MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, MARCH 15, 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; and Nick Mimms, Ex-Officio Member/City Manager.

Mayor Linda Hudson was absent.

Others present: Clayton W. Lindstrom, Director of Utilities; Rupert N. Koblegard, III, FPUA Attorney; Nina Penick, Director of Financial Services; Timothy E. Perkins, Director of Water/Wastewater Systems; 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 Florinda Mazzarella, Executive Assistant to Director of Utilities.

The Pledge of Allegiance was recited.

Mr. Perri said anyone on the dais that wishes to speak to request their intentions from the Chairman.

The roll was called and a quorum declared.

Nina Penick, Director of Financial Services, presented the Government Finance Officers Association's Distinguished Budget Presentation Award presented to Fort Pierce Utilities Authority for FY 2016 Annual Budget. She said the award represents another significant achievement and is the 20th year in a row that FPUA has received this reward. It reflects the commitment of the Board and Staff to meet the highest principles of governmental budgeting. In order to receive the award, the budget was rated proficient in all four of the following categories: Policy Document, Financial Plan, Operation's Guide, and a Communication's Device. Mrs. Penick thanked everyone throughout the entire organization for their contributions toward making the high quality document that it is. She said it is a team effort to put together the budget document. Special thanks to Barbara Mika, Controller and Michele Harris, Assistant Controller for taking the lead roles in the compilation of this document. They deserve lots of credit for getting it all together.

Mr. Perri thanked Mrs. Penick for the wonderful job.

Mr. Perri asked to set the agenda.

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

A motion was made by Ms. Cavalcanti to approve the Minutes of the Regular Meeting of February 2, 2016.

Mr. Bey said there is a grammatical error he would like corrected on page 1 in the minutes. He said the word "descending" needs to be changed to "dissenting" in the two sentences under Mr. Bey's motion.

Ms. Cavalcanti rescinded her motion.

Mr. Bey made a motion to approve the Minutes of the Regular Meeting of February 2, 2016, with the changes he requested, Mr. Delulio seconded, and it was unanimously approved.

A motion was made by Ms. Cavalcanti, seconded by Mr. Bey, and unanimously carried to approve the Consent Agenda items.

1. Approve budget transfer in the amount of $40,000 for 15kV Oil Circuit Breaker Replacement Project, for a total budget of $220,000 for FY 2016.

Mr. Lindstrom said under "Old Business" the Board has requested to reconsiderthe Water Rate Adjustment and FPUA's Rate Consultant, Murray Hamilton will make a presentation.

Murray Hamilton, of Public Resources Management Group, Inc. (PRMG), said they are a Utility Rate and Financial Planning Consultant Firm that is headquartered in Maitland, Florida. The firm has worked with FPUA in reviewing and evaluating its rates since 1994 under the supervision of the firm's Vice President, Henry Thomas. Mr. Hamilton joined the group in 2005 about the time of the hurricanes. He is an originally from Fort Pierce, graduate from Westwood High School, and attended IRCC before enlisting in the Army. He has over 20 years of financing and accounting experience and is a Florida Certified Public Accountant. The last 13 years Mr. Hamilton specialized in utility rates and financial planning with most of his work being done in the State of Florida. The firm is made up of a staff of 17 people, 14 professionals and 3 to 4 clerical staff that supports them. Mr. Hamilton's involvement with FPUA started about the time of the 2004 and 2005 hurricanes. They performed a number of rate studies from 2007 through 2009 and that was a specific time period for the City and the Community. After the hurricanes, there was an increase in costs and the leadership of FPUA and the City was averse to raising rates during those times. FPUA used cash reserves to cover the expenses in the short term and we initiated a series of rate increases from 2007 to 2009. During that time, there was also a collaborate effort

amongst the Management of FPUA, the City of Fort Pierce, FPUA's Bond Counsel, FPUA's Financial Advisor, and leadership in order to put in place some criteria to help evaluate and stabilize rates to ensure FPUA could maintain its credit rating. During that time, the annual Florida Public Service Commission Indexing provision was put in place in order to help provide a mechanism where rates would not fall behind costs. There was a strategy to look at not just a single budget year, but a financial horizon up to five years looking at a break even analysis to be sure the utility had enough revenue to cover its expenses over a period of time and to put in place a cash reserve policies. It is not that they did not exist, but what was implemented, had some teeth to it and it was applied and put forth to the Bond Resolutions so minimal cash reserve provisions to make sure the cash balances would not drop below a certain metric. That was specifically important because during the 2007 and 2009 window as we were trying to respond to the increase in costs and the lack of reserves to respond to those. FPUA had a reserve balance of less than 20 days of operating expenses, which was less than $4 million. The collaborative effort through the leadership parties to put in place some cash reserve policies where the bare minimum is 45 days, which is just under $10 million. The recommended target from FPUA's Financial Advisor is 60 days, which is approximately $13 million. At the start of the current FY, FPUA is in a healthy position of just over 130 days of cash, but those reserves are appropriated for specific projects and the capital planning. Over the course of the three years of 2007 to 2009, not only did FPUA have to address its own costs, the base rates FPUA collects to pay its expenses, there was also industry wide run up in fuel costs. The Power Cost Adjustment (PCA) had to increase and because there was not an adequate reserve balance at the time, FPUA had to respond in a shorter time frame, which caused the power bills to run up. On average if you compared it to today's bill, which is much lower, the power cost rose more than 20% over a brief period of time. There was no rate adjustment in 2010 because Management stopped to step back and take a look at what had occurred over the last three years. In 2011, Mr. Thiess and this Board lead an action to look at the competitiveness of the different rates by service; electric, water, wastewater, and natural gas on a standalone basis. Mr. Hamilton recalls that Mr. Thiess looking at emphasis on public safety and health so there was a major look at reinvestment in the system by replacing water lines and infrastructure to make sure it was sound. He said staff looked internally at cost allocations at the different utility services. In 2011, FPUA had a number of workshops in a drive to lower the budget and operating expenses over a period of time. What occurred during that analysis, is we found that some systems were being subsidized primarily by the electric system. As a management group, we decided it did not get broke overnight so it did not need to be fixed overnight. It was looked at as a long range plan to try to re-stabilize and make the revenue stable over a period of time. A particular utility falls out and that is the water system and there is a reason for it. Mr. Hamilton said he has a lot of material to cover and will try to get through it quickly because he is more interested in any questions the Board may have. Other things are on this agenda tonight like the rate comparisons and having FPUA rates compared to other utilities and systems. Rates differ in the utility systems by a number of things and one being the age of the infrastructure. Other differences are the density of the utility system and whether they are actually growing or shrinking, availability of grants or other funding sources for capital, source of supply, and alternative resources. Other significant ones are regulatory issues that need to be responded to on a timely basis and utilization of capacity. How

much is built today that FPUA's current customers are paying for and a portion of which is available for future growth. FPUA has adopted Capital Improvement Charges, which is the expansion related fees that are meant to recoup a portion of those expansion related costs. There are a number of driving factors when looking at rates and trying to compare them to other communities outside of just the rate structure, there are different variables. FPUA's water and wastewater system infrastructure is aging. System wide on average is about 10% of revenues, just under $10 million a year that the system needs to put back into itself. If that is broken out against the individual utility systems, water and wastewater stands out because they have their own plants. The age of the infrastructure is quite old and it is expensive. The water system needs to fund approximately 24% of its revenues just for renewal and replacement of its water lines and infrastructure. The wastewater system needs to fund about 20%. Mr. Hamilton said when he looks at some of the comparisons Staff has put together for the Board to look at later tonight on the agenda, keep in mind a lot of those utility systems have younger infrastructure. They are not having to replace their system in a manner FPUA has to do at this point and time. From 2011 to 2015, as we started looking at the systems on an individual basis, the electric system has been continually subsidizing the water system and 32% of FPUA's electric customers do not have another service. They are only electric customers and one of the charges was to stabilize things over time so customers were paying for only their portion of the cost they were using. From 2011 to 2015, we lowered the FPUA base rates and he does not want to confuse this with the PCA. The PCA is a pass through and it has gone down as well. The rates FPUA charges for fixed costs has gone down over the last three to four years, $9 per 1,000kWh, which is about $9 on a customer's bill and is 10% of the bill on the electric side. All bills are not the same, but 32% of those electric customers are electric only customers and they definitely saw a benefit. On FPUA water system that is deficient, is projected to remain deficient well beyond our forecast period of FY 20, even if we raise the rates. The water system is deficient and the rates were increased over the last three to four years and the average water bill went up $5.56. Many of our water customers are also water only customers with electric service so the most part a lot of those customers saw a decrease in their bills. Those that have water and wastewater service saw a $9.74 increase on average for 6,000 gallons monthly and $9 decrease for 1,000 residential kWh. Most of our residential customers who use on average 1,000kWh a month and on average 6,000 monthly gallons of water saw $0.74 increase on of their cost to FPUA over the last five years, which is less than $0.15 per month per year increase. Those were some of the realignment of the changes FPUA was attempting to make over time. It is hard to fish that out because during that period, we had changes in the PCA, purchase gas adjustment, and a customer's bill varies each month on the average. All of that information is as of the end of 2015 and we started our 2016 study about the time FPUA was implementing and adopting the 2016 budget. That budget as well as the Comprehensive Financial Report are excellent tools. The rate plan has been a long term plan and on average they have been implementing rates that are lower than what has been initially projected back in 2011 by almost 5% cumulatively, particularly when we look at the water system. We are ahead of the plan in terms of phasing in the rates. Looking at overall revenue sufficiency, funding of operating expenses, as well as capital for system renewal and replacement, we are trying to phase in the rates in the smallest increments as possible over time. Mr. Hamilton said he has looked at FPUA's customer and sales forecast. The net revenue

requirements to be funded from rates comes from the Bond Resolution and there is a reconciliation in the packet that he calls a Legacy Document. Generally, they look at FPUA's budget document that is on an accrual basis and they separate it on a cash basis. The cash basis in the current year FY 16, which is the year under consideration now, there is roughly $98 million for the year and the budgeted expenditures for the year were $106 million. We do not fund the non-cash items in the budget only funding the cash expenditures. Projection of revenues is one of the most difficult estimates to come up with because the water system as well as the electric system, and the revenue streams are extremely volatile. Not only is there a decline in sales during the first three rate studies, but over the last 10 years the electric sales are down over 15%, water sales are down almost 14%, and sewer sales are down over 17%. The utility system is capital intensive where we have fixed debt service payments to be made, renewal and replacement, so as the sales have declined, our margins have declined as well to adequately cover the expenses. The revenue sales levels vary from year to year and around 2007, FPUA was selling over 580,000 megawatts, in 2013 that figure was 510,000 megawatts, and FY 2015 the number was 540,000 megawatts. FPUA's electric sales are volatile, which changes in seasonality and can change within one given month. It can deal with spikes in heat as well as a few short cold days during the year. Revenues are one of the most difficult things to project and generally they are based on the budget level, which is close to the last year average. We are not estimating any significant growth in the near future. FPUA's gas system is trying to expand and that is the one of the reasons we are not recommending any increase in the gas rate at this time. Staff is trying to expand that business. We also look at other revenues in the systems that are not to be ignored, which are 3% of the annual requirement just a little bit more than $3 million. Those are the turn on/turn off fees, inactive account charges, late payment fees, and investment income. They are considered in the rate formula as well. In FPUA's budget, almost $75 million of operating expenses of which half FPUA cannot control. We have almost $40 million in purchased gas and purchased power costs that are in the budget each year we cannot control and will be passed on as a power cost and gas adjustment. The remaining expenses of roughly $36 million of the budget are controllable and FPUA costs, which are a part of the base rates. FPUA's costs in the short term, most of them are fixed and deal with required labor and staffing at the plants, and other issues throughout the system. In reference to capital expenditures, the average spending need is about $9.5 million over the next five years and the current year is $13 million. This gets back to our rate strategy where we are not trying to fund the whole $13 million in rates this year, we are using reserves, which is part of the plan. FPUA's goal is to fund on average about $9.5 million over the long term. Annual debt service payments is about $9.4 million a year and will decline in FY 17. Distribution to the City is just under $6 million and that is a formula of 6% of the gross revenues of the systems. The non-cash items are excluded, depreciation and amortization, and contributed capital that is listed on the income statement in the CAFR that is being approved tonight. Most of that is not cash and the amount that is cash is typically restricted to expansion related projects, yet it shows up on the income statement. The remaining investment or benefit that FPUA received is donation of physical assets, which is not cash. There is some rational behind why we exclude these items is because we cannot use them to pay the bills. The reconciliation of FY 16 Revenue slide/Legacy Document came about 10 years ago from the Citizen's Advisory Board that helped out FPUA's budget process. A lot of interested parties use

a lot of the documents Mrs. Penick puts together and they are trying to correlate the information they received in a prior meeting to our rate study packet. This reconciliation was done each year to reconcile the financial budget that was adopted by the Board back to the rate study so we understand we are playing with the same deck of cards. The intent is to focus the rates on the cash needs and not necessary the accounting and accrual needs that come from the gap basis of accounting. Mr. Hamilton said they made some adjustments in the current budget year on the operating expenses and they do not affect FPUA's base rates. He said it goes with the power and gas adjustments. This study was completed in December and even after December the power cost have continued to decline, which has resulted in further decreases in the power cost adjustment. We have accounted for that in the budget and it does not impact FPUA's rates directly. The contingencies have not been funded so in the budget that was adopted, there was about $500,000 that shows up in operating expenses contingencies and about $1.6 million in the FY 16 Capital Budget as a contingency. Contingencies are not funded from rates, which was a strategic directive from the Board and Management over the last 10 years, that is what the cash reserve policy is for. Half of the expenses are purchased power cost and although there is a projection listed, there is no metric to be able to measure what those costs are going to be. We cannot predict over the next month and much less over the next five years and that is why we have the adjustment clause. On average, when looking at expenses, FPUA is responsible for, we estimate they will increase about 2.5% per year on average. The Congressional Budget Office estimate of CPI is about 2.4% over the next five years. Debt service payments are one of the other revenue requirements and it is going to decline. It does not have anything to do with the recent refunding that was approved by the Board at the last meeting. This is something we have been waiting on for some time; the debt service declines about $1.8 million and we have been factoring that in. The Distribution to the City is a function of FPUA's gross revenue of 6%. The transfer goes up as sales increases or decreases, but also as new rates are implemented. We show it increasing from $5.7 million to $5.9 million over the five years. Capital outlay and renewal and replacements system wide is $9.5 million per year or 10% of revenue. It is $13 million in the current budget year and most of that will be funded from operating reserves. It is not a direct correlation, but FPUA's depreciation expense is about $13 million a year so we are funding about three quarters of depreciation and that is not unusual. Mr. Hamilton said he is highlighting why FPUA is on a cash basis and not an accrual basis. Depending on the age of the infrastructure and how things time out over time, there could be a point and time where the cash funding requirements exceed the depreciation rate. We have excluded the growth related capital projects that would be funded in the CIP because our revenues are based on a no growth scenario. If we have growth in the system, the new customers are going to help contribute to those growth related expenses. For the Capital Plan, he is not personally or intimately involved with the individual projects, so if you have questions, we can have staff come up. The major 2016 capital projects total $19.7 million and we know that is slightly more than the average cost and that is why it is being funded significantly with reserves in the near term. The total projected costs is $73.6 million in the five years. The next slide gives a summary of the estimated funding sources over the next five years. One of the strong take aways and one of the things the rating agencies look at when they evaluate your credit rating is how much FPUA is re-investing in the system. When we look at FPUA's capital plan, almost 65% of the capital plan is estimated to be

funded with revenues and not debt. One of the reasons we do not use future debt to fund the renewal and replacement of the system is these are reoccurring capital charges. Mr. Hamilton said it is similar to putting your groceries on a credit card and eventually you will end up with a credit card bill and you still have to purchase those groceries. He said this is a strong position to be in from a credit rating standpoint. FPUA's costs have not increased much in the electric system from 2016-2018. Slide 11, shows FPUA is currently in a position where there is the PCA surplus and it is being used to hold the current rate compared to the purchased power costs for a period of time until that surplus is utilized. FPUA is using that balance over time. FPUA's costs are at a certain amount and have chosen to collect a revenue less than cost in the current period because there is a surplus to do that. By FY 18, all things being equal, the PCA would have to rise to the current cost level whatever that cost is going to be in the future. Over the two years, this year and next year, we have assumed FPUA will use $3 million to $4 million of that surplus balance to help phase in that costs over time. The electric system over the next five years is almost close to a break even position. We lowered the electric rates over the last five years by $9 per 1,000kWh, which is FPUA's portion of the rate. We are not planning to make any continued reductions in the FPUA base rate, while the PCA will continue to be different each year. Mr. Hamilton went on line to see what was out there for the water rates and he came across the same presentation given last year, but given in February. He said it was given by staff and talked about the water system and the need for the 3% water rate increases over the next five years. We are not trying to fund the current year deficiency; we are targeting FY 2020. The 3% water rate increase is really tied to buying into the plan, are we really looking at trying to get the water system self-sufficient over the long term. By Charter that is our charge to look at the systems individually and make sure they are sufficient, but that does not mean we have to cure it overnight. There is a 17% deficiency even by the last year and with the reduction in debt service. It is $2.5 million and with a 3% rate increase in all the years, FPUA will still be deficient by the fifth year. If we took the cost last year of $18.2 million and look at the pie in terms of what makes up those costs, a lot of them are fixed. There is very little costs to make a difference to move a $2.5 million deficiency. The Wastewater System is deficient in the current year, but there are not recommended adjustments to it. It looks by the FY 2020, the Wastewater System may be slightly surplus, but that depends on what the replacement needs are going to be in that fifth year. We are having to utilize the estimates we have today. The Natural Gas System is deficient and historically it has been subsidized over time. Staff and Management have tried to work hard to unbundle those subsidies so each system will be able to stand alone. We are not recommending an adjustment to the Gas System because in comparison to the other three systems it is a small piece of the equation and Staff is actively trying to expand the Gas System. In terms of dollars of the 8% deficiency, it is under $300,000 per year. If FPUA does not make any adjustments to the current rates that are in place, the next slide shows a projection of what is estimated what will happen with FPUA's cash balances over the next five years. They would decline significantly over the next couple of years with a marginal decline in the last three years. We would estimate FPUA would fall below our 45 day minimum that is required by our Bond Resolution and would certainly be less than our 60 day target, which is slightly more than $13 million. This is what the financial outlook would be if we make no change. The decrease between FY 15 figure and FY 16 figure is primarily made up of plant cleanup costs, if it is completed, use of $2.5 million in the PCA surplus, and any cash

flow deficiency in the current budget year of $6 million, which would be used to fund the capital in the current year. Reasons for the rate increase is for reliable services particularly on the water system and we are seeing the need to invest on average about $3.6 million per year for renewal and replacement, which is 24% of the revenues. There is upward pressure on operating expenses, which is 2.5% per year on average. Slide 17 shows the recommendations and projections for FY 2016 and the remaining years are expected to be reviewed each future year. We have done annual rate studies for about the last decade so Mr. Hamilton has been working in conjunction with staff during the budget process in order to come back and re-evaluate the rates to be sure we are on plan. The chart shows the cash flow deficiencies and the use of cash over the forecast period. In all the years FPUA used the cash reserves even with the 3% water rate increase. We are estimating a break even position by the fifth year, which will be updated each year. The projected cash balance shows by the last year we have increased from a low of about 42 days up to just over 68 days. The chart is off a little bit and it is 60 days, which is representative of $14.8 million. System wide we are at a break even for water, sewer, electric, and natural gas added together and the chart shows where we had expenditures that exceeded our revenues. In every year we have used reserves in some form or fashion. The water system is deficient in all years and the schedules assume a midyear, April 1, implementation date of the 3% annual rate increases over five years. By the fifth year, the deficiency is still about 3%, which is about $600,000. We have closed the gap between that $2.5 million deficiency down to about $600,000. The impact on the bill is an estimated $1 increase for the average 6,000 gallon water bill. When talking about water rates, it is very unique throughout the State of Florida. There are different allocations among different classes of customers, residential versus commercial, master meter versus apartments, and discretionary uses such as irrigation. There is a wide range of practices among the rates like the type of infrastructure that is in place, the aging of it, and other factors that have already been covered. The revenues are not adequate and that is not a projection, it is a fact. The revenues in the current budget year we are looking at are not adequate even with the rate increase of 3%, FPUA claims to use about $6 million to fund the capital needs. We are estimating we will use about $2.5 million worth of the PCA surplus to help keep the power costs adjustments low. Mr. Hamilton said he is recommending the Board consider implementing the 3% rate increase consistent with the plan that was presented last year and continue to do it annually.

Mr. Delulio told Mr. Hamilton that he has done a thorough job following up with Ms. Penick's thorough job a couple of weeks ago. He said everyone is talking about maybe lowering the 3%, but the 3% increase to him from the presentation and from previous discussions seems to be some kind of compromise. Even three or five years down the road, we will still be operating in a non-standalone position with the water utility. Mr. Delulio asked if 6% would be a more appropriate and the 3% is more digestible.

Mr. Hamilton said the strategy they have taken is to make the smallest adjustments as possible to avoid a rate shock later on. He said we could do nothing for three years, but FPUA customers could be faced with a 9% rate increase come year three, or a 15% rate increase. In his cover letter, he spoke about the 2007 to 2009 rate study. He said there are two sides, do we do more,

or 3%, or do we do less. Historically, coming out of the hurricanes, the community was reeling and there was a lot of costs. From the Management perspective, FPUA did not want to raise the rates so they used the cash reserves to pay for the increase in the costs. Some of that was recouped from FEMA, but when FPUA had to respond to the current cost, but with the lack of reserves, in 2007 the electric rates went up 6%, water rates went up 12%, and sewer rates went up 10%. The next year electric went up 3%, water 3%, sewer 9%, and gas 9%. In 2009, we had no adjustment for electric, but water, sewer, and gas each went up another 5%, which was under a 3-year time period. One of the things we are trying to avoid is we do not want to do nothing because we have already identified the deficiency. The level is debatable, but do we want to put ourselves in a position where we have a 10% rate adjustment three years down the road. On the other hand, should we do a 6% or more, with the current cash position FPUA is at and looking at how the capital projects are laid out over the next five years, we certainly could, but our analysis says we do not have to. We could be more aggressive to cure the deficiency. If we did something sooner, in the long term, FPUA would have lower rates most likely because they would not deplete those cash reserve balances as quickly and be able to use them for other purposes. By delaying a rate increase if as we feathered them in, all things being equal, generally by the compounding nature of rates, FPUA would have higher rates in the long term by waiting longer. Mr. Hamilton said based on their charge and the analysis they looked, he would not recommend 6% at this time, based on the numbers he has.

Ms. Cavalcanti asked if FPUA had a Citizen's Advisory Committee.

Mr. Perri said we had one in the past, but there are not active at this time.

Ms. Cavalcanti said then we do not have a Citizen's Advisory Committee that looks at our rates.

Mr. Perri said it was a Citizen's Budget Advisory Committee.

Mr. Delulio said FPUA did have one and he served on the Committee for two years and the Mayor was also on the Committee as well.

Ms. Cavalcanti said she thought that was for the City.

Mr. Delulio said it was for FPUA as well.

Ms. Cavalcanti asked if we do the proposal that is in the chart, it will be 3% per year for five years so it is about a 20% increase over that period of time.

Mr. Hamilton said the compounding over five years is about 15.9%. He said it is the same amounts that were reported. At this time, we are only requesting the first increment for FY 16 and are not asking for FY 17 through FY 20.

Ms. Cavalcanti said we did have an increase last year.

Mr. Hamilton said there was a 3% last year.

Ms. Cavalcanti said we had one last year so we are not talking five years, we are talking six years of proposed increments.

Mr. Hamilton said she is correct, if you include last years.

Attorney Koblegard said with the 3% increase last year and asked if the cost of living increase is still suggested to stand still 1.5% increase this year.

Mr. Hamilton said as published by the Public Service Commission (PSC) and based on the provision this Board has adopted, which has a year lag to it, the report that was provided by the PSC FPUA recognizes is 1.57% cost of living adjustment through the annual index. The PSC is coming out with a report that comes out in March or April with another number. That number would be effective for FY 17, when that is up for consideration.

Attorney Koblegard said if the Board passed that, which he calls a cost of living increase, we are just passing that to stand still and it does not create new money. It just covers the same thing we have done before that cost more this year than the last.

Mr. Hamilton said the answer is yes because we would not be gaining any ground. He said this is our current deficiency on slide 12 and 3% is not going to cure this. The 1.57% is based on the actual GMP price deflator for the year so it is tied to an actual increase in cost. It is a little bit more than half of the 3%. Looking at the system in total and if we isolate FY 16 by itself, we are not talking about a significant revenue source here at the 1.5% or the 3%. The rate plan and the strategy to get the water system out of the deficiency without putting ourselves in a position where our reserves become critically low and do not have reserves to do this feathering and are forced with making a 10% or 15% water rate increase in one year.

Attorney Koblegard said if the 3% the Board passed stood, aren't we creating only 1.43% in new money.

Mr. Hamilton said based on Mr. Koblegard's arguments and comparing it to the index that is correct. He does not look at it as creating new money, he looks at it as an operating and capital hole, we are trying to grow out of.

Attorney Koblegard said we are only being able to contribute 1.45% to put in that hole.

Mr. Hamilton said that is true.

Mr. Mimms said looking at the graph for the capital funded by the rates, he sees the block continues to get smaller and smaller as we go forward in the future. He understands the

investment in the infrastructure is very important and hopes this discussion considers the need to reinvest in the infrastructure we have. It is something the City of Fort Pierce is struggling with and would think the Utilities Authority would definitely put that as a top priority also. Mr. Mimms said he does not have a position one way or the other, but he sees that block getting smaller and smaller and is concerned about that.

Mr. Hamilton said his interpretation of that is that some of the capital in the short term in FY 16 and FY 17 are catchup projects that some of which have carried over. He said that is another reason we have elected to allow the reserves to fund those pieces as opposed to try and set rates this year. Mr. Mimms is right those numbers are declining over time and that does give them some pause. The Capital plan is an estimate and we are not 100% certain that the cost may not be greater out in those future periods and the same is true on the wastewater system.

Mr. Bey said after reading all the information, this has been very informative and knowing the condition our system is in as far as our piping, and the capital outlay we put into the system, we do need to get it back. He said when we talk about raising rates, we hear from our customers that $1 would seriously impact someone's budget and sometimes that is difficult to swallow, but that is a fact. Mr. Bey said it is a quandary here because we know we have to raise the rates and recoup the money, but when we raise the rates and put it on our ratepayers, then we get flack. How do we balance that?

Mr. Hamilton said personally what this Board and the Management is trying to do is have a balanced approach to it. He said in 2011 and looking at the competitiveness by system and re-evaluating the cost structure of those rate groups, even for our residential customers that have electric, water, and sewer, most of those bills on average should have been marginally increased based on FPUA's rates. With power costs today, they are lower than they were in 2007. Right now we are at an 8-year low. The power costs have come down $20 per bill, FPUA's costs on the electric side for residential customers has come down $9 per bill. The water bill has gone up with other increases like the sewer bill. Looking at the recalculation of the rates over five years, the bill has gone up $0.74 for those having all three services. It is $0.15 per month per year and Mr. Hamilton does not know how anybody can argue against that. A $1 increase is going to affect customers differently and he cannot speak to their personal situation. In 2007 to 2009, Mr. Hamilton was here and that is why they have the legacy chart because he was told he did not know what he was doing. The budget document did not match his rate study. It was in a public forum at the City Commission so he has been through all that. He would rather take the pro-active approach that he believes is being done now by taking these small adjustments. It is a 3% increase and FPUA has commercial customers, large users, and small users. He cannot cover that and just call it $1, but Mr. Hamilton said he thinks it is a good plan and an appropriate plan.

Mr. Lindstrom said he would like to answer the question on the total bill by saying 80% of FPUA's residential customers use less than 6,000 gallons a month. He said the typical customer uses approximately 4,200 gallons a month so that would be less than $1. Only 2% of our customers use over 15,000 gallons a month, which would be a maximum of $2 in round numbers. A bill

comparison was done and March 2015, the average customer with 1,000kWh, 6,000 gallons of water, and gas service would be billed $257.46 with adjustments made to the PCA on both the gas and electric side. With the $1 increase on the water that same customer would pay $249.76 or roughly $8.50 less. To address Mr. Mimms concern about the capital budget, staff typically attempt on the electric world to replace the system every 25 years or 4% of the system replaced annually. The water system we try for 50 years, which is a little long, but we are attempting for 50 years and that is 2% of the system. Some of the numbers get skewed because of the plant. When we are building the plant, there are huge dollars invested so we can delay construction of the replacement of the pipes for one or two years, but we have to catch that up. At the current budgeted rate it is going to take 143 years to replace the system. Mr. Lindstrom said we have correctly so agreed we have done a pretty poor job of repairing the streets when we were in the system for repairs. The older the system gets, the more repairs needed. FPUA has partnered with the City to identify certain locations where we are attempting to replace the water and sewer system at the same time before the City comes in with the overlay or re-pavement of the streets, which is an additional expense to FPUA and is absolutely justified.

Mr. Perri asked Attorney Koblegard where we are on this discussion and what action can be taken.

Attorney Koblegard said at this point the Board can chose one or two of three things. He said since it is a rate increase if the Board is going to vote on either to rescind the 3%, switching the 3% to 1.57%, or rescinding the 3% that has already passed, that has to be done at a publicly noticed meeting. It would have to be done with a resolution prepared at a 6:00 p.m. meeting. It could not be done at this type of meeting. Today the Board could ask Staff to bring back at a public meeting a resolution allowing for a 1.57% increase, the same resolution where the 3% increase would be rescinded. Attorney Koblegard said if you wanted to, it would be a resolution to do the 1.57% and a resolution to rescind the 3%, and then vote to rescind the 3% nor authorize the 1.57% and then it would stay where it was before you approved the 3%, but it has to be done at a publicly noticed 6 p.m. meeting.

Mr. Perri asked if we take no action what happens, does the approval of the 3% go to the City.

Attorney Koblegard said if you take no action to put it back on a public hearing then the 3% as of today stays because it has been approved at a public hearing. He said you have to bring it back up to change it at a public hearing.

Mr. Perri asked if we take no action then the 3% stays and we bring it to the City.

Attorney Koblegard said if you take no action today, the 3% was voted for at a public meeting, approved, it stands. He said that is his understanding.

Mr. DeIulio asked what we have to do.

Mr. Perri passed the gavel to Ms. Cavalcanti.

Mr. Delulio asked if he can make a motion to not take any action today.

Mr. Perri said you can so he took the gavel back from Ms. Cavalcanti.

Mr. Delulio made a motion to take no action today and to accept what has already been approved at the previous meeting. Mr. Perri passed the gavel and seconded the motion.

Mr. Perri said several years ago it was stated here when the Board passed to put forth a plan to gradually bring the water rates up to the point where they would no longer be subsidized by the electric side of the rate payers. He said this plan is on track to accomplish that. This subsidy is not fair to the electric rate payers, however those rate payers do not have FPUA water and it has a greater effect on them. They are paying for a product that is not even supplied to them. Mr. Perri said that possibly raises a legal flag. He said we know the Utility Authority Charter dictates each utility generate sufficient revenue to cover their cost of delivering a product and service to the user, the rate payer. This utility business is unique and complex and is hard to compare to other businesses. Mr. Perri said he will try and compare it to the automobile business where he spent 28 years of his life working in. He said a new automobile franchise dealership has four departments; new car department, new car sales manager, used car department, used car manager, parts department, parts manager, service department, and service manager. Each of these departments has a fixed coverage goal also known as the nut, anything they take in over that, is called the profit. They close out their financial statement every month so they know what every department made at the end of that month. The past months are accumulated to give them a year to date figure. If any one or two of those departments has a bad month, it is not a real big deal, but if they have consistently bad months and another department has to subsidize it, that manager is on the line. Now our managers cannot be on the line because they do not have any control of the cash input, but the Board is on the line and maybe we are the ones that need to be fired or resign if we cannot adhere to this Charter. Mr. Perri said he is definitely for leaving the 3% on. He said the train is running pretty smooth, we are going to get out of the hole eventually, and it this is the most painless way to do the job. That is this Board's job to follow that Charter. There may be some nonfeasance, malfeasance, or misfeasance, if we do not follow that Charter in his opinion and he is not an attorney.

Mr. Bey said he thinks all the information that came out of this was very good and not only good for the Board, but good for the ratepayers to understand the workings, the cash outlay, and the things we have to do to maintain the system. He thinks the 3% and the way it has been planned out over five years is good. His thought was if it was affordable for the ratepayers, but we are at a point it is something we need to do, especially being in line with our Charter. The Charter says that each utility needs to stand on its own and right now we are subsidizing the water. Mr. Bey wanted to know if there was any other creative way that we could subsidize the water without it landing on another utility and he does not believe that is possible. He talked with Mr. Lindstrom on how another city subsidizes one of their utilities and they put the burden

on another area of the city, which means you are just moving things around. Mr. Bey said he voted against raising the water rate, but the information he received tonight gave him a better understanding of the need to do so and he will agree that the 3% should stay.

The roll was called and the motion unanimously passed.

Mr. Mimms left the meeting.

Nina Penick, Director of Financial Services, presented the September 2015 Quarterly Financial Operating Results. She said this is the standard monthly report, which is about five months old at this point. Our operating income was up about $1.9 million and we ended the year very well. The increase in the operating income was primarily due to a $2.5 million decrease in depreciation, which was discussed in previous meetings as a non-cash item. It looks good, but it is not money we can spend. The capital contributions as Mr. Hamilton described are up, but in many cases we cannot spend that money. The value of the assets are being contributed. FPUA's increase in net position was $4.6 million at the end of FY 15 and it increased $3 million over FY 14.

Mr. Delulio asked if Mrs. Penick was on item G-1 or G-2 because she is giving yearly numbers.

Mrs. Penick said it happens to be the 12 months ended and some of this same information is going to be presented in another item. She said every month the Board sees the financial summary and if you look at the water system, the change in the water system was positive $790,000 and you just sat through a presentation that said they were running in a deficient. The reason for that is it excludes the capital cost of $6.9 million. Keep in mind that some of the information when we are talking about operations and maintenance that does not include all of our cash costs. We did have a decrease in operating cash from the beginning of the year to the end of the year, a decrease of about $1.7 million. Our electric consumption increased this year as it did last year. The revenue is decreasing because of the rate decreases implemented in 2013 and 2014. The water sales are fairly flat in terms of the amount of water being used, but the operating revenues are increasing because of the rate increases. The wastewater side there is a little bit of a reverse situation, but the operating revenues are increasing because of the rate increases, but we did actually bill more gallons of wastewater treated in FY 15. It is the same situation in the Natural Gas System of increases overall and in another one of the presentations we will see a longer time period, which are better than this. The operating income and debt service shows the debt service at the end of the year was 2.55, which is more than double of the 1.25 times required. The rolling 12 months of operating income is displayed in green. This is an information only item and no action is required of the Board at this time.

Mrs. Penick requested approval of the FY 2015 Comprehensive Annual Financial Report (CAFR). She said our External Auditor, Jim Hartley of DiBartolomeo, McBee, Hartley & Barnes, is here to

present this item. Mr. Hartley assists FPUA in compiling it and reviews what we do to make sure we are doing everything we should be doing.

Mr. Hartley said the Board has a copy of the CAFR in their packet and it is divided in several sections including the introductory section. This includes the transmittal letter and the financial section includes the Independent Auditor's Report, which was an unqualified report and is considered a clean opinion. On page two of their letter there is a note that FPUA did implement GASB Statement No. 68 this year, which implemented recording of Net Pension Liability and it also included a restatement of the beginning net position. Pages 14 through 20 are the management and discussion analysis and Mrs. Penick just went over some of the September numbers, but page 25 does show you the Statement of Revenues and expenses for the year. The capital contributions are up to $993,000 and the total change in net position was $3 million over last year. Pages 28 through 49 are the notes to the financials and on page 36 Note E is the computation of the distribution to the City that will take place in 2016 is $5.8 million, which is an increase from FY 15. The next section is the statistical section, which begins on page 53 and this includes financial trends and other information. The final section is the compliance, which is the Independent Auditor's report on internal controls and there were no findings required to be reported.

Ms. Cavalcanti said she is assuming on the net pension liability on page 23 is due to GASB 68 that is the result and shows $5.5 million.

Mr. Hartley said that is a result of GASB 68 and it includes $1.7 million that went to the change in the net position.

Ms. Cavalcanti asked Mr. Hartley to explain that for everyone.

Mr. Hartley said it is FPUA's pension liability that was actuarially determined at September 30, 2015. He said on page 22, there is a deferred pension outflow, which is an asset and that is the prepaid pension costs. With those two together, FPUA ended up with a total pension expense of approximately $2.1 million for the year.

Ms. Cavalcanti said on page 41 she knows this is not something Mr. Hartley does and he gets it from the actuary. She is curious because it says FPUA is using an expected rate of return on pension and investments of 8% and asked if that is realistic.

Mrs. Penick said that is more of a question for the Retirement Board and since she is on the Retirement Board she will answer it.

Ms. Cavalcanti said or it could be for the actuary to answer the question.

Mrs. Penick said it may seem like today 8% is completely unrealistic; however, over time that is not an unreasonable expectation. She said in this year we did not make anyway near that, but it is one of the assumptions.

Ms. Cavalcanti asked if over the last five years, if they make that percentage.

Mrs. Penick said she will get some information together and will get back with her at the next meeting.

Ms. Cavalcanti asked if they look at it every five years.

Mrs. Penick said the pension actuary does their actuary report every year and that actuary report will be presented to the Retirement Board this Thursday at 2:00. She wanted to elaborate briefly because this is the only other thing she wanted to say about this additional information. Mr. Hartley referenced the City Distribution and she displayed a chart that represents the most recent five years. Assuming the City Commission approves the audit, FPUA will be paying the City the $5.8 million. Mrs. Penick said because of the rate restructuring that was done in 2012, FPUA will be paying to the City an additional $155,500 because of the $2.6 million in negative PCA we have had this year. She said it was recorded as a reduction of electric revenue and then it is added back because the PCA is not taken into consideration. The reduction in electric in the PCA does have some negative impact for FPUA, but a positive impact on the City.

Mr. Perri said this is one of his favorite subjects again, the $30 we transferred from the power into the base rate. He asked if there is a window somewhere in our future that we can take that back out and follow our Charter as it is written.

Attorney Koblegard asked if he could have one meeting to study that.

Mr. Perri said yes, three or four meetings is okay. He is talking about way down the road probably after he is long gone. Mr. Perri said he fought that very hard and it sticks in his claw that we violated our Charter to do something like that.

Attorney Koblegard said we did it voluntarily and not because we legally had to do it.

Mr. Perri said then the door is open.

Attorney Koblegard said putting it back may be a different story.

Mr. Delulio said if the PCA starts to go back up, then we will want to shut the door again. He said a couple of years ago he was talking to one of the Commissioners when the PCA was up there pretty good, they were starting to think about doing something.

Mr. Perri said when he got on the Board it was $54 and the giant portion of the bill.

Mr. Delulio said it was the first Board meeting he was in when it was brought up to change and one of the first things he voted on.

Attorney Koblegard said if PCA goes way back up again it does not get the City any more money than they get today.

Mr. Delulio said it may make the City want to open that Pandora box.

Attorney Koblegard said the PCA should not matter one way or the other, but since it is negative and FPUA follows the Charter, the City does get $161,000 this year that we did not collect from anyone. FPUA is paying it out of our own pockets.

Mr. Perri said the ratepayers are paying that bill, they just do not know it, but the City uses the money wisely.

Mrs. Penick said this CAFR will be presented as well as the resolution that is being presented at the end of the meeting to the City Commission on April 4, but we do respectfully request the Board's approval of the FY 2015 Comprehensive Annual Financial Report today.

A motion was made by Mr. Bey, seconded by Ms. Cavalcanti, and unanimously carried to approve the FY 2015 Comprehensive Annual Financial Report as presented.

Mrs. Penick presented the bill comparisons for the Month of January 2016. She said this is January'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 1,000kWh and FPUA's relative position as compared to the other municipal electric utilities in the State of Florida. Although FPUA's bill amount decreased $1, FPUA remains 22nd from the right on this comparison. At $110.84, FPUA's electric rates for 1,000kWh 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 that is currently in effect as of March 1. This is the January comparison and we dropped it in February and again in March, it would move FPUA three positions to the left. Since December, four utilities have increased their bills and eighteen have decreased their bills. The 2,500kWh comparison displays FPUA's position, which has improved one position since December and is now 18th from the right on this comparison. FPUA's electric bill is below the IOU average. The blue bar shows where FPUA would be with the $5.00 per 2,500kWh reduction in the PCA effective March 1, FPUA would move two positions to the left. The graph displayed is the comparison of residential water bills and is prepared by PRMG as of October 2015 and FPUA is in the middle of the group even with the $1 increase. The wastewater comparison although we are leaving that alone, the graph shows where FPUA stands among the others on the Treasure Coast. FPUA is slightly below the survey average. The next table displays January'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. Changes in this comparison from last month include the $1 decrease in FPUA's PCA, FPL's fuel and non-fuel charges have decreased, and we did add Stuart and Martin County to this table. A slight caveat is that FPUA has not verified these against actual bills, we have used City of Stuart, but we received it verbally over the phone. Martin County numbers were through a resolution so if there are other charges, we may or may not have missed them. Port St. Lucie's total bill shown on this comparison is about 1% more than FPUA. St. Lucie County's total bill is 2.4% more than FPUA's and Vero Beach's electric bill is 9.5% higher than FPUA's. Mrs. Penick said also included in the agenda package is a notice from Martin County regarding their intention to reinstate their application of the annual price index adjustment that was discussed earlier today. She said beginning on or after June 1, 2017, there rates will be automatically adjusted each year. The FPUA Board has to vote on any of our adjustments, but what is being considered by Martin County is it is going to be automatic. The adjustment will be not less than zero so if the index requests a decrease, they will not do a decrease and it will not increase more than 2.5%. Also included in the agenda package is an analysis of the differences between the water rate structures of the City of Stuart, Martin County, and FPUA. Mr. Hamilton eluded to that earlier with regard to how much is charged for different types of services. If you are interested in reviewing that it is provided for you in your packet. This is an information only item and no action is required by the Board.

Mr. Bey asked if the Board would get the additional City and County's added for every meeting.

Mrs. Penick said she can, but it is a great deal of work to do that. She said the reason they were not there in the first place, is because they are not even contiguous to Fort Pierce. We are having trouble getting actual bills to verify that the numbers she is providing are correct. Mrs. Penick said it makes her uneasy, but she will continue to get the numbers if it is the Board's desire.

Mr. Bey said he would want accurate information, so he would ask Mrs. Penick to use her judgement on that.

Mrs. Penick said she will attempt to pursue employees that live in those areas to see if they are willing to provide their bills. She does not like to have to ask our employees for that, but there are a few willing to do so. We have a lady in Customer Service that provides us her Indian River County bill. She is outside the City, but she pays her electric to the City of Vero Beach. Mrs. Penick said she believes 60% of the City of Vero Beach's customers are outside the City so there is a lot of folks paying a very high rate in Indian River County.

Mr. Delulio said his preference in regards to showing Stuart and Martin County on this comparison would be until you can get the information verified and it is information that is

accurate, he would prefer to not have it on this schedule. He said if someone just glances at it, they will assume the information is accurate.

Mrs. Penick said the other information if you look back at the analysis Mr. Perkins did and is in your Board package, is because this graph is for 6,000 gallons residential. She said if you are not looking at commercial usage or other dollar levels or gallons, it comes out different. It is not prorated and the way those bills are calculated are all very different.

Attorney Koblegard said on the back page for the City of Stuart, the last sentence says Stuart charges 25% for service outside the City limits while FPUA charges 15%. He said he thought FPUA charges 25% outside the City.

Mr. Perkins said that was his error and we do charge 25%.

Mr. Koblegard said if we were not charging 25%, we need to.

Ms. Cavalcanti asked if the City of Fort Pierce includes the taxes because it is not stared.

Mrs. Penick said all of the numbers on this comparison include taxes. She said the single star on the top of the graph where it says "Total Utility Bill*" it is for all of them. This is an information only item and no action is required of the Board.

Mrs. Penick presented the Status Report on the Electric Power Cost Adjustment (PCA) for February 2016 and updated projections through September 2017. She said the PCA is the mechanism by which FPUA recovers power costs from our customers that are 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 February was billed to FPUA at the rate of $82.66 for 1,000kWh. It was an increase for a second month in a row and this increase was $7.88 as compared to the month of January. The under-recovery from the customer for the month of February totaled $548,723, which a result of the decreases in the PCA we have been incrementing over the past couple of months. The cumulative over-recovery is approximately $6.2 million as of the end of February. The chart displays the projected amount of the PCA over-recovery using three different options for the Board's consideration. These projections of FPUA's power cost are prepared by Public Resources Management Group, which in turn are based on the projections prepared by FMPA. The blue line on top depicts the projected PCA over-recovery if the PCA were to remain at the -$8 where it is today and that is not what Staff is recommending today. The red line depicts the projected PCA over-recovery if the PCA were to decrease $1 on April 1 to at the -$9, which is going to be Staff's recommendation. For comparison purposes, we also included an option, which is the green line on the bottom, which depicts the projected PCA over-recovery if the PCA were to decrease $2 to a -$10 PCA and that is not what Staff is recommending. The purple line in the middle of the chart is to call the Board's attention to the projections 12 months into the future. When we look back over eleven months in the past at the

50% confidence level, the projections FMPA provided us were an average of 9% more than the actual rate billed. FMPA's projections are conservative and the further out you go, it seems the higher those projections get, we do not know what we will find that far out. The projections to the right of the purple line are being presented because the information is available; however, those projections have historically been even higher than the projections made only twelve months into the future. Since last month's forecast, FMPA's estimates of the price of purchased power for the upcoming twelve months decreased 2%; however, due to the amount of the current over-recovery and historical trends, staff is recommending and requesting approval of a PCA decrease in the amount of $1 per 1,000kWh from -$8 to -$9 per 1,000kWh, effective April 1, 2016.

A motion was made by Mr. Delulio, seconded by Mr. Bey, and unanimously carried to approve a decrease to the Power Cost Adjustment of $1 per 1,000 kWh, from -$8 to -$9 per 1,000kWh, effective April 1, 2016.

Mrs. Penick said the fiscal year ends where our budget does not exactly match and our actual results were either positive or negative. She said this is a bit of a housekeeping item where we need to true up our budget to what the actuals actually turned out to be. With the revenues we did not do too badly and these numbers are in thousands, but we were short about $500,000, which is ½%. Our amended operation and maintenance budget was under about 2.3%. We had expected an increase in net position of about $2.9 million, but it turned out to be about $4.6 million. The charts displayed shows a lot more history and she is less hesitant to present it because she is only doing it once a year. The red bars represent the dollar revenues and the black line represents the electric consumption. As Mr. Hamilton eluded to earlier, our consumption used to be quite a bit higher and it seems to have hit bottom and is starting to come back up. A lot of actual information is in these charts. On the right it displays the amended budget and our final numbers are all the way over on the right. Mrs. Penick said the FY 2015 operating revenues were down 3% from the amended even though the consumption increased 4%. Almost half of the decrease in the operating revenue is attributable to the decrease in the unbilled service revenue. We do that adjustment once a year where at the end of a given month, we know there are services that have been provided that we have not actually billed. We actually estimate it at the end of September and that is the reason for the decrease. The total electric revenues were down 1% as compared to the amended budget. Similar chart for water shows consumption was down 1% as compared to the amended budget and the revenue budget was under stated 2.3% overall due to better than projected capital contributions. Wastewater or sewer, the total wastewater operating revenue was down 1% as compared to the amended budget and the wastewater units billed and total revenues were flat as compared to the amended budget. The Natural Gas System with this little bit of history can impress us all with the fact we had a 52% increase in consumption and revenues since FY 2007. It is due to the addition of two or three contract customers so we increased our volume more than we increased our revenue. There are only a few customers we have to handle through their contracts. The natural gas consumption was down 3% as compared to the amended budget and the total gas operating revenues less gas

costs were up 2% as compared to the amended budget. Total gas revenues were down about 2.5% as compared to the amended budget. For the expenses, the most impressive part of the change presented is that if you exclude the purchases for resale, the total O&M budget since 2006 has decreased 3.6% and that was for nine years. We did have a 2.3% decrease in the O&M budget net of the capitalized labor costs. The reason for the decrease in the expense is because of the lower than expected depreciation expense. We also had the lower than projected purchase power and gas costs, but that did not affect our bottom line because of the lower than projected cost recovery on the revenue side. Mrs. Penick said she has spoken about all the decreases and she wants to mention that we had quite an increase of the employee health plan this year that hit us back in August. The employee insurance costs exceeded the amended budget by 14.5% and exceeded the 2014 actuals by 29%. Keep in mind all the years that FPUA has been able to stay ahead of the curve being self-insured. It is almost bound to happen that we will have a bad year now and again. FY 15 was it for FPUA. The claims in 2016 have settled down so we do not expect that high of a level moving forward. They are a little higher than they were, but we did not have quite the shock we had back at the end of the fiscal year.

Mrs. Mazzarella read the title of the resolution into the record: "Resolution No. UA 2016-05, a Resolution amending the budget of Fort Pierce Utilities Authority of the City of Fort Pierce, Florida for a the Fiscal Year beginning October 1, 2014 and ending September 30, 2015."

A motion was made by Mr. Cavalcanti, seconded by Ms. DeIulio, and unanimously carried to adopt Resolution No. UA 2016-05, a resolution amending the budget of Fort Pierce Utilities Authority of the City of Fort Pierce, Florida for the Fiscal Year beginning October 1, 2014 and ending September 30, 2015.

Mr. Lindstrom said budget season is upon us and that is taking up everyone's time and energy. He said we will be preparing the business unit plans in conjunction with our budget and we will get those dates to the Board. It is Mr. Lindstrom's understanding that Mr. DeIulio is representing the Board at the budget review committee meetings.

Mr. DeIulio said he would be glad to if nobody else can.

Mr. Perri thanked everyone for their service today and said he believes everyone did a good job.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN