Commission improves the increase the rate adjustment would go into effect on March 1 and if not voted down by a super majority, then the rate adjustment would go into effect on April 1. It is an increase of $1 per month or 3% increase on 6,000 gallons. FPUA has 29,000 electric customers and 20,000 water customers, which is up almost 1% since last year. This is a $1 increase in the course of one year and our PCA has been dropping dramatically in recent months. Since September, we have had a $4 decrease in the PCA in the course of five months so if the customer has electric and water, their bill theoretically will have gone down more than it would have gone up with this $1 increase. The next chart is our monthly rate comparison for the water and it shows the average in this comparison is $33.56 and FPUA is just about at that level now at $35.18. A $1 increase will put FPUA a tiny bit above that and the City of Stuart and Martin County are just to FPUA's left and are just below $30. Port St. Lucie, who is on our right is at $34.28. This is a comparison that does not include franchise fees and surcharges; these are just the base rates. About this time last year, staff presented a slide that showed an increase of 3% each year from 2016 to 2020 to make it self-sufficient. It will be evaluated each year and it should be expected each year.

Mr. Bey asked if 2020 is FPUA's goal to have the utility carrying its own.

Mrs. Penick said it is so many years out, she does not know for certain. She said in recent years, FPUA has spent a bundle on the water system and we are hoping that will not have to continue.

Mr. Bey said then we are basically talking about $1 a year in order to achieve that goal.

Mrs. Penick said that is correct.

Mr. Mimms said looking at the chart, there is some correlation between the wastewater cost and the actual water consumption. He asked if there is any representation or is that presented in this presentation.

Mrs. Penick said staff bills our wastewater based on water consumption and what happens is when a water rate increases, people are more inclined to want to use less water. The wastewater billings goes down as well.

Ms. Cavalcanti asked if we are increasing the wastewater rates.

Mrs. Penick said it does not affect the wastewater rates at all.

Ms. Cavalcanti said if we are collecting less money on wastewater, do we increase the rates if the customer use less water.

Mrs. Penick said we are not assuming a decrease in consumption. She said we are assuming no growth.

Mr. Mimms said if the water rate increase and there is a $1 adjustment to the water, then there will be a correlating and associated increase to the wastewater.

Mrs. Penick said that is not correct, there are no rate increases for the wastewater.

Mr. Mimms said he is asking if there are any associated costs to the wastewater.

Ms. Cavalcanti said no increase in cost because it is based on gallons used. She said what will happen is if the water usage goes down and then wastewater does not sustain itself, staff will come back and ask for an increase in wastewater.

Mrs. Penick said what staff does to try to mitigate that is bring on new water customers, which staff is doing that by a new MSBU and bringing on new customers on the water side.

Mr. Perri asked if this increase will affect the County's water supply.

Mrs. Penick said it will affect their rate and an equal percentage. She said the County's water rate will increase 3% just like everybody else's.

Mayor Hudson said it could do more, if the County decided to charge more.

Mr. Perri said the County will go up 3% and what they do with it is up to them.

Mayor Hudson said in 2013, we had a 6.5% increase; 2014, 3.7% increase; 2015, 3% increase; 2016, 3% increase; and now we are projecting out 3% to 2020. She does not get it that it has to be 3% and why it is so out of balance.

Mrs. Penick said FPUA allowed it to get out of balance because we could at one point. She said the electric system historically was subsidizing the water system so the company as a whole was whole. Recognizing there are customers that do not have water service should not be subsidizing the water utility. Some of the nearby cities may be subsidizing their water and wastewater rates with taxing and they should not be doing that.

Mr. Delulio said if we looked at this same schedule ten years ago starting with 2006, would it be safe to say if we are having the water rates go up 0% continuously, something has to give. He said the electric rates would have had to go up to cover the additional costs.

Mrs. Penick said there was a timeframe in about 2006 or 2007 where FPUA had been holding the line on rates inappropriately meaning our cash balances went so low that we had to build them back up. She said we had to build them back up fairly quickly. The cash balances have been gradually been built back up and at this point they are declining again because we are utilizing them as operating reserves to pay for capital outlay and operating expenses that we are not bringing in enough water revenue to pay the water costs.

Mr. Delulio said the old way it would have come from the electric system.

Mayor Hudson said according to the Charter, we cannot do that.

Ms. Cavalcanti said for years we have done it anyway.

Mr. Delulio said we did not do it.

Ms. Cavalcanti asked what the debt service ratio is currently.

Mrs. Penick said it is about 2.5 and it is required to be 1.25.

Ms. Cavalcanti said she knows we have had 180 days cash reserve.

Mrs. Penick said it was not 180 days.

Ms. Cavalcanti said it was a pretty big number.

Mrs. Penick said she believes it is more like 80 or 90 days because we are required to have 45 and this afternoon it was at 90 days.

Mr. Delulio asked if they were talking about water.

Mrs. Penick said for the overall per the bond covenant.

Mr. Perri said it was 80 days the last time.

Mrs. Penick said this is as of September 30.

Ms. Cavalcanti said Mrs. Penick mentioned we had 2.5% increase in expenses and she asked what that represented.

Mrs. Penick said that is 2.5% overall and nothing specific. She said it could be commodities or insurance. She said generally health insurance inflation is anywhere between 10% and 25%, but our costs have not gone up that much. In this past year they probably exceeded the 2.5 percent this year.

Ms. Cavalcanti asked if a person using 3,000 gallons of water would there increase be only $0.50.

Mrs. Penick said it might be a little bit more than that because it is not just on the gallons alone, it is also on the customer charge.

Mr. Perri opened the Public Hearing.

Attorney Koblegard said since there were some people that spoke during the public comments earlier, the Board should consider their comments in their decision at this time.

Mr. Perri said when it comes to comments we need to do like the City does and hold the public comments to the public hearing section and when that comes up.

Nobody stepped forward so Mr. Perri closed the Public Hearing.

Mrs. Mazzarella read the title of Resolution No. UA 2016-02 into the record as follows:

> "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. 2015-01 in accordance with the Charter of the City of Fort Pierce, Florida, Article XII; providing for a 3% increase in the customer and volume charges; and providing for an effective date hereof."

A motion was made by Mr. Delulio, seconded by Mr. Bey to approve Resolution No. UA 2016-02 which provides for a 3% increase in the water customer and volume charges. Those voted yes were Mr. Bey, Mr. Delulio, Mayor Hudson, and Mr. Perri. Ms. Cavalcanti voted no. the motion passed.

Mr. Perkins said some of the things staff is doing to try and keep the water rate down is there has been a lot of money spent over the last three to four years on the water plant and on the water repump facilities. He said a benefit of those expenditures is the equipment we are installing has variable speed drives on the pumps, which makes them more electrically efficient and reduces our electrical cost. This will be a down side for the electrical utilities, but will help the water rate. Staff has reduced our chemical usage by 33% in the last three years from optimizing our system. The big four factors on the O&M side in the water plant are people, chemicals, electricity, and parts. Mr. Perkins said since 2008 and 2009, staff has held the line on employees and every time there is a vacancy, we look at it and we are leaned out. There are not a lot of extra people in any part of the water and wastewater system. The plants are in excellent condition now and we will be finishing up this year and next year on that work. The wastewater plant is in good condition along with the repumps. The big thing out there and this is nationwide, are the pipes. We have to keep after the infrastructure that is buried because people do not see

it until it pops a geyser in their street. Staff does not take it lightly on trying to control our costs and we understand the people we serve have fixed budgets and limited income. FPUA has to make sure we provide a reliable and safe system. It is true the water utility got out of balance on its budget. In the last two years, Mr. Perkins has tracked our customer growth and FPUA is continuing to see about a 1.5% growth rate in our number of customers where we were seeing none. In 2009 and 2010 we actually went down in growth. If customers do not respond to price elasticity too much of the price going up, we should see the revenue we get from the amount of water we are selling to begin to increase by the additional consumption. Staff is being aggressive in going out there to get more customers and we have three more condominiums we are trying to get hooked up. The Parkland MSBU goes back five years and that has finally happened. Mr. Perkins said he is going to do an assessment and give the Board a report on what he sees as new projects coming on commercial and residential to see if growth is going to start picking up because that is the driver to allow us to keep our cost down for our existing customers and get new customers and demand on the system.

Mayor Hudson said the public speaker that talked about better communication and she said we could have done a better job with that especially with big customers that have to make budgets. She said just because you are in the water system, it does not mean you do not know anything about the electric system. When Mrs. Penick said she had that slide up there last year, but Mayor Hudson said even though we plan to have a 3% increase in water and therefore we are asking for it, she wants it to be justified. Just because we planned it is not a good enough reason to ask for it; she wants to know why we are having the increase because she has to take it to the City Commission and then to the public.

Mr. Perkins said he can guarantee this year that Staff looked at it hard and in the next five years they will be looking at it harder.

Mayor Hudson said every year we need to look at it hard.

Mr. Perkins said if we do not need 3%, it will not be 3%.

Mayor Hudson said it cannot be automatic.

Mr. Perri said it is more an estimate than an actual fact. He said it comes by this Board every meeting and we have spent millions of dollars on the water plant in the last two or three years. Everything is basically up to snuff and we should not have to get into that for quite some time.

Mr. Perkins said there are a lot of communities that do not have capacity available for growth, but we have 50% more capacity available for water and wastewater that we can hook someone up immediately if they need service. We are ready and have reliable facilities and that is one of the things Mr. Lindstrom is working on to help customers.

Mayor Hudson said it is really important to have clean water that taste good and you really do not think about how much goes into it to get to that place. She said the Flint, Michigan thing is a really good example of what happens when people do not make good decisions or make decisions based on cost alone.

Mr. Perkins said the sad thing there is for about $200/day they could have fed corrosion inhibitors and the lead would not have been exposed to be dissolve.

Attorney Koblegard said we are finalizing water/wastewater and are hooking up three condominiums on South Beach, which will be about 300 customers coming on line shortly. He said he is processing more annexation agreements for water/wastewater every month. The water customers are coming, but we need more to spread the costs.

Mr. Bey said he would like to get an update on our weatherization program. He said he has not heard anything about what has been done. He thanked Ms. Cavalcanti for bringing in this information about Martin County and he has been impressed over the last year on how FPUA has been able to decrease the PCA. He was thinking we are doing really well and then he looks at Martin County, which is one of the most affluent counties in the State and they are paying $37 less than FPUA. Fort Pierce is one of the more broker cities in the State. Mr. Bey said he thinks we have to run a business and it is our responsibility to make sure we make a profit, but if there is a way we can make money and charge our rate payers less, then that is something he would like to see.

Mayor Hudson said we do not make a profit.

Mr. Bey said if we can pay our bills and employees and charge our ratepayers less then he is for that.

Ms. Cavalcanti said the thing that came in the mail with her bill is what got her attention. She said she had asked for it previously, but it is interesting to see the difference and there is some talk that it may be subsidized by the taxes, but the tax rates are also less in those communities. If they are subsidized by their taxes, then their millage rates are less as well. Ms. Cavalcanti said it is a challenge to us and a challenge we need to really work on to try to get our costs as low as possible and for as many customers as possible so we can keep our rates low. She said what Mr. Perkins was saying is good and what Mr. Koblegard said about hooking up more people and annexation will ultimately help us. Right now it is hurting to have to raise the rates.

Attorney Koblegard said the more businesses Fort Pierce can generate that will have a big impact on rates.

Ms. Cavalcanti said one of the things people look at are tax rates and utility rates, and when they are high they tend not to come. She said that is Fort Pierce's challenge.

Mr. Delulio said he has been on the Board for four years now and he has the pleasure of working with Mrs. Penick and the other members of the Utilities Authority during the annual budget process. He said when Mrs. Penick puts together a series of meetings with the Department Heads, it is very detailed and a lot of work goes into it. A lot of good information comes out of those meetings. Mr. Delulio said of the four years he has participated in those meetings, he has realized how frugal and gnashing of teeth, and detail that goes into the budgets. Over the four years he has developed a real confidence in knowing that Mrs. Penick, the other Department Heads, Directors, and everyone involved with the utilities have done a very difficult task to keep the cost down. He has enjoyed participating in those meetings and understands with Sunshine rules there can only be one Board Member that participates in those meeting. Mr. Delulio looks forward to participating in those meetings again if he can, but if anyone from this Board would like to participate in the meetings, he will be glad to step back and let them do that. He said it would provide that person with a good comfort level as to how much really goes into putting the budget together. The budgets are what is ultimately used to determine what the rates are to charge our customers. If any of you do not have the time or are inclined to participate in those meetings, he will continue the watching of gnashing of teeth.

Mr. Perri said the Board has some information in their packets from the American Public Power Association (APPA) about the government's assault on tax exempt bonds and he is requesting all the Board Members sign onto a letter that is being circulated nationally and will be delivered to the Chairman of the House Ways and Means Committee, the Ranking Member, the Chairman of the Finance Committee, and Ranking Member. With the Board Member's permission, he would like to have their names added to the list and Mrs. Mazzarella can get them to the people in Washington to add to that letter.

Mayor Hudson, Ms. Cavalcanti, Mr. Bey, and Mr. Delulio all said it was okay with them.

Mr. Perri said he would like to add Mrs. Penick, our Finance Director's name to that letter also. He said about half of the States gave already signed on it and it affects municipal bonds, tax exempt bonds, which we all need for infrastructure. Without those tax exempt bonds, the cost of construction of wastewater plants, water plants, and infrastructure like roads will be a lot higher and cost our rate payers and citizens a lot more money. This assault has been carried on for the past four years now, so we would do well to voice our concerns in that matter.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN