MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, MARCH 21, 2017, 4:00 P.M., CITY COMMISSION CHAMBERS.

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

Others present: Clayton W. Lindstrom, Director of Utilities; Amy Shevlin, Acting FPUA Attorney; Nina B. Penick, Director of Financial Services; Paul Jakubczak, Director of Electric & Gas Systems; Bowdoin G. Hutchinson, Director of Water/Wastewater Systems; and Evelyn I. Walker, Director of Shared Services.

The meeting was called to order by Chairman Cavalcanti.

Opening Prayer by Carol Johnson, FPUA Human Resources.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Nina Penick, Director of Financial Services, presented the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Award for FPUA's FY 2015 Comprehensive Annual Financial Report (CAFR). She said the 2016 Report is being presented today. The GFOA recognizes governments, which have gone beyond the minimum requirements of generally accepted accounting principles. FPUA's CAFR was judged by an impartial panel to have met the high standards of the program to evidence the spirit of transparency and full disclosure to clearly communicate its financial results. FPUA has received this award since 1995, which is 22 years. FPUA was one of 282 governments in the State of Florida to receive the Certificate of Achievement for Excellence in financial Reporting. Ms. Hurtubise thanked everyone involved in putting the report together each year and doing such a good job.

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

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to approve the February 21, 2017 minutes.

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

1. POA 17-47: Approve piggyback of City of Port St. Lucie Sealed Electronic Proposal No. 20130125 and Contract with SEMS Technologies, LLC of Suwanee, Georgia, for the purchase of Asset Management/Work Order software, implementation and maintenance, in an amount not to exceed $82,900. The term of this Contract will be from March 22, 2017 through March 21, 2022.

2. RFP 17-24: Accept proposals from and approve Contracts for Weatherization & Educational Outreach Program plumbing and water heater services with Farmer & Irwin Corporation of Riviera Beach, Florida and K.R.K. Enterprises, Inc., of Fort Pierce, Florida, in an amount not to exceed $45,000 annually ($22,500 each). The initial term of these Contracts will be from March 22, 2017 to March 21, 2018, with four one-year renewal options.

3. Approve the Federally Funded Public Assistance State Agreement with the State of Florida, Division of Emergency Management, of Tallahassee, Florida, related to reimbursement of costs incurred related to preparation for and cleanup and restoration of utility service after Hurricane Matthew. The Agreement will take effect upon its execution by the last of the signatories and will terminate upon approval of account closeout by FEMA.

An email was received from Steve and Pat Hollingsworth thanking Raul Barrera of Customer Solutions for helping them walk through the process to set up a utility account on line.

Mr. Lindstrom said Item 1 is the compensation package that was approved in this year's budget.

Eve Walker, Director of Shared Services, presented for approval an overall average 3% pay increase for FPUA employees not to exceed the second half of fiscal year 2017 budgeted amount of $211,600 effective March 27, 2017. She said with approval of this pay increase, as was stated to the Board during the Compensation Workshop, there is no additional impact on the rates as the five-year rate sufficiency for all four utilities included annual pay increases. Implementation of this year's budgeted increases at the 3% level will help us to keep pace with competitive markets for utility personnel and continue to bring employees' salaries closer to the cumulative inflation rate. Some points to support this assessment provided at the workshop included that FPUA does not provide employees with pay for performance increases. Employees' increases are only obtained by these annual increases other than promotions to another position, adding on additional duties to keep staffing levels low or movement through a formalized progression plan such as our operators or mechanics. Approximately 60% of FPUA's employees are at or below the mid-point of their associated pay range. Mrs. Walker said FPUA is a utility company with a uniquely skilled workforce and our most comparable employers are other utility companies with whom we compete for competent employees. She said a review of comparable public sector employers by our compensation consultant, Parilla & Associates, has indicated that these employers' increases have been running between 2.5% and 3.0%. In fiscal year 2016, FPUA was still 25 positions below and approximately $488,000 less in actual salaries and wages as

compared to fiscal year 2009. FPUA continues to keep position counts down and employees continue to take on additional responsibilities to enable us to keep this low level of staffing. Even with a 3% pay increase, we would remain below the cumulative inflation rate from 2007 through 2017 by 1% in comparative raise months. If no increase is given in FY 2017, FPUA would fall to 4% below the cumulative inflation rate. In conclusion, it is staff's recommendation for the Board to approve an overall average 3% pay increase not to exceed $211,600 for the second half of fiscal year 2017, effective March 27, 2017.

Mayor Hudson asked if the $211,600 includes the increase in the pension cost.

Mrs. Walker says it does not include the pension plan, it was strictly the half year and the estimated annual increase to benefits is a little over $45,000.

Mayor Hudson said when the Compensation Study was presented, Mrs. Walker had the approximate costs that were projected for 2018 at $84,284 and asked if that was annual costs.

Mrs. Walker said it was, but those budget numbers were something we are going to discuss during the budget workshop. Those numbers are what was presented at the Compensation Study.

Mayor Hudson said Mrs. Walker just said that is the approximate cost.

Mrs. Walker said for FY 17.

Mayor Hudson said for a half year of benefits.

Mrs. Walker said that is correct.

Mayor Hudson said she was doubling so what was said for 2018 was $84,000 for benefits.

Mrs. Walker said she believes at the time Mrs. Penick stated the numbers were a little under what is believed the numbers should be. She said part of it could be the calculations because these are not static numbers, they are dynamic and there is an increase to the retirement.

Mr. Delulio said the compensation study Mayor Hudson is looking at is different than what Mrs. Walker is talking about now.

Mayor Hudson said she knows and she is talking about a specific figure in it.

Mr. Delulio said that figure is based on all the other numbers in the study and we are now talking strictly about the 3% increase that will be affective now. He said that has to do what we will talk about later today.

Mayor Hudson said she understands that. She would like to know if the $211,000 needs to have the $45,000 added to it with the increase in benefits.

Mrs. Walker said that is correct, it is approximately $45,000.

Mayor Hudson said what was budgeted was 2.5% and asked if that is what she heard at the Compensation Workshop.

Mrs. Walker said she believes the budget states 3% for the second half of FY 17. She said it specifically states 3%.

Mayor Hudson said she must have misheard that then.

Mr. Delulio said the 2.5% was the 5-year study number.

Mayor Hudson said that is probably what she heard.

Mr. Delulio said Mrs. Walker stated FPUA is at where 60% of employees are at or below the midpoint of their associated pay ranges.

Mrs. Walker said that is correct.

Mr. Delulio said if we use the numbers the consultant provided and go with the more correct numbers, then it is really 80%. He said the 60% number is based on the current ranges we use now, but if you look at the study, it is 80% of the employees that are at or below the mid-range when comparing what FPUA employees are paid to others in the area. He just wanted to point that out.

A motion was made by Mr. Perri and seconded by Mr. Delulio to approve the overall average 3% pay increase for FPUA employees not to exceed the budgeted amount of $211,600 for the second half of Fiscal Year 2017 effective March 27, 2017. Mayor Hudson voted no and those voting for approval were Mr. Bey, Mr. Delulio, Mr. Perri, and Mrs. Cavalcanti; the motion passed.

Mr. Lindstrom said the Director of Utilities and the Attorney are independent from this study on contract so the next item is for the Board's consideration for any potential adjustment in salary.

Mrs. Walker said the 2017 FPUA Director and Attorney Compensation Package is a discussion item for possible action by the FPUA Board and there is no staff recommendation. She said compensation and benefits for the Director of Utilities and the Attorney are set at the discretion of the Board. Both the Director of Utilities and the Attorney have indicated they would be satisfied with the same percentage increase as the average 3% pay increase requested for all

FPUA employees which would equate to approximately $7,600. This is a discussion item and the Board can take action as determined to be appropriate.

Mayor Hudson made a motion that the Director of Utilities receive a 3% pay increase, it was seconded by Mr. Delulio, and approved unanimously.

Mr. Lindstrom said thank you. He said Mr. Koblegard is home sick and the Board can discuss his salary as well. Mr. Lindstrom has not discussed it with Mr. Koblegard.

Mayor Hudson said she is recusing herself from this vote because she is related to Mr. Koblegard.

A motion was made by Mr. Perri to approve a 3% pay increase for Mr. Koblegard and it was seconded by Mr. Delulio. Those voting for approval were Mr. Bey, Mr. Delulio, Mr. Perri and Mrs. Cavalcanti. Mayor Hudson abstained and the motion was approved.

Amy Shevlin, Acting FPUA Attorney thanked the Board on Mr. Koblegard's behalf.

Mr. Lindstrom said FPUA has engaged in a two part classification study with Ralph Parilla, which looked at our job descriptions, salary ranges, and our grades compared to the old classification study FPUA had in place. He said Mr. Parilla was also asked to look at the compensation comparisons with other utilities and municipalities. Mr. Lindstrom believes Mr. Parilla looked at 15 municipalities and some independent investor owned utilities as well. He said staff is only looking at the classification piece of this at this time, the salary grades and the salary ranges.

Mrs. Walker said staff is recommending approval of the new salary structure and position placements from the fiscal year 2017 Classification Study performed by Parilla & Associates to be implemented October 1, 2017. In the 4th quarter of 2016, Parilla & Associates, conducted a study and analysis of FPUA's current salary structure and positions. She said the scope of the classification portion of the study was to reduce the number of pay grades if viable, consolidate where possible positions by combining like job functions to decrease the number of job titles, and compare FPUA's salary ranges minimums and maximums with comparable entities salary range minimums and maximums to ensure FPUA maintains its competitiveness in the labor market. The salary ranges comparative data indicated on average FPUA's salary range minimums are 5.4% below and the maximums are 4.6% below similar positions in the public sector comparable entities, on average FPUA's salary range minimums are 7.5% below, and the maximums are 7.4% below similar positions in the private sector comparable entities. This classification study resulted in Parilla & Associates recommending a reduced number of positions being reslotted into a new salary structure with six fewer pay grades that brings FPUA's minimums to 0.9% below and the maximums to 3.1% above the comparative labor markets. Mrs. Walker said that in conclusion, staff is recommending approval of the new salary schedule and position placements from the 2017 Classification Study by Parilla & Associates for implementation October 1, 2017.

Mayor Hudson said when the consultant presented his study, she saw he made some assertions, but they were not proved. She does not know how he came to where our employees fit in comparison to the public and private sector. He basically said the same percentage Mrs. Walker did, but he did not give any backup to prove it and she does not feel like they are proved conclusions. Mayor Hudson said with the unknown cost of these salaries, she understands one of the recommendations is to try and bring everyone up to the minimum.

Mrs. Walker said what is being requested today is just the salary structure, which is the pay grades with the ranges and just the slotting of the new 106 positions into those pay grades.

Mayor Hudson said then staff is not asking for the five recommendations that were made by the study.

Mrs. Walker said no, she is just asking approval for the classification portion of the study, nothing else.

Mayor Hudson asked if the numbers given to the Board for the approximate cost in 2018 is automatic with what is being approved today.

Mrs. Walker said no they will be brought back to the Board for discussion at the Budget Workshop.

Mayor Hudson said one of the things that happens is we approve something that cannot be undone, she does not want the cost to be beyond the Board's capability. She is concerned about future costs and being able to project future costs. Consolidating the schedules and if it is just that part of it and they are not automatically saying they are going to bring everybody up to the minimums and midpoint is not being done with this motion, is that correct.

Mrs. Walker said that is correct, we are just doing the salary schedule and the position slotting.

Mr. Bey asked when the salary grades and job titles were first structured or drawn that FPUA is working off now, how old they are.

Mrs. Walker asked if Mr. Bey is asking about the current pay grades.

Mr. Bey said yes.

Mrs. Walker said those were redone back in 2014 she believes.

Mr. Lindstrom said in 2013 was the recommendation and it did not change until 2014. He does not have any history as to how long it has been in place prior to that time.

Mrs. Walker said in 2013 staff did do a new pay schedule.

Mayor Hudson asked what the highlighted yellow positions on the enclosures are.

Mrs. Walker asked if Mayor Hudson is talking about the slotted positions.

Mayor Hudson said yes.

Mrs. Walker said initially when she received the classification study, Parilla and Associates had slotted the positions into the various pay grades. She said the Classification and Compensation Committee then reviewed that and made some changes based on FPUA's internal equity needs for the company. The yellow ones are the ones the Classification and Compensation Committee made changes to. He may have slotted it here and the committee decided on internal equity and decided to slot them in another position.

Mr. Delulio said when we had the workshop the other day, he specifically asked about where his information came from. His concern was not having the details to backing everything up and maybe mixing apples and oranges. Mr. Parilla was pretty clear and satisfied Mr. Delulio in saying the compatibles he used were other utilities in the middle part of the state primarily. He did not have all the numbers to back it up but assumes the numbers were from those different utilities and are fairly accurate. Mr. Delulio said he is also assuming when he provided us information on how to consolidate the different job descriptions, if we follow up and do that, it will allow the Board to have a better comparison on how we pay our employees compared to other employees in our general area. When we go to hire new employees, we will know what range they need to be in and also to retain employees. There was not a lot of detail as to what backed up the numbers and Mr. Parilla could provide it to the Board. He was pretty confident that the numbers he based these ranges on were some pretty reliable sources. He did not include certain utilities that the numbers were outdated and did not include any comparisons from what Mr. Delulio could gather from other cities unless it was a utility position within those cities. That is important because FPUA has a pretty unique workforce and primarily specialized positions as to the work they do. It would be unfair to compare what FPUA employees get paid to what other nonutility employees get paid. Mr. Delulio said he is satisfied with the information Mr. Parilla presented in the workshop because beforehand he had some concerns, but he was able to resolve those during the meeting. He understands what the Board is doing tonight is to either agree or disagree on what Mr. Parilla wants to do in consolidating these positions. It would be nice if we could have a starting point to work from and then in the future look how we are going to try and make it where our pay range and pay scales are more in line with our competitors in the region. Mr. Delulio said he is satisfied with the work Mr. Parilla presented.

Mrs. Walker said as Mr. Lindstrom stated, Mr. Parilla did about 15 entities where he went out and looked at comparable positions. She said it was not just looking at job title to job title, he went through FPUA's job descriptions and job functions as well as the minimum qualifications, and did a comparison on that basis. Mr. Parilla had the private industry data base he has from

his years of experience where he did comparable positions. Those administrative positions would be basically from any entity is where he would do those comparisons.

Mr. Bey said he also was impressed with the information Mr. Parilla gave the Board. He said we received valuable information in regards to the interviews done with employees on how they felt about the company and how they felt they were able to move through the company with regards to pay raises or lack thereof. The information was informative and Mr. Bey was satisfied with what he gave them.

Ms. Cavalcanti said she was looking at the compensation study and Mr. Parilla said the data was gathered from the public sector and there were 14 listed. She said of them, Palm Beach County was on there and she did not know what utility was there. Lake Worth was not listed and they do have a utility and the only other utility Ms. Cavalcanti saw was Kissimmee Utilities. She said perhaps some of the others listed have a utility as Lake Worth and was surprised Lake Worth was not include in the study. The report said "gathered from private sector" and there was nothing. Ms. Cavalcanti finds it hard to understand we have nothing to look at and see what exactly was gathered. She is a person that wants to look at source data. She stated another concern she has is why we are not doing this the same time we go with the increase in salary because to her one goes hand in hand with the other. If we approve this today, then we are compromised to go along with the increase in salary. Ms. Cavalcanti requested a copy of the contract with Parilla and Associates and the invoice is for $16,650, which is what we paid. She said there was a compensation study done within the last three years and about 1 ½ years ago we could not afford $5,000 to bring the guy back to explain it to us when there were questions. We only paid $16,650, but his scope of work presented to us was for $18,650 that was emailed to Ms. Cavalcanti and left off was the high level benefit analysis for $2,000. Usually when someone does a scope of work they rarely go below the amount they quoted so she is concerned as to what was left off and found the high level benefit analysis was left off. Ms. Cavalcanti said she heard what Mrs. Walker said about how we may be 7% or 5% under, but we have a 13% to 15% contribution to a pension plan. She has checked with a number of businesses around here large and small and the maximum we are getting is a 5% max on a 401K or 403B. When you take off the 14% and move that down to 5%, then FPUA is right in line, which is what it looks like to her. She is very concerned about the step program when she looks at some of the people's salaries provided and asked what point they are, mid quarter or initial. On Mr. Parilla's study the new pay grades there is the first quartile and midpoint, and Ms. Cavalcanti asked how staff picks what salary a person will go into.

Mrs. Walker asked if she means upon hire.

Ms. Cavalcanti said no the current employees.

Mrs. Walker said current employees are at the salary they are at.

Ms. Cavalcanti said if we approve this today and then in the budget workshop we approve the new numbers taking Mrs. Walker as an example, what quartile she will be in on the recommended pay raises.

Mrs. Walker said she would be Q 1 or below.

Ms. Cavalcanti asked on the attached schedule Mrs. Walker would be Q1 or below?

Mrs. Walker said that is correct.

Ms. Cavalcanti asked how that is determined.

Mrs. Walker said because of the salary she is making right now is how she fits in. She does not change her salary, all she does is get placed in the range. As an example, if she currently makes $25 per hour and that new pay range she is being stuck into starts at a minimum of $20 per hour, she will still go into that pay range at the $25 per hour she is making.

Ms. Cavalcanti said she is looking at Mrs. Walker's and it looks like she will be pay range 55 so the minimum in the first quartile hourly is $56.91, annually $118,000; however, if we go to the midpoint it is $135,000 for annual. Will Mrs. Walker be midpoint or maximum at $169,000?

Mrs. Walker said she is down at the low end.

Ms. Cavalcanti asked how she would know Mrs. Walker is at the low end.

Mrs. Walker said because of what she currently makes like the pay grade Ms. Cavalcanti just stated is at 55.

Mr. Delulio asked if he could interrupt for a second.

Ms. Cavalcanti said yes.

Mr. Delulio said the midpoint is determined by what our competitors pay their employees in a similar position.

Mrs. Walker said it is the average market pay for a similar position is what the midpoint range Mr. Parilla is recommending.

Mr. Delulio said our current employees where they are paid stays the same, it just means that is the market right now. He said where the market bears for Mrs. Walker's position is the midpoint and what she is actually paid is in the first quartile so she is below the midpoint.

Mrs. Walker said she is really close to the minimum.

Mr. Delulio asked if Mrs. Walker was going to get a salary adjustment to the midpoint.

Mrs. Walker said no we do not adjust salaries unless as Mayor Hudson stated they may fall below the minimum and then that is a discussion they would have to have. She said if we were to place somebody who is a pay grade now and their salary is $25 and they are stuck in a new pay range that starts at $26, then we may at that time, which is something that would be discussed to bring them up to the $26. However, if they are making $25 and the minimum is $20, they would still make the $25. The only way they would get an increase at that point is if the Board approves and increase. There are no changes to salaries unless the Board approves the increase. Employees are just stuck into the new ranges wherever their current salary fits.

Mr. Delulio said we are looking to approve these ranges, but the ranges are determined by the market as provided to the Board by the consultant.

Mrs. Walker said that is correct.

Mr. Delulio said when the consultant put together his pool of numbers, he did not include Lake Worth because he indicated on his survey they were undergoing a change in their rate so the numbers were not accurate.

Mrs. Walker said if they did not have current salary data, had not done recent compensation studies, or were well outside a comparative nature, they were not included. He said they were primarily central Florida that were included and he put in a few others such as Gainesville.

Mr. Delulio wanted to clarify it as to his methodology.

Ms. Cavalcanti said her next concern is she believes Mrs. Penick said if the increase is approved later it would be in the $600,000 range and the benefits were low. She is very uncomfortable approving this without it going hand in hand with the budget.

Mayor Hudson asked if there is any reason the Board has to approve it today.

Mr. Lindstrom said it is a three step process and if we have the salary ranges and grades in place, it makes it easier to perform the budget analysis. He said there is no reason we have to approve it today. This is what we recommended Mr. Parilla to do, the salary grades and ranges, which the Compensation Committee agrees with and is industry standard. Mr. Parilla also recommended salary adjustments and we do not necessarily propose that immediately. There are two independent issues; the salary adjustments will be discussed at budget time. If we do not have this classification study in place and we do it all at once, if you notice the spreadsheet Mrs. Walker provided, the existing salary ranges and grades overlay the proposed salary ranges and grades and there is not a lot of discrepancy. It is much tighter and it gives FPUA much more latitude to bring people in at the minimum and the maximums are lower in this respect because we have

eliminated some of the pay grades. Staff is looking to the Board for guidance and to Mr. Lindstrom it is the logical approach.

Mayor Hudson said her concern is creating a salary compensation schedule and built upon that will be raises compensation over and above and having nothing to do with the 3%. She believes part of the study was to make people that have been in the company a long time that are feeling they want more increases than 3%. The concern down the road is we are going to have a financial obligation to the employees, which she would love to be able to do and she would write the personal check herself, but FPUA cannot afford. Once you give it, you cannot take it away so she does not want to get down the road where we say it has been approved already so now we have to do it. Mayor Hudson does not want to build on that and have a salary budget we cannot afford and now all of a sudden our rate payers are going to have to come up with more money to be able to afford our salary budget.

Mr. Lindstrom said that is the exact logic staff put together and why we pulled this apart to put the structure in place and then talk about the salaries at the budge workshop. He said if you look at the salaries at the current structure, it is the same situation where employees are below the minimum and very few at the midpoint range. The structure itself does not direct the salary.

Ms. Cavalcanti asked why the benefit study was not included in this study.

Mrs. Walker said Mr. Parilla is still working on it and due to us. She said it is not completed. It is a high level study, not a plan to plan design.

Mayor Hudson asked what high level means.

Mrs. Walker said it is more of a breakout of benefit percentages. She said it is very similar to one of the spreadsheets provided to the Board at the Benefit Workshop that was done back in April. It showed where the total is about 21% for one entity and 22% for another entity for the benefits.

Mayor Hudson asked if there was a table.

Mrs. Walker said there was the various entities and it is very similar to that type of analysis, but done by the consultant as opposed to an internal analysis.

Mayor Hudson said whenever the salaries are increased, the pension obligations are increased and that is always something she likes to see in the recommendation so the Board knows when the compensation is increased what the impact is. She would like that number when a salary increase is recommended. When the City had an 11% increase in 2005 and they increased the multiplier from 2.5 to 3, the impact on the pension and the taxpayer was tremendous. It doubled in one year so when we have increased compensation, we have to be aware what the impact is going to have on the pension cost to the rate payer. Mayor Hudson said right now, according to the CAFR, the ratepayer paid $4.2 million in 2016, $4.3 million in 2015, and $4 million in 2014

and for health insurance alone in 2017, we have budgeted $3.4 million for 270 employees. She said the salaries and benefits budgeted for 2017 are $15 million for salaries and $7 million for benefits is just about half. To her, she would like to be very conscious about the Board moving forward with increasing compensation with a hard look in terms of what it is going to mean overall on the entire company's bottom line, especially the pension costs.

Mrs. Walker said the pay increase, plus the benefits is about .24% increase.

Mr. Delulio asked if he would be correct in saying this puts us to where we were in 2009 as to what we paid our employees with benefits back then six or seven years ago?

Mrs. Walker said yes with the actuals.

Mayor Hudson said she believes we have about 2,000 more customers than we had a decade ago and referred to Mr. Lindstrom for confirmation.

Mr. Lindstrom said he did not know.

Mayor Hudson said she believes it is in the CAFR and she was looking at that.

Mr. Delulio asked if the proposal had anything to do with the budget.

Mrs. Walker said this is strictly a salary schedule with pay grades and position title slotting.

Mayor Hudson said the budget is going to be based on this if it is approved according to Mr. Lindstrom.

Mr. Lindstrom said it will guide us to a budget number or a budget number will guide us to the direction we go either up or down. He said the existing pay grades and salary structures are not a lot different than this from the position where employees sit in those pay grades.

Ms. Cavalcanti asked why they are not waiting for the benefit study since that is part of Mr. Parilla's scope of work.

Mrs. Walker said as Mr. Lindstrom stated, it was in stages and that was just another stage of the whole process. She said the benefit study really does not play into the salary schedule or the position slotting. It would have no basis on those.

Mr. Perri said he believes this is just a classification study and has nothing to do with salary increases and asked if that was correct.

Mrs. Walker said that is correct.

A motion was made by Mr. Perri and seconded by Mr. Delulio to approve the recommendations of the FY 2017 Classification Study Proposal performed by Parilla & Associates for a new salary structure and position placements for implementation on October 1, 2017. Those voting for approval were Mr. Bey, Mr. Delulio, and Mr. Perri. Those voting against were Mayor Hudson and Ms. Cavalcanti, the motion was approved.

Barbara Mika, Finance Controller, presented the bill comparison of the Florida Residential Electric Rates for the month of January 2017. The data has been compiled by the Florida Municipal Electric Association. This graph shows all municipal electric utilities in the State of Florida for the average residential usage of 1,000kWh. FPUA is identified in yellow, signifying our position as compared to the other municipal electric utilities. For January, with our rates unchanged, FPUA has improved by one position in the 10th position from the left. Also depicted in this graph is the relative position that FPUA would be in with the $3 increase in the PCA, approved and put into effect on February 1st. FPUA's electric bill for January still holding at $107.84, remains below all three averages shown in this graph for the All Requirements participants, all Municipal Utilities, and the Investor Owned Utilities. Since December, 1/3 of the municipal utilities have had changes to their bills, seven had increases and four had decreases. The notable changes that have affected FPUA's standing in January were rate increases with the City of Havana of $16.32 and Willison with an increase of $9.70. Those increases moved their standing to the right of FPUA. There was a rate decrease with the City of Wauchula of $14.10, which moved their standing all the way to the left as number one. Mrs. Mika said the next graph displays a similar comparison for usage of 2,500kWh. On this comparison, FPUA standing has improved by one position since December to 13th from the left. The rate increase implemented by the City of Havana has affected this change for FPUA. We have also included on this graph, the depiction of where FPUA would stand with the $3 per kWh increase on the power cost, which went into effect on February 1st. It is important to note that FPUA's 2,500kWh bill for the month of January at $272.30 still remains below all of the same three averages shown in this comparison. Displayed now is the January comparison of local residential electric, water and wastewater bills that have been compiled by finance staff. This table displays the comparison of local Treasure Coast utility bills between Fort Pierce, Port St. Lucie, St. Lucie County Utilities, Vero Beach, and Martin County. All calculated bills include all applicable taxes and fees and have been verified to actual bills. Since this was last presented for the month of December, FPL has implemented increase in their fuel charge of .15% and their non-fuel charge of .07% for a total change of their service charge amount of $7.26. This change affects the bills for Port St. Lucie, St. Lucie County, and Martin County who have FPL service. FPUA's electric services remain lower than Vero Beach by 8.0% as it was last month. The City of Vero Beach has implemented an increase this month in their customer charge, which amounted to $0.34 in their total water and wastewater portion of their billing. All other water and wastewater billings remain the same. Mrs. Mika said the next table is a more detailed comparison of local residential bills with, fees for services and a breakdown of the taxes and other charges to the customers in these different service territories. An explanation of the fees charged was also included in your packets. This item is for information only and requires no action from the Board.

Nina Penick, Director of Financial Services, presented the status report on Electric Power Cost Adjustment (PCA) for February 2017 with updated projections through February 2018. She said the PCA is the mechanism by which FPUA recovers the cost of power from our customers that is in excess of the $79.52 base power cost, which is included in the base rate. The cost of power purchased from Florida Municipal Power Agency (FMPA) for the month of February was billed to FPUA at the rate of $86.10 for 1,000kWh, an increase of $14.41 as compared to January. The under-recovery from the customer for the month of February totaled approximately $454,000 and the cumulative over-recovery is about $2.3 million as of February 28, 2017. Over the last thirteen months, FPUA returned $4.3 million to our customers. We have been consciously repaying that over collection to our customers.

Mr. DeIulio asked Mrs. Penick if we have been writing them checks or is it a reduction on their bill.

Mrs. Penick said FPUA is billing them less than what it is costing FPUA for the purchased power. She said on the chart displayed, the dark blue line represents the PCA, which is at -$6 effective February 2017. The blue bars are the actual over recovery and shows the $4.3 million that has decreased over the last 13 months. The orange bars depict what the over or under recovery would be if the projections FPUA has been presented with from FMPA. Shown is the case of the future assuming a $5 increase in the PCA, which would change the PCA to -$1 for 1,000kWh effective April 1, 2017, which is Staff's recomendation. The projections are prepared by Public Resources Management Group (PRMG), which in turn are based on projections prepared by FMPA. Since last month's forecast, FMPA's estimation of the price of purchased power for the upcoming 12 months decreased .5%. Mrs. Penick said current projections are indicating that the balance of the over recovery is expected to fall below the $1 million minimum in the month of May 2017. She said FPUA has consciously been under recovering over the last 12 months and she presented a slightly different slide in month's past to show the projections that PRMG have presented to FPUA. The yellow bars show the March 2106 projections through February 2017 and the blue bars represent what the over collection actually turned out to be. Except for the one time difference, they have been very consistent, the projections FPUA has been looking at have been reasonably accurate. Because we have essentially run out of the over collection and knew this day was going to be coming, it is here. Mrs. Penick said staff is requesting approval of an increase to the Power Cost Adjustment of $5 per 1,000kWh, from -$6 to -$1 per 1,000kWh, effective April 1, 2017. She said staff will continue to monitor this trend and may recommend future changes to the PCA as needed.

Mayor Hudson said it makes us look smart because we did $3 last time and we saw it heading that way.

Ms. Cavalcanti said she was wondering if we should do $10 and get it while all the snowbirds are still here and change it back in June.

Mrs. Penick said that is an option as well as many others.

Ms. Cavalcanti said she was kind of kidding.

Mayor Hudson said she does not want to do $1 more than we have to.

A motion was made by Mr. Bey, seconded by Mr. Delulio, and unanimously carried to approve an increase to the Power Cost Adjustment of $5 per 1,000kWh, from -$6 to -$1 per 1,000kWh, effective April 1, 2017.

Mrs. Penick presented the FY 2016 Comprehensive Annual Financial Report (CAFR). She said the financial highlights show we had a little bit less operating income in FY 2106 and the primary reason for the operating income being down is an increase in the accrued pension liability. It is not a cash item, but is an accrued item required when we implemented Government Accounting Standards Board Statement No. 68 last year. The increase is a result in changes in the calculation of the actuary liability. The largest change was the implementation of the Florida Retirement System (FRS), actuarial tables that reflect that people are living longer. Because this is a defined benefit plan that has to be taken into consideration as the hours are earned. Ms. Cavalcanti mentioned a year ago when this was talked about and the assumed rate of interest we have decreased the assumed rate from 8% to 7.75%. Over the long term, although in the last year we earned more than that, we do not want to assume we can do that every year. The FRS change was an unfunded mandate.

Mayor Hudson said it was a State Statute that said we had to use current mortality tables.

Mrs. Penick said we need to keep in mind FPUA is a $100 million organization and even though the operating income is down $856,000 and the capital contributions are down $821,000 from last year, in reality when looking at the capital contributions in 2011 through 2014, we are 22% higher than that in 2016. We had a big year in 2015, it is down, but it is not a horrible thing. Our increase in net position which amounted to $3 million this year decreased $1.6 million from 2015. The increase in net position for 2015 was $4.6 million. The slide presented is a 10-year comparison and the item after this will be the final budget amendment so she is putting budget in here as well so she does not have to do a separate presentation for that. For the electric operating revenues, less power cost and consumption, the graph displays the actuals for all years except for the 2016 amended budget. The projected operating revenues did not amount to what was projected at the time, but we did have an increase of electric operating revenues up 2% from FY 2015 and the consumption increased 3%. Similar to the PCA we just talked about this shows where our revenues decreased and that was a result of three rate decreases, not PCA, but actual rate decreases. We had a $4 per megawatt decrease in 2011, $4 per megawatt decrease in 2013, and another $1 in 2014, which is $9 over four years and as a result our revenues were less. Mrs. Penick said in the water system, our operating revenues were up 5% from 2015 and the

consumption increased 3%. In the wastewater system, the wastewater operating revenues were up 2% from 2015 and the units billed were up .2%. In the natural gas system, there was an interesting run for 10 years and what is shown is operating revenues less the gas cost was down from FY 2015 and the consumption was also down 3% as a result of the contract gas customers. It was noted over the ten years since 2007, there has been a 47% increase in consumption and a 45% increase in revenue as a result of those contract customers. The operations and maintenance budget is somewhat controllable, but as shown the orange bars at the top are the electric purchases for resale and that is a huge portion of our budget and is not controllable. Excluding those electric purchases for resale, the total O&M expenses have actually decreased .7% since 2006. We are really holding the line on our expenses that we can control and in FY 2016 the O&M expenses were slightly above those that were projected and about 3.7% above FY 16 actual results and the reason is because the cost for purchased power from FMPA increased about $1.8 million or 4.6%. We had an increase in depreciation expense of $636,000, which is another non-cash items, but it increased 1.5%. In terms of our operating income and debt service for the 12 months ended, FPUA is still in a very healthy positon. The debt service ratio is at the end of year 2.51, which is more than double the 1.25 required by FPUA's bond covenants. For the City Distribution, the projected distribution is included on page 36 of the CAFR shown in Note E that shows the calculation of the distribution to the general fund of the City of Fort Pierce. Based on FY 2016 revenue, the calculation of the city distribution comes out to $5,968,785 and has been steadily increasing over the last five years. Mrs. Penick requested approval of the FY 2016 Comprehensive Annual Financial Report which is part of what will be taken to the City Commission on April 3 for approval.

Mayor Hudson asked if the final budget amendment will be included.

Mrs. Penick said that will be presented next.

A motion was made by Mayor Hudson, seconded by Mr. Delulio, and unanimously carried to approve the FY 2016 Comprehensive Annual Financial Report as presented.

Mrs. Penick presented Resolution No. UA 2017-04, which is a resolution amending the budget for fiscal year beginning October 1, 2015 and ending September 30, 2016. She said the slide presented shows the process where our final budget amendment, which is clearly unique to the budget amendment. This is the process where we amend our final budget to what the actuals were. The amended budget shows FPUA budgeted and increase in net positon of $1.6 million, but the actuals turned out to be about $3 million. The results were better than projected and revenues were up slightly as were the expenses.

Mrs. Mazzarella read the resolution title into the record as follows: "Resolution No. UA 2017-04, a resolution amending the budget of Fort Pierce Utilities Authority of the City of Fort Pierce, Florida for the fiscal year beginning October 1, 2015 and ending September 30, 2016."

A motion was made by Mayor Hudson, seconded by Mr. Delulio, and unanimously carried to adopt Resolution No. UA 2017-04, a resolution amending the budget of Fort Pierce Utilities Authority of the City of Fort Pierce, Florida for the Fiscal Year beginning October 1, 2015 and ending September 30, 2016.

Mr. Lindstrom thanked the Board for their consideration for his salary adjustment. He said he, Mr. Bey, Mr. Perri, and other members of the Florida Municipal Electric Association were at the Legislative Rally in DC a couple of weeks ago. They had the opportunity to meet with Senators Rubio, Nelson, and Representative Mast. There was very good conversation with all of them and specifically Representative Mast asked some good questions and understood our positions.

Mr. Lindstrom said in partnership with the County in the study of the utilities and the consultant he visited with this morning, the consultant has indicated he has all the information he needs from FPUA, but does not have anything from the County as far as requested information. We will pursue that from a different direction.

Mr. Lindstrom said we have had some interest in what we call our Boston Street parking lot, which is immediately south of the courthouse and west of the garage facility on 5th and Boston. He said the realtor would like to package the piece of the property with the piece in front of us that is for sale. His indication to the realtor is we would potentially go out for an appraisal of the property and if there is indeed a letter of interest, it would be brought back to the Board for consideration. Also, we would need to verify who actually owns that piece of property, if it is FPUA independently, the City of Fort Pierce, or FPRA. It is of little value to FPUA exclusively as a parking lot and we could certainly put those vehicles somewhere else. If it is an opportunity to clean up the corner and get some economic development going, he would recommend pursuing that.

Mr. Lindstrom said for our budget preparations, we are going to have a budget review committee meeting tentatively April 17 for the O&M budget and May 10 for the Capital Budget. He said we are looking at May 24 for a budget workshop for the next year's FPUA budget and we will get those dates out to the Board once they are firmed up. The Board is invited to attend any or all of those meetings as you see fit.

Attorney Shevlin again thanked the Board for the consideration on the compensation package.

Mayor Hudson said there was a presentation to the Treasure Coast Regional League of Cities by FPL on their solar facilities. She said there is going to be two in this area which seem to be quite elaborate and she wanted to be sure Mr. Lindstrom is following along with what they are doing and what impact or can we learn from them.

Mr. Lindstrom said he is following along with what they are doing. He said FMPA is pursuing solar options and at this point they are looking at community solar, large scale solar, or public private partnership. Solar right now works okay for the private industry because of the tax incentives and the rebate programs that are not available to us. At this point if FPUA participated in a solar project, it would be an increase to our cost and he does not have an appetite for that. He does not know if the Board does.

Mayor Hudson said there is a big buzz about their solar so she thinks FPUA should be prepared. She said it is going to be in this region and maybe two locations in this area.

Mr. Lindstrom said they have proposed eight throughout the state with one south of us and one north of us.

Mayor Hudson said with the compensation study, she has not seen the scope of work to see what is included, but the comparison of health benefits is what she would like to see and it should be taken into an account with the compensation package.

Mr. Lindstrom said he will get the scope of services to all the Board Members.

Mr. Perri said he does not know how we are going to do it, but there has to be some kind of mechanism that we can get involved in that we will get our employees up to at least to surrounding competition. He said if that does not happen he does not know how much longer we can sit around and be under the market and expect to keep good employees or be able to hire good employees. If it means it is going to be a little impact in rates, then we will have to bite the bullet somewhere along the line or suffer the consequences.

Mr. Bey said during the budget workshop it was preliminary said it would not necessarily have to affect rates if we had to increase salaries. He said that is yet to be seen with the final numbers. From what Mr. Bey understood from that meeting, there is a chance the ratepayers would not have to absorb that costs.

Ms. Cavalcanti said she also heard that same thing, but also heard the reason was because of the excess in the capital budgets. She said her concern is if we have had excess in capital budgets why have we not had some programs to do underground utilities to embark on and do it neighborhood by neighborhood. Ms. Cavalcanti said Mr. Lindstrom said the budget workshop was going to be May 24.

Mr. Lindstrom said that is the tentative date.

Ms. Cavalcanti asked what date the vote on the budget would be.

Mr. Penick said it would be July 5.

Ms. Cavalcanti said it is important to know this way in advance because people are trying to schedule vacations and holidays.

Mrs. Mazzarella said she would send everyone the schedule.

Ms. Cavalcanti said she would appreciate a tentative schedule.

Mayor Hudson said April 1 is the Great American Cleanup for City of Fort Pierce and FPUA is buying our lunch.

Mr. Lindstrom they are buying and grilling the lunch.

Mayor Hudson thanked FPUA and invited everyone to come out to the PAL building. She said the cleanup starts at 8:00 a.m. and they will be cleaning up all over the City and would like to see some Board Members and staff volunteering.

Mr. DeIulio said he is not going to relax on the employee raise or adjustment situation until we get to where the rest of 80% of our employees are at least mid-level. He said we should not be in a situation where 80% of our employees are paid less than what their peers are paid in the market so we have some work to do on that. We can deal with that during the budget process and it is just not fair.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN