MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, MARCH 20, 2018, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Chairman Daniel M. DeIulio; Vice Chairman Darryl Thomas-Bey; Secretary Michael A. Perri, Jr.; Deputy Secretary Glynda Cavalcanti; and Mayor Linda Hudson

Others present: John K. Tompeck, Director of Utilities; Amy Shevlin, Acting FPUA Attorney; Nina B. Penick, Director of Financial Services; Paul Jakubczak, Director of Electric & Gas Systems; and Bowdoin G. Hutchinson, Director of Water/Wastewater Systems

The meeting was called to order by Chairman Daniel DeIulio.

Opening Prayer was by Christelle Myrick of Water Distribution.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Paul Jakubczak, Director of Electric & Gas Systems presented to the Board the Restoring Communities Award from Florida Municipal Electric Association. He said 2017 was an extremely active hurricane season. In September Hurricane Irma hit Key West, tore through the State of Florida, and left a path of destruction. All 34 members of FMEA were affected somehow during this storm. The Florida municipal family came together and performed the herculean task of restoring electric, water, wastewater, and gas services to more than 827,000 customers statewide. For these efforts, FMEA wishes to recognize the incredible dedication FPUA staff made to our customers and the community during this restoration. Mr. Jakubczak said at the 2018 FMEA Lineman's completion, FMEA presented FPUA with the Restoring Communities Award and this is for all the FPUA employees, management staff, and customers for their patience during this trying 2017 period.

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

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to approve the Minutes of the Regular Meeting of March 6, 2018

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

1. POA 18-19: Approve Post Budgeted Project/Budget Request and the Purchase of a 2018 Ford Econoline E-350 Commercial Cutaway Bi-Fuel vehicle from Alan Jay Ford Lincoln Mercury, Inc.

of Sebring, Florida, in an amount not to exceed $52,876.45, under the National Joint Powers Alliance Contract No. 2018-120716-NAF.

2. POA 13-79: Approve the purchase of two servers in the amount of $40,047.76 from Dell Computer Marketing Limited Partnership (Dell) of Round Rock, Texas, through Florida State Contract 43211500-WSCA-15-ACS, contingent on receiving Certificate(s) of Insurance.

3. ITB 18-02A: Approve award of Bid and Contract for (1) Generator Maintenance and Repairs with Newman's Power Systems, Inc. (Newman's) of Fort Pierce, Florida, in an amount not to exceed $35,000 annually; and (2) Contract for Generator Repairs with Paramount Power, Inc. (Paramount) of Largo, Florida, in an amount not to exceed $8,000 annually. The term of both contracts will be from March 21, 2018 to March 20, 2019, with four one-year renewal options, contingent on receiving required Certificate(s) of Insurance.

A card was received from Marquita Phillips of Parkview Baptist Church thanking FPUA for their support to their pantry with food donations for the month of January in the amount of 114 pounds.

A letter was received from Paul Reif of St. Lucie Public Schools thanking FPUA for their contribution to the 30th Annual St. Lucie County Regional Science and Engineering Fair-STEM Competition.

James Carnes, Water/Wastewater Supervising Engineer, presented the Water/Wastewater Engineering budget adjustments. He said Department 66's budget adjustments are centered on three major projects: North Second Street – Seaway Drive to Taylor Creek, Midway Road – 25th Street to US 1, and Avenue M – 25th Street to 13th Street. North Second Street started for FPUA in 2013 with the relocation of Lift Station #8 from the corner of Fisherman Wharf to Indian Drive to North Second Street just south of Fisherman's Wharf. Further utility work was accomplished through an Interlocal Agreement with St. Lucie County whereby the awarded contractor also submitted a bid to perform all the utility work required of the project. Although the prices were slightly higher than FPUA's unit price contractor, the scheduling, coordination and extensive maintenance of traffic required of the project as well as the potential for delays associated with this complex project would have negated any potential costs savings. Mr. Carnes said FPUA remaining obligations to finalize this project are $345,000. He said for Midway Road, on May 16, 2017, the Board approved a contract with Morrison-Cobalt as a sole source, in an amount not to exceed $1,630,105.23 for the relocation of existing utilities and the installation of a new 12-inch water main along the project limits. Unfortunately, the contract was not fully executed by all parties until early August 2017 and as such, all of the work slated to be completed in FY17 did not occur and was pushed into FY18. FPUA's budget deficit of $304,146.75 is needed to fully fund this project's purchase order with Morrison-Cobalt. On Avenue M, this is a multi-year project whereby FPUA will be rehabilitating/replacing the water and wastewater infrastructure

between North 13th and 19th Street in FY17 and North 19th to 25th Street in FY18. The total costs to facilitate this year's work is $582,000 ($302,000 for water and $280,000 for sewer). FPUA is presently designing and generating the total costs of next year's portion of the project and will be included in the FY18 budget. Mr. Carnes said staff recommends approval of Department 66's Budget Adjustments in the amount of $1,231,147 in order to fulfill FPUA's obligations associated with the aforementioned projects.

Mayor Hudson asked if the money is budgeted and just going to be spent in different years.

Mr. Carnes said that is correct.

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to approve of Water/Wastewater Engineering's budget adjustments in the amount of $1,231,147 in order to fulfill FPUA's obligations associated with the North Second Street - Seaway Drive to Taylor Creek, Midway Road - 25th Street to US 1 and Avenue M - 25th Street to 13th Street projects.

Mayor Hudson asked if when they redo the streets, they redo the streets so they are in good conditions.

Mr. Tompeck said yes, FPUA is responsible for any overlays for sure. He said he thinks Avenue M was the project that was part of the revolving loan fund and we are actually doing the whole job there.

Mayor Hudson said she thinks it was and she wanted to say that for the record so if she is asked at the Commission meeting, we have had this conversation.

Mr. Tompeck said the next item is the approval of a Specific Authorization for the work associated with backup power at the WRF. He said this will also include an update on the Consent Order that was talked about at the last Board meeting.

Bo Hutchinson, Director of Water/Wastewater Systems presented information on the Consent Order and the Specific Authorization for Global Tech for the Island Water Reclamation Facility (IWRF) Emergency Standby Generator and Power Improvements. He said he is going to be talking about Hurricane Irma again and some of the effects it had on our wastewater system, the discharges, the Consent Order generated from that, the Corrective Actions & Timelines for completing those corrective actions, and how staff is planning on completing the work. FPUA was cited for four discharges in relation to Hurricane Irma. The first discharge was September 10 where 6 million gallons came from the IWRF plant and September 13 we lost 3 million gallons from the IWRF and this was the event attributed to salt tracking. September 10 to September 13 there was an ongoing issue where FPUA lost 345,266 gallons from a total of five lift stations, the majority of which was from Lift Station A from one event. October 2, we lost 1.25 million gallons from the IWRF when we lost power from the one feed we were being powered from at

that time. Mr. Hutchinson said the FDEP issued a Consent Order. He said the FDEP, after an event like this, they like to have a meeting to do the lessons learned and discuss what we can do to correct it. Mark Kobbe, Dominic Lane, and I went to Palm Beach and met with the DEP and at that meeting FDEP was presented with a correction plan in the form of a memo from FPUA. They were very satisfied with the efforts FPUA was putting forth to keep that from happening again. We actually left that meeting without being under a Consent Order, they told us at the meeting they were not going to put us under a consent order. However, when it made it up to Tallahassee, just because the storm had caused discharges throughout the State, they had to put us under a Consent Order to be consistent with the other utilities and we understood that. The Consent Order was issued and was executed by both parties on February 14. It was based exactly on FPUA's recommendations and on the back of the Consent Order is the memo FPUA provided to them and is what they based it on. Mr. Hutchinson said a few highlights from the Consent Order are by the end of February, FPUA had to enter into a rental contract for a generator(s) sufficient to power the deep injection wells. He said in the event of a power loss, the effluent would still go down the deep injection well, even though the reset of the plant is off, it is a gravity fed system so it would be partially treated. We would not have the anaerobic activity, it would be settled and strained and then it would still be hit with the chlorine and put down the deep injection well as opposed to going out into the river. That is completed as of now. The next three items have to be in place before the following hurricane season next year. That consists of two main transformers that are slated to be replaced, the permanent generator needs to be installed, and the automatic transfer switches will also be installed by that hurricane season. Within 180 days, we have to have our FDEP permits submitted, within 30 days a cost estimate of the work we had planned had to be submitted, and within 30 days the in-kind project had to be submitted as well. It had to have a value of a minimum of $15,000 and had to have value to the plant, but not be directly related to the items in the Consent Order. As part of this project, FPUA's proposal was to do some storm hardening on the building that is going to house the generator, but also houses the electrical room, but our main control room as well. Those activities are beyond what we need for just the generator that was proposed to the DEP a few weeks ago. They have not told us if that is going to be approved as of yet, but they are generally favorable. For a regulatory body, they are very easy to work with. Mr. Hutchinson said if that is not accepted, FPUA will have 60 days to pay a $10,000 civil penalty, which is effectively a fine and $500 in administrative cost regardless in 60 days. He said during the course of the project they ask for quarterly updates. Some of the other corrective actions FPUA has put forth and were completed by the time the Consent Order was issued and these can be broken down into communication and power reliability. On the communication side, we had an issue at the October 2 spill with our SCADA system where the battery back-up failed and has been replaced. With the help of the ITS Department, we have a couple of fail safes to help with that, the system will continuously ping the battery back-up to make sure it is functioning. They will notify us if it is not and it will also ping the SCADA server itself in the Water Plant Control Room. It has a visual and audio alarm if something fails there, if any communication goes down it will notify everybody. In addition to that, there was a new procedure put in place where as at the electrical control room if either of the two circuits that feed the plant go down, they will also start calling personnel from the Wastewater Plant to be able to respond to it as quickly as we can. On the power side, a dedicated

power feed from Circuit 44 replaces Circuit 45. Circuit 45 had multiple nodes on it, more points of failure and Circuit 44 only has the WWP and the Museum on it, so it is a much more reliable and dedicated feed. The power feed switching training we had to go over if we had a failure in a single leg, we have more staff available to run the whole plant on just one leg. Mr. Hutchinson said the next slide was put in to show how the generator fits into our goal into moving this plant eventually. He said the first five items total about $18 million and are items that have already been complete. The next two items are force main projects that are in our budget and proposed for the next year and the following and those total a little over $4 million. The total cost for the generator will be about $3.2 million, but it is being designed, which Mr. Hutchinson said he cannot call it portable, but we are planning on moving it to the new facility if it has not used up its life by then and we do not anticipate that. There should be about $1.5 million we will be able to recover from that, bringing out total investment in moving that plant to about $24 million when we get finished with these projects. Staff plans to accomplish this by recommending Globaltech, Inc. because of their institutional knowledge, they have the resources required to complete this project within the tight timeframe, and they have an exceptional work history with FPUA. Specific Authorization GT 18-02 is an amount not to exceed of $2,945,770.57 and an additional $260,000 is required for overhead and capital interest, bringing the total project cost to $3,205,770.57. It is intended to spend around $995,000 this fiscal year and the rest the following fiscal year.

Mayor Hudson asked what part of that last is already budgeted or is it all new money, the $2.9 million.

Mr. Hutchinson said it is not budgeted as of yet, there is the post budget work order that is included with this authorization. He said the $995,000 is for this fiscal year and we will put the remainder in next fiscal year's budget. It was not a budgeted project.

Mayor Hudson said that is what she thought.

Mr. DeIulio said we are all blaming this on Hurricane Irma and asked if Irma had not hit, is this a project we would have undertaken.

Mr. Hutchinson said the need always dictates the means and in his opinion, this is something we needed for a long time and in staff's opinion as well. He said it is difficult to spend this much money on an asset that you are actively trying to move or retire. It is a little bit of a political argument, but it helps with the fact we are designing this where we will be able to move it to the new facility. Funding is always the biggest obstacle there with moving the plant and if something changes, it allows us to move forward with it as rapidly as we can, staff will run with it.

Mayor Hudson said even though Irma created this, it sounds like it is a necessary protection you were trying to worry along and not do it, so now we have to do it.

Mr. Hutchinson said yes.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti, and unanimously carried to approve Specific Authorization GT 18-02 with Globaltech Inc., of Boca Raton, Florida, in the not-to-exceed amount of $2,945,770.57 and Post Budget Project/Budget Request in the amount of $995,000 for FY 2018, to satisfy the Florida Department of Environmental Protection Consent Order (CO), OCG File No: 18-0025 (CO). The Specific Authorization shall commence upon written Notice to Proceed and end June 1, 2019, contingent on receiving the required Certificate(s) of Insurance.

Barbara Mika, Finance Controller, presented the bill comparisons for the month of January 2018. She said these are the monthly updates on the electric rate comparison and the local bill comparison for the month of January 2018. The first graph displays the comparison of Florida Residential Electric Rates for the month of January for the 33 municipal utilities that operate in the State of Florida. Thirteen of these municipal utilities, including FPUA, are members of the All-Requirements Project (ARP). In this graph the All Requirements Participants are highlighted in red excepting FPUA which is shown in yellow. The members of the All-Requirements Power supply project are given the buying power of a larger group allowing us to purchase power at lower costs. The Florida Municipal Electric Association compiles the billing rates each month from the utilities around the state. The graph shows all municipal electric bills in the State of Florida for the average residential consumption of 1,000kWh. FPUA's January bill for 1,000kWh of consumption at $118.84 remains unchanged since the December comparison. Mrs. Mika said FPUA's probable positon on this graph in blue, which takes into account the additional $2.00 per kWh the Board approved power cost decrease which took effect on February 1, 2018. While FPUA's position among all municipal utilities is unchanged from December, in relation to the ARP participants we have improved by one position since December. The February fuel cost decrease could potentially move FPUA to the mid-range among the ARP participants to the 6th lowest of the ARP group. A few items on the billing rate changes that have occurred since December, of the 33 municipal utilities, 14 utilities have experienced rate changes since December. Four of the municipal utilities had increases ranging from $6 to $10 in one month. These changes increased all of the averages shown on this graph. The average for the ARP increased $1.23 while FPUA's rates remained the same. All of the Investor Owned Utilities experienced rate changes in January with four of them implementing increases. FPUA'S January bill is 7% lower than the current average rate for Investor Owned Utilities. The next graph displays a similar comparison for usage of 2,500kWh. In this comparison, FPUA's January bill has remained unchanged from December at $299.80. Despite an increase in the average rate for the municipal utilities the City of Bartow's decrease of $11.12 pushed FPUA back to the right for January by one position to 9th from the right. FPUA's December bill for 2,500kWh of consumption falls below the comparable Investor Owned Utilities average bill by almost $29.00. Displayed is the January comparison of local Treasure Coast residential utility bills. Included in this comparison are the of total utility bills that an average residential customer would have experienced if they resided in the cities of Fort Pierce, Port St. Lucie, or Vero Beach, or if they lived in the area serviced by the County Utility services of St. Lucie County or Martin County. The bill totals in this table include all of the taxes

and fees that would be applicable in each of these municipalities. Staff has verified the calculation of these averages with actual bills or rate schedules. Since this comparison was last presented, the three local areas serviced by FPL, which are PSL, St Lucie County and Martin County for electric all had slight increases of about .02%. FPL had shifts in tiered rates and $0.07 increase in customer charge in their electric bills. FPUA and Vero Beach bill remained unchanged from last month. On the water and wastewater billings, the only change was with the City of Vero Beach with an increase in their customer charge which was a few cents. Of the three St Lucie County municipalities in this comparison, FPUA's current overall bill for all three services remains the lowest in St. Lucie County. In a comparison of electric services, FPUA's bill as of January was 5% lower than Vero Beach. The last table has a more detailed comparison of these local residential bills with a breakdown of the fees for services, taxes, and other charges to the customers in these different service territories. This item is for information only and requires no action on your part.

Nina Penick, Director of Financial Services, presented the September 2017 Quarterly Financial Operating Results for the ten months ended September 30, 2017. She said she will presenting three interrelated items and this is basically our standard monthly presentation for the quarterly financials. Last year we did not provide the Board those quarterly financials and she found that inappropriate because it had information in it that was a simpler form and better overview. For example, the budget versus actual and Mrs. Penick thinks that should have been presented to the Board as well, but the quarterly financials have the same information in it as does the Comprehensive Annual Financial Report and the Final Budget Amendment, the resolution that will be at the end of our meeting. They are all the same numbers so she will not go over the same thing over and over so she is going to do it once. FPUA's operating income was up and our Capital Contributions were down in very similar amounts. We have spoken about it over and over again, this is a direct result of developers exercising the capacity reduction option, which is a win/win situation for both the developer as well as FPUA. Although the developer reduces their capacity, their ability to construct water and wastewater units, it allows them to pay off their Guaranteed Revenue Charges (GRCs) and continue on without any out of pocket costs. A number of Supply Agreement Amendments have come to the Board and we will continue to talk about this again because in FY 2018 there were a number the Board has approved since. You will not hear the end of it, but basically we are taking the money out of one pocket and putting it in another. It looks like there are big changes in the financial, but it is not that significant. The increase in net positon, which in a for profit entity, it is not net income. It is down by $334,000 and when talking about numbers this big, that is reasonably insignificant. The increase in net positon for the year was about $2.7 million. Instead of getting three years, you get ten years of history for each of the different systems. Our unit sales as well as the revenue that is generated are a result of our customer billing. The difference between FY 16 and FY 17 was basically flat, the next to the last item is the amended budget. We had estimated fairly low and in error, the consumption is fairly flat and the revenues from last year to this year is flat. The reason the revenues decreased so substantially over the ten years is because we had rate decreases, $4/MWh in 2011, $4/MWh in 2013, and $1/MWh in 2014 totaling $9/MWH over the course of those four years so we have

learned to do with less. On the water side, we did some increases, the water operating revenues were up 8% for FY 16 and the consumption increased about 4%. The reason the revenues are up in the amended budget as well as the actual, the 8% is the result of the payment of the GRCs. It will probably be two years of fairly high looking revenues and then we should expect to see a normal at the FY 15 and FY 16 numbers. It will not stay up here forever. On the wastewater side operating revenues were up 2% from FY 15 and units billed up 0.2%, basically flat. The increase over FY 15 and FY 16 is primarily a result of the capacity reduction option being exercised. Natural Gas over the last ten years, the operating revenues less gas cost were up 2% from FY 2016 and consumption up 3%. This was the amended budget and we estimated a little bit high, but no dramatic changes in the gas system. Operations and maintenance overall showing a 10-year history, if we exclude the electric purchases for resale, the total O&M expenses have decreased 1.3% since FY 2008, which is kind of crazy. It has been flat for ten years and we have done an excellent job on holding the line on costs, which we can control. We cannot control our power cost or cost of natural gas, but the rest of the expenses, staff has done a very good job of controlling. In FY 2017, the O&M expenses were 3.5% below projected, but 3.2% above FY 2016 actual results. The big differences from one year to the next was the cost of purchased power up $1.51 million or 3.6% so that was a big chunk. There was an increase in our accrued pension costs of $1.0 million, they are not cash costs, but they are booked in our accounting system based on the actuarial report that is presented to FPUA from our pension actuary. We did have an increase in maintenance and service contract of $724,000. That has been more a result of obtaining contracts with vendors we would just do casual repairs and maintenance with previously. Those were the significant items to be noted for the year. Mrs. Penick said the operating income for the rolling 12 months ended September 2017, the debt service coverage ratio is 3.25, which is more than double the 1.25 required by FPUA's bond covenants. The increase in the operating income is result of recording the capacity reduction option being exercised as discussed earlier. The City Distribution will be up this year and will be $6.1 million once the City Commission accepts the audit. It has been steadily increasing over the years and if anybody is interested, page 37 of the Notes to Financial Statements, which is in the CAFR and it is also in the quarterly results as well. The calculation you can see what we include and what we do not include. It is Note E to the financial statements and will give you a little bit more information about the City Distribution.

Mayor Hudson asked if FPUAnet is in here.

Mrs. Penick said it is this year and is part of the increase.

Mayor Hudson said but not in the CAFR page you just pointed out.

Mrs. Penick said it is not being eliminated any more so you cannot see what is not there. She said it would have been a reduction of gross income in years past and you saw it there. It is less than $500,000, but we felt although FPUAnet was never contemplated in 1972, but we treat it as a utility just like electric, water, wastewater, and gas. We felt it was reasonable to include that revenue as well so we did include it this year, but that is not all the difference. It is mostly increased revenues. We do not pay distribution on contributed capital, but we do on operating

revenue so that is another impact of the capacity reduction option. It had a huge impact on our financials this year. Mrs. Penick said Jim Hartley is in the audience, who is the partner in DiBartolomeo, McBee, Hartley & Barnes and is available to answer any questions. FPUA very much appreciates his service again this year. Every year we have to hustle to get this done because we have deadlines and there is some information that is just not available until so late after the year has already ended. It is really tricky to get this produced in a timely manner. She thanked all of her staff in particular Barbara Mika as well as the rest of the staff that has helped to put this all together because it is a challenge every year. She very much appreciates it getting done in a timely manner. The quarterly financial operating results are for information only and if there are any questions, she would be happy to answer them.

Mr. DeIulio asked if there were any questions on G-4 before we move to G-5.

Mayor Hudson said she had questions on G-5.

Mrs. Penick said Item G-5, the FY 2017 Comprehensive Annual Financial Report (CAFR), she would like to request the Board's approval of the document. She said the information contained in the CAFR is exactly the same as the information that is contained in the quarterlies. There is a transmittal letter and management's discussion and analysis, and financial statements that give a lot more detail of what has happened during the year. In the statistical section in the back, we have ten years of history of what FPUA has done for the last ten years. The Board can see how consistent we have been year in and year out. If you have any questions concerning the CAFR she would be happy to address them.

Mayor Hudson said she has a few statements and is not sure if any of them are questions. She said on page 20 of the CAFR it states we have a Fitch Rating of A+ and a Standard & Poor's A, is that correct?

Mrs. Penick said that is correct.

Mayor Hudson said that is pretty good.

Mrs. Penick said yes it is.

Mayor Hudson said that means good things for our company and it is in good health.

Mrs. Penick said yes and should we need to borrow money in the future, we would get a more favorable interest rate.

Mayor Hudson asked if our debt is at $72 million.

Mrs. Penick said she believes that sounds about right, it keeps dropping each year and we have not been adding to it.

Mayor Hudson said she asked Mrs. Penick about FPUAnet, but she has a couple of other pages marked, if she would bear with her. Mayor Hudson said she talked to Mr. Tompeck and that she was interested in the revenue we get from customers outside the City, which is on pages 70 and 71. She said also the number of customers in the different system and asked if that is in the CAFR someplace.

Mrs. Penick said no, she would get that to the Mayor.

Mayor Hudson said she would be interested in that. She would also be interested in a presentation to this Board at some point and if the rest of you agree on the retirement system. She is not sure we have ever had that and she was at the Retirement Board the other day and saw the actuary report and now has it downloaded. Mayor Hudson said she thinks this Board would benefit from knowing what the retirement system is, if that is agreeable with the Board.

Mr. Bey said yes.

Mayor Hudson said she would like to ask about the debt service and said she read this a little bit more carefully than she normally does because of what is happening. Mr. Tompeck is going to talk later about what is happening at the County and what is happening at the City with the request for an ISBA and the County is proposing a regional utility and this Board is going to have to be active in that. We are going to have to know the information that is in this book to be on top of what we have as opposed to what the County has in terms of utilities, especially water. Mayor Hudson said she just wanted to call the Board's attention to the fact that there is a lot of good information in this CAFR that could benefit us.

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to approve FY 2017 Comprehensive Annual Financial Report as presented.

Mr. Tompeck said the next item is requesting Board approval for a decrease in the Electric Power Cost Adjustment (PCA) of $2 per 1,000kWh, from $0 to -$2 per 1,000kWh, effective April 1, 2018. He said this is always a popular item.

Mayor Hudson said we can breeze right through this, she thinks and asked if we just did $2.

Ms. Cavalcanti said yes.

Mrs. Penick presented the Status Report on Electric Power Cost Adjustment (PCA) for February 2018 and updated projections through February 2019. She said it is always a pleasure to bring forth to the Board the power cost information and we are looking at decreasing the PCA $2 this

month. The PCA is the mechanism by which FPUA recovers the power costs from our customers that is in excess of the $79.52 base power cost, which is included in the base rate. The cost of power purchased from Florida Municipal Power Agency (FMPA) for the month of February was billed to FPUA at the rate of $71.41 for 1,000kWh, a decrease of $11.24 as compared to January. Mrs. Penick said she made a statement a month ago that we were hoping it was going to be a one-time blip and it was one. She said we had an over recovery from the customer for the month of February that totaled $153,755. As you can see in the slide, the cumulative over-recovery is almost $5 million as of February 28, 2018. Even with the $2 decrease staff is recommending, it really does not bring us that far below the $4 million ceiling, it is still going to take us a couple of months to get down there. The graph up on the top, each line represents what the over-recovery would be if the projections are correct. The projections shown are prepared by Public Resources Management Group (PRMG), which in turn are based on projections prepared by FMPA. Since last months' forecast, FMPA's estimate of the price of purchased power for the upcoming 12 months decreased 0.5%, which is not a significant decrease. Because of the level of the over-recovery, staff is recommending at this time a $2 decrease to the Power Cost Adjustment effective April 1, 2018. Mrs. Penick said we also have an option to hold off and perhaps do $3 in July and that is the gray line on the graph. She said there is not much difference. In order to get us back down within the range, not only are we going to need to make this adjustment at this time, we will probably be doing another adjustment as the temperatures rise.

Ms. Cavalcanti said another adjustment down.

Mrs. Penick said another adjustment down in the future and it seems like those lines need to go down overall. She said the reason why it is up as high as it is and why we let it stay where it is, we have not presented it here today, but we do have projections that go out to September 2019. It shows a dip down to $1 million during that time, it just never seems like we ever get there. That is why we try to be very consistent in looking 12 months out, it seems to look that much further out and we are not getting the straight skinny on it. We are optimistic we will be able to make another adjustment in a month or two, but felt we needed to do $2 at this time.

Mr. Tompeck said one of the things we looked at is the Board had requested we do the adjustment sometime in July to help the customers in the warmer season. He said we have taken a look at what we expect the price of gas to be and it looks like it will remain fairly flat right now. The other thing that was presented to us at FMPA last week is they always look at the weather forecast of what kind of heat we expect. The map for April was terrifying in terms of the amount of heat, it looked like it was supposed to be an above average month for heat. We can start to help our customers a little bit in April and recognize some of our friends from the north will be returning. We thought it would be a good idea to go ahead and do it now.

Mrs. Penick said Easter is early this year.

Mayor Hudson asked if it was six months ago we were estimating we would increase $1 every month for the rest of our natural lives.

Mrs. Penick said she thinks it was longer than that.

Mr. Tompeck said that is a critical point and to him it does not make any sense to look at this more than one year ahead.

Mrs. Penick said staff is recommending a decrease to the Power Cost Adjustment (PCA) of $2 per 1,000kWh, from $0 to -$2 per 1,000kWh, effective April 1, 2018.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti, and unanimously carried to approve a decrease to the Power Cost Adjustment (PCA) of $2 per 1,000kWh, from $0 to -$2 per 1,000kWh, effective April 1, 2018.

Mrs. Penick said she covered all the highlights of the Operations and Maintenance budget. She said the Final Budget Amendment is a house keeping item. We take the amended budget, which is the budget the Board approved back in August and include the actuals, which represents the final budget amendment. She said we did project fairly well overall. If you look at the electric and the gas, we over estimated and water & wastewater we under estimated. Our cost were about $3.7 million or 3.5% less than what we had in the Operations and Maintenance budget. We had expected a decrease in net position of $1.2 million, but it turned out to be an increase of $2.7 million instead. This is a house keeping item and staff is requesting the adoption of Resolution UA 2018-03. Mrs. Penick requested Mrs. Mazzarella to read Resolution UA 2018-03 title into the record.

Mrs. Mazzarella read as follows: "Resolution NO. UA 2018-03, A resolution amending the budget of Fort Pierce Utilities Authority of the City of Fort Pie9rce, Florida for the Fiscal Year beginning October 1, 2016 and ending September 30, 2017."

A motion was made by Ms. Cavalcanti, seconded by Mayor Hudson, and unanimously carried to adopt Resolution No. UA 2018-03, a resolution amending the budget of Fort Pierce Utilities Authority of the City of Fort Pierce, Florida for the Fiscal Year beginning October 1, 2016 and ending September 30, 2017.

Mr. Tompeck said as a follow up, we will be taking these items to the City Commission on April 2.

He said the Charter Review Commission final report went to the City last night. After some discussion, the City Commission accepted the results of the Charter Review Commission and the next step will be for the City to prepare a resolution. To highlight, the items they talked about is the joint planning session and the selection of Board Members, there was more discussion about that. There are no changes to the Charter to be required.

Mr. Tompeck said the Mayor mentioned this item, which goes back to January where the City passed Resolution 18-R02 to initiate the process for an Interlocal Service Boundary Agreement (ISBA) with the County. He said the section of property involved is the northern section of the City, east of North 25th Street and north of South Florida Water Management District, Canal C-25, the Paradise Park area. In the resolution is the establishment of a municipal service area for which the City may plan to annex in the future. The County developed a responding resolution, which they are required to do in 60 days which went before the County Commission this morning and passed. There are two key items to the resolution: The County Commission adopted the resolution to commence discussions and negotiations to enter into an ISBA and the one that concerns FPUA is the second part, which is to initiate discussions with the City and FPUA to create a Regional Water and Sewer Treatment Authority for North/Central St. Lucie County. We are not sure why this is connected to this resolution, but this a subject that comes up every few years and to this point there has never been any serious discussions. The inherent problem with forming this type of regional organization is the imbalance between FPUA and the County. FPUA has a well-developed infrastructure, capacity availability, and low debt; the County does not. We have difficulty seeing how a regional structure would benefit FPUA customers. Mr. Tompeck said FPUA has talked to them occasionally on this subject and are certainly willing to listen and exchange ideas with the County on this concept and we will do that. He said this is a tremendously complex issue and he wants to be sure the Board understands this complex issue. Bo Hutchinson and I will be putting together a detailed position paper so the Board will know the relative information on both the County system and FPUA's system. To do this right it will take us a couple of weeks so we will get it to the Board as soon as possible. FPUA is available and ready to talk to the County when they are ready to talk.

Mr. Bey said they seem to be tying this regional authority to the removal of the wastewater treatment plant from the island and he asked if that is a good or bad thing or does it work any better.

Mr. Tompeck said he is not sure it will make it work any better. He said staff has shown the Board a couple of presentations on the moving of that facility. No matter how you shape it, it is going to have to be some kind of County/City/FPUA joint effort to move that just because of the cost. We do not necessarily agree it should be located at the airport, which is one of the suggestions, but we do agree it certainly has to be a joint effort. Nobody can handle that alone. Mr. Tompeck said he thinks that can be handled separate from the regional concept and we certainly want to talk about that as well. This is something everybody is interested in and FPUA is interested. As Mr. Hutchinson has shown on his slides, FPUA has sunk a good deal of money in the Selvitz Road site, so we would hate to see that money wasted. Whatever works, we are willing to do, FPUA is as interested in moving the plant off the island as anybody else. It is just about the money. We will have that position paper to the Board in a couple of weeks.

Mr. Tompeck said the VB/FPL sale document vote was tabled at the FMPA Board of Directors meeting last Thursday. It was more a procedural thing, the agenda package for the Board of Directors meeting came out Tuesday and it was 1,100 pages long and some of the Board Members did not feel they had a chance to read those 1,100 pages in two days. They tabled it and there is no significant issue, but they wanted a chance to read the documents. It will be voted on tomorrow morning at a telephonic meeting at 10:00.

Mr. Tompeck said the Strategic Planning meeting is scheduled for April 30th at IRSC and invitations will be sent out this week. He said this will include our Board, the City Commission, our Department Managers and some other people as well. We are working toward that and are anxious to have that Strategic Planning meeting since he has been promising it for four months.

Mayor Hudson said she would like to add on to what Mr. Tompeck said and she thinks we have to take this seriously. She has talked with John and is glad we are going to get the facts so we have to entertain it. It was interesting what was said today at the County because Commissioner Hutchinson, who is the County Chair, said this is not a war, this is conversation, and this is a process. He said the City has initiated the conversation, did not include a regional utility in the conversation, the County came back with that. Mayor Hudson said she thinks there may be one Commissioner who is much more devoted to this idea than others, but there was very little conversation today. She said it is a statutory process and what we have to do is show we are open to the idea, if it does not work, then that becomes obvious it does not work. We have to go through the process and she thinks we have to be a part of it and not just the City and the County. She thinks at some point, there probably needs to be a joint meeting of all three bodies and she is told that has happened in the past, but not since she has been Mayor. This is going to require this Board to be actively involved and understanding what Mr. Hutchinson is going to present and really knowing our system and knowing our strengths and weaknesses. It is going to be kind of a bargaining situation or a negotiation almost, but a process. Mayor Hudson said she thinks we are going to have to spend some time on this. She hopes that part of this idea and in moving the WWTP is one of those things everybody wants and nobody knows how to do, but it is perceived we do not want to do it. That is incorrect and she does not want anybody to get defensive here and she knows it is not correct. Outside parties are saying they are not moving fast enough, we are going to force this issue. We have to continually show we are dedicated to this too and are serious about it also. We all know it is about money and some people do not accept that.

Mr. Tompeck said we are going to have a very extensive discussion about this at Strategic Planning.

Mayor Hudson said good and thank you. She does not know if this belongs on Strategic Planning, but asked Mr. Tompeck if he remembers her talking to him about Agenda Quick and having the agendas electronically produced to save you all this paper. She said the City has been very successful at the way they do their agendas now. Every department uploads their information

on Agenda Quick and it is made for a very efficient system. She would like to suggest that we at least discuss that and does not know if Strategic Planning is the time to do that. It is a staff administrative thing and so maybe you can just look into it.

Mr. Tompeck apologized and said the Mayor had mentioned it to him before and he just has not had a change to get with Linda Cox and go through it with her, but he will.

Mayor Hudson said that is fine and thank you.

Mr. Bey said last week we had a company picnic and it was the first one we have had since he has been on the Board and asked if he was correct.

Mr. Tompeck said it has been a while.

Mr. Bey said he thinks it has been five years since the first one he attended. He said it was a very good event and wanted to thank staff and said they did a wonderful job. He saw it as a very good opportunity to meet some of the staff and employees he does not necessarily see since we have standing room only in these meetings and everybody does not get a chance to come. Getting to meet and greet them at the picnic was a great opportunity. Mr. Bey said he would be in favor of continuing that and making it an annual event if it works, if he could get two other votes.

Mr. Tompeck asked if Mr. Bey actually got on the paddleboard, he was looking for that.

Mr. Bey said he was on the parasail and that is why Mr. Tompeck did not see him. He said with his wool shirt on.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN