MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, APRIL 16, 2019, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Chairman Darryl Thomas-Bey; Vice Chairman Glynda Cavalcanti; Secretary Daniel DeIulio; Deputy Secretary Charlie Frank Matthews; Mayor Linda Hudson; and Nick Mimms Ex-Officio Member/City Manager.

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

The meeting was called to order by Chairman Bey.

Opening Prayer was by Alice Ladomirak of the Treasure Coast Energy Center.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Steve Murto, Operations Supervisor at the Water Treatment Plant, presented to the Board the FPUA Award for 1st runner up in the Florida Section American Water Works Association Regional VIII 2019 Best Tasting Drinking Water Contest. He introduced Andy Avers, Senior Plant Operator and Sidney Jerger a long time maintenance personnel. This award was recently received in the Florida Section of the American Water Works Association Best Tasting Drinking Water Contest. It is an annual event that is held in the region, which includes St. Lucie, Indian River, Okeechobee, and Martin counties. It usually encompasses anywhere from 10 to 12 utilities that submit water samples. Mr. Murto said the samples are judged based on taste, odor, color, and clarity and it is a blind test by a panel of water professionals. He said they numerically score each water sample and determine which one they think tastes the best. This year, we are happy to report FPUA was the runner up in the contest and it has been long time coming to get some recognition for the upgrades made at the Water Treatment Plant in the last few years. We believe this award is made possible for several reasons, first the financial support received to upgrade the Water Plant. Mr. Murto thanked the Board for their support and said it shows a commitment to give them the necessary tools needed to produce high quality drinking water for the citizens of Fort Pierce. He said the second reason is their philosophy at the plant is something shared with all the employees. He and Keith have had the philosophy of continual improvement and are always trying to improve on the process and improve the quality of the water they are producing on a daily basis. The last thing he would like to say is their team of dedicated and well trained employees at the plant from the top down show a dedication to producing high quality drinking water and in that regard towards for the citizens of Fort Pierce.

The Board congratulated them and thanked them for coming.

Bill Crawford, T&D Superintendent, presented the American Public Power Association Mutual Aid Commendation for FPUA's mutual aid assistance to Tallahassee and Chattahoochee after Hurricane Michael. He said the award is for FPUA employees that assisted during restoration efforts after Hurricane Michael for helping the Cities of Tallahassee and Chattahoochee.

Mr. Crawford presented the Florida Municipal Electric Association Restoring the Community Award for FPUA's mutual aid assistance to Tallahassee and Chattahoochee after Hurricane Michael. He said the award is for FPUA employees that help in the Panhandle.

Mayor Hudson said great news and thanked him.

Mr. Bey asked if there was any items to be removed or added to the agenda.

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

A motion was made by Ms. Cavalcanti, seconded by Mr. DeIulio, and unanimously carried to approve the Minutes of the Regular Meeting of April 2, 2019.

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

1. POA NO. 14-63: Approve the Compellent Maintenance Agreement for Storage Area Network, with Dell Marketing Limited Partnership, of Round Rock, Texas, under State Contract Number 250-000-09-1, in an amount not to exceed $43,427.92 annually. The initial term of this Agreement will be from May 1, 2019 to April 30, 2020, with unlimited one-year renewal options with increases not to exceed 10%.

2. POA 14-81: Approve of: a) Post Budgeted Project/Budget Request in the amount of $32,178 for costs associated with replacement of a sanitary manhole on Glenview Avenue, and b) payment to St. Lucie County in the amount of $28,168 for the labor and geotechnical services utilized by them for the manhole investigation and replacement.

3. POA 19-08: Approve the single source Contract with Seacoast Air Conditioning and Sheet Metal, Inc., of Fort Pierce, Florida, in an amount not to exceed $55,000, for an engineering survey, heat load calculations, prepare a report on the air conditioning system at 500 Boston

Avenue, and the replacement of the HVAC system on the first floor. The Contract will begin on April 17, 2019 and end July 31, 2019.

David Green, FPUAnet Communications Manager, presented the Lincoln Park Broadband Initiative. He said FPUA proposes a fiber loop throughout what we are calling the Business Corridor of Lincoln Park. From there FPUA can provide additional services such as wireless internet and even residential wireless access. Mr. Green said he will go through those phases with the Board, establish value and the cost per phase, and then look at some visioning as we go forward. He said FPUA's goal is to provide a Smart City, to provide connectivity and to enhance the quality of live in our community. A Smart City is really bringing technology and people together so we can deliver information quickly and accurately to improve government communication and citizen welfare. The underlining goal is to provide access to new business, create jobs, increase employment, and it is the next step from our last strategic planning session. We are partnering with the City, County, and have recently met Allegany Franciscan Ministries in an effort to revive Lincoln Park. This Smart Neighborhood will seed our growth plans towards our Smart City. The Common Good Initiative launched in 2014 by Allegany Franciscan Ministries is well in place and moving forward as we speak and would like to include some communications done by FPUAnet. Lincoln Park currently borders Avenue Q, US 1, Orange Avenue, and 25th Street. FPUA's proposal is to establish the aforementioned business corridor, which starts with Avenue D to the north, 25th Street to the west, Orange Avenue to the South, and approximately 7th Street to the east. We would like to ring this area with fiber optic cable to set what we call a backbone and make it business ready. This means when businesses do move in we are already there and connectivity can happen very quickly. He said along with that, having the fiber there, we can create other amenities such as wireless and security sensors.

Mr. Green said the first phase is the fiber loop outlined on the displayed slide and it will provide accessibility to business. We will put handholds at strategic locations where we believe businesses will soon appear to make them able to connect quickly. Our time to deliver service will be very fast, resulting in low cost and rapid installations so it makes it more business attractive. The Phase 2 consideration is to bring wireless to business to that area so the smaller shops and the people that may need something quickly and can take advantage of the devices we can install access points on and even street lights for example. The fiber loop provides internet connectivity to these access point devices and provide quick speedy service to those that need it. It is not as fast as a wire network we would bring into a business, but it is something people can use as you would use on your smartphone today. Phase 3 is to actually infill now that we have businesses secured and people looking at the area, we would like to give the residents something to use as well. We would like to fill the area displayed with some wireless access points and allow the residential people to take advantage of this as well.

Mr. Green said the value is the fiber provides long-term residential and business connectivity. People need the internet and they need it quick and reliable and that is what FPUA does best. He

said it is a beginning of a Smart Neighborhood to get it on the map and bring attention to it and provide jobs. We would like to see it for the people that like to live there and want to work there and enjoy their neighborhood. We can also use Smart Lighting and he showed an example of the lighting equipment to the Board. The device can be easily replaced creating communication for the area and the installation is very simple. Inside the device is a computer, very similar to your cell phone and a bunch of communications equipment that allows MiFi, wireless, wireless back call, and even blue tooth connections. We can connect the cameras and all sorts of sensors. They can be on top of streetlights, high and out of the way and they provide the communications infrastructure. He said the installation he just demonstrated would take advantage of power from the streetlight and other devices we actually have would be wired as well. It is very simple with a photocell replacement and from that we gain lighting control from a cellphone that could turn the light on and off or even dim it. We can do tilt vibration sensing and connect to other Smart City sensors such as cameras. Off that, it can provide public WiFi and even small cell communications. These abilities lead to enhanced community ability and security.

Mr. Green said the estimate parallels the Franciscan Ministries with the 3-year project plan. He said we are about to provide the fiber loop in the first year and the columns listed show the phase and cost. Fiber width is about $600,000, Phase 2 WiFi is about $300,000, Phase 3 WiFi is about the same at $300,000, and the Bandwidth is Mr. Green's estimate for what the system would use as far as bandwidth provided by FPUAnet. To the right is listed our partners where it leads off with FPUA at $600,000, Allegany Franciscan Ministries at $400,000, the City at $200,000, and the County at $50,000. The fiber estimate is fairly straightforward of putting cable underground and we need an engineering estimate to make sure we can get through the sidewalks and do not have any roadblocks as far as other conduits in place. The WiFi part of it needs a little bit more investigation, work with the new devices, and a little bit of study to look at signal strength and involve the community to determine what they need and want and what they are capable of. The good thing about this technology is it has been around for a long time, probably 10s of years. The new part is the packaging and having this little device we can pop on a street light, will move us forward faster.

Mr. Green said a Smart Neighborhood leads to a Smart Community and then eventually into a Smart City. He said a total project cost is estimated at $1,250,000 and has been suggested with a preliminary commitment to funding and some people are ready to back up that number. Smart cities use data and technology to create efficiencies, improve sustainably, create economic development, and enhance quality of life factors for people living and working in the City. We want to be able to allow people to work and live in the community and enjoy it. This also means a smarter energy infrastructure. We will take a pilot project and start it out in the area displayed and eventually will lead to Smart Communities where we will bring Smart Neighborhoods together and hopefully the end goal is a Smart City where we become much more efficient and able to share information and connect.

Mr. Green said the next steps are stakeholder meetings that will begin as early as this week on April 18th where we will meet some of the Lincoln Park people. He said we will study some of the demographics, learn the people that are there, and hopefully forecast where devices like this and fiber might actually pop out of the ground to serve some of the businesses. We will make a strategic location list and be ready to match the people's need currently and what they might envision going forward. That will all start with an engineering proof of concept where we visit the neighborhood, start mapping out these areas, and design our project plan that will actually lead to the conduit in the ground. Community input is going to be very important here, we need to know what people need, what they can afford, and what FPUA can do to deliver that. Eventually the actual community members would take over promotion, educational, and support so we would hopefully hand some of that off as we go. The smart lighting is the photocell replacement on top of a street light and some will be wired and some will be wireless. This is for information only and Mr. Green said he would be happy to answer any questions.

Mr. Matthew said he will let Mr. Mimms go first so he does not lose his thoughts.

Mr. Mimms thanked Mr. Green for the presentation and said the City of Fort Pierce is strongly supportive of this concept. He said you are hitting an area that is targeted for redevelopment and the City has been looking at the Orange Avenue corridor and the Avenue D corridors as two of their targeted areas and the Lincoln Park area and the Peacock Arts District. He believes this encompasses both of these areas and what this brings to the community, the businesses, the schools, the institutions, and the residents is something the City has not had as long as he can remember. They are promoting the societal economic health of that area so he can honestly say the City of Fort Pierce staff is strongly behind it and thanked Mr. Green for the concept.

Mayor Hudson said she has a question.

Mr. Bey said Mr. Matthews is next.

Mr. Matthews said he has three concerns and thinks it is a good project going northwest of Fort Pierce. He is concerned about the territory where it is cut off at 25th Street and asked why it was not moved over to 29th Street because it has the college, an elementary school, a housing project, and three large churches in the northwest section. His second concern is the $1.2 million and asked the time frame in number of years of the start and completion date, he sees three years on the charts.

Mr. Green said yes to three years, it is in the development testing now.

Mr. Matthews said his last concern is when the first meeting will be.

Mr. Tompeck said we are meeting with the Lincoln Park Council this Thursday and are going to go through the details of the initiative with them. He said from there, the Allegany Franciscan

Ministries folks will go to their Board for approval and we expect they will get the approval in May or early June. We are in the process of developing a Memorandum of Understanding for all four of the groups and that is what will come back to this Board for approval. Mr. Tompeck said the question Mr. Matthews is asking is a good one and is probably a little bit further out. He said once we start the project, we definitely want to see in terms of the third phase how we can do it most effectively and that is when we are going to need the community input. It is a little bit further out and we have not scheduled anything for that yet. Back to Mr. Matthews' original question, when this project first came up, Allegany Franciscan Ministries came to us essentially with the area they were looking at originally. It does not preclude us in the future to go further west or further north, but this is the area we are going to concentrate on right now.

Mr. Green said that is correct we were approached to develop this business corridor, but there are already sites west and north.

Mr. Matthews said in his opinion the college is a drawing card for technology and any improvements. He said it sits on the corner of Avenue D and 29th Street and is almost impossible to leave them out and asked Mr. Green to think about it.

Mayor Hudson said you have a Smart Neighborhood with this start and to go beyond this she asked if there is the same kind of investment in other neighborhoods. She said she does not know what she is talking about here, but asked if all this infrastructure is being put in this neighborhood and if it is going to make a Smart City, would they have to take different neighborhoods at a time. She asked if that is right to put this same kind of technology or hardware in.

Mr. Green said yes and no, this is the first one because it has nothing now, there is no communication infrastructure. He said we need the fiber there first and once we have that, we can expand. Other areas do have some fibers already and we even have some further north and west to cover some of the other areas. This is our start and it needs everything unfortunately.

Mayor Hudson said if you work or live in that area, she asked what will be different about your life once this is done.

Mr. Green said prime activity will be the first thing. He said we will put the fiber in and that will attract business where we will have high speed and highly reliable connectivity that will attract business. One of the things businesses look at are the utilities and if they are all there. Mr. Green said he works with the folks at the seaport and when those guys with the big yachts come in, the first thing they ask for is internet. They do not care about anything else, they want internet and they want it now. Taking that model and other experiences he has had, he believes once it is there, it will help attract people. Mr. Green said he worked at some of the business parks as far away as Midway Road that are not wired and they are having great difficulty attracting business because they do not have the internet. It is not there so they are having trouble and he believes

this will help to be attractive and the wireless brings in a good option as well for very quick reliable wireless connections. Your smart phone, tablets, and even computers can connect over those. It also brings in security, those other devices and sensors, and this device can help us promote it as a secure area as well.

Mayor Hudson said if you are a resident in there and a student, how does that help you.

Mr. Green said what he would like to do is figure out what they need and what they can afford and work with the community. He said what they will find is a wireless access point so they will find WiFi when they open their phone, they will see a new access point. They will likely log in and track sessions and we will know who they are to some extent or maybe even charge, he is not sure yet. One example is if he has an access point near you and you were the only one connected to it, he does not have to worry about bandwidth, but if you bring over 49 friends, 50 people on that he would have to worry about it a little bit. He might have to carve it up and he needs to learn more about the demographics of who lives there and what they need, where we need to go and then he can engineer and design a plan that will meet their needs and make us go forward. The bottom line is they are going to see connectivity and are going to have a little bit more sense of security with what we can do with some of the devices that are attached to it.

Mayor Hudson asked if the southern part is Orange Avenue and asked if there are any schools in that area.

Mr. Green said a private school, Kat's School.

Ms. Cavalcanti asked if the school like IRSC and even the magnet school already have connectivity through something. She cannot imagine they are functioning without it.

Mr. Green said not like this, we are actually talking to IRSC as well. He said they will probably do some of their development with IRSC provided they agree to work with us. The whole connectivity method kind of brings in the small cell, smaller antennas with fewer people communicating instead of the huge antennas you see on the hilltops. It is a shift in technology that will better service people and who better to work with than IRSC to help us perfect it and then we will take it to the field. A lot of that is starting now as far as what we are doing today, Mr. Green said he met with them last week.

Mr. Mimms said the Mayor asked about the presence of schools and he does not believe there is a St. Lucie County Public School in the vicinity, but there are several institutions, churches with after school care. He said there are numerous ones he believes and we just did a mural Save Our Children for Pastor Mills and he has a very successful after school program and several children and families traverse that area. To have this type of capability gives them greater learning potential.

Mayor Hudson asked if the Multi Culture Resource Center is in that neighborhood.

Mr. Mimms said yes the Multi Culture Resource Center is between Avenue D and Orange Avenue on 22nd and 23rd Street.

Mayor Hudson asked if Hazel Hornman is in that neighborhood too.

Mr. Mimms said yes.

Mr. Bey said Mr. Green did a great job.

Mayor Hudson thanked him and said we are on our way to be a Smarter City.

Bo Hutchinson, Director of Water/Wastewater Systems presented the Amendment 1 to Exhibit 4 of the Interlocal Agreement between St. Lucie County and Fort Pierce Utilities Authority. He introduced Mr. George Landry with St. Lucie County and said he has been intricately involved in being able to get this amendment done. We are looking forward to working with him in the future as well and he is here today in case the Board has any questions for the County that Bo cannot make up on his own. Mr. Hutchison said he is very pleased to bring this amendment to the Board to Exhibit 4 of the Interlocal Agreement. He said with a little bit of background, the Interlocal Agreement was executed back in February 2004. It is a three-party agreement between the City of Fort Pierce, Fort Pierce Utilities Authority, and the District, which is St. Lucie County. The Agreement established annexation and utility service boundaries and it also laid the foundation for an MSBU to bring portable water to Indian River Estates. The terms for bulk water and wastewater service were also outlined in Exhibit 4 and that is what our amendment is focused on today. We have already gone through most of the details of this with our Board and with the City Commission in detail so he is going to try and keep it at a 50,000-foot elevation, but it is kind of tough at times.

Mr. Hutchinson said to establish some water quality and delivery parameters to the bulk meters and the baseline numbers we have established a 2 parts per million of the chlorine residual at 55 psi. He said our typical service is a little better than that with our average being around 3.1 parts per million for the chlorine residual and we are usually 60 psi. We have to give ourselves a little bit of fluctuation room for any system fluctuations. The next item is the rate adjustment and this was one that was very important to FPUA and our residents. The water rate is currently at $3.66 per 1,000 gallons and the proposed rate is $4.71 per 1,000 gallons. On the wastewater side, it was at $6.55 and it is coming down to $5.09. The rates were established by our rate consultant, PRMG, and they went through and looked at the cost of water and cost to distribute water and basically all of our cost and they filtered out some of our overhead costs such as a portion of our Customer Service, portion of our IT Departments, some of the R&R in the old part of the City, and some items a bulk customer does not necessarily benefit that comes off their rate. When we flip

the coin and look at the fact a bulk customer buying that volume of water, their base rate is much smaller compared to the volume so there is a little bit of an offset there. It is fairly complicated to come up with those numbers, but everybody has a lot of confidence in PRMG, they are also St. Lucie County's rate consultant as well. There was obviously a concern this would be a concern with St. Lucie County, the wastewater is going down, but they are a much larger water customer than they are on the wastewater side. That was not an issue at all, they absolutely understood where we were coming from and the goal is to find a fair rate to the St. Lucie County customers and also the FPUA customers within the City of Fort Pierce.

Mr. Hutchinson said the methodology for adjusting the rates, as of now after this initial base rate is established, is to follow our retail increases. He said if FPUA's water goes up 1.5%, then the bulk water will go up 1.5%. On the fifth year, we will go back and look at the bulk rate study again to see if there is some kind of a difference. If you could imagine, if their water usage doubles, then potentially the economies of scale could go lower. We are not expecting a large divergence between the retail rates and the bulk rates, but it could happen and again the idea is to make this fair. For the water only credits, there are customers on the District side that are water only, there is no wastewater service available to them from FPUA. If you look at FPUA's billing structure, the wastewater is billed on water usage so it is not FPUA's intention to charge for a service we are not providing. The concept is to take the meter reads from those particular customers on the District side and then take that off the wastewater bill. They still have to pay for the water, FPUA would not charge them for the wastewater and the same methodology holds true for the flushing. Flushing is just a normal part of having a water distribution system, but again the water is going out on the ground so it is not fair to charge them for the wastewater on that particular water. As opposed to doing some estimation and such on those amounts, FPUA is going to provide St. Lucie County with a few meters, however many they need, to do their flushing through. FPUA would then use that to offset the wastewater billing as well.

Mr. Hutchinson said items 5 and 6 will kind of roll together and he is going to try and stay out of the weeds on this as much as he can. He said the capacity credits were probably the most contentious item we had to discuss. Over the years there was a significant amount of developments and developers that had purchased capacity through St. Lucie County over the years. The developers went out of business or their agreement has expired and the County's contention was they still had that capacity and there is language in the agreement where there is some foundation to that. On the other side of the coin, there is Guaranteed Revenue Charges that are due on all that capacity that were not paid because the developers are out of business. FPUA's numbers were obviously significantly lower than theirs so our decision was to do this judicially and we split the baby right down the middle. It was the simplest and fairest solution for both sides and allowed us to get past the most difficult part of the agreement. The next caveat to that is that capacity was converted into gallons per day as opposed to how many connections or how many ERCs. It was converted into gallons for simplicity. The meter does not lie, so you have that number in gallons and there are state standards on how much each type uses per day. That accounts for 150,000 gallons per day of the 160,000 gallons per day of credit

they were issued. The other 10,000 gallons is towards the additional flushing that is expected for the new lines that were built up on the north end of St. Lucie County. It is not going to completely cover it, but with some system manipulation we think we can make it work on this. The wastewater side was the same thing, but significantly lower at 35,000 per day. Mr. Hutchinson said in order to make this system work, we have to start with a baseline usage, so we looked at the 2018 average daily usage through the meter and established the baseline. He said the concept is that every year we will come back in October and establish a new baseline based on the previous year's usage. We would compare the two and then effectively bill for the difference. If it is the water or the wastewater or water only, we would bill for the difference and it would most likely take some time for them to get through this amount of credits. At the point they are past that, it is the point FPUA would start charging a capacity charge again, very similar to a Capital Improvement Charge (CIC). The impact fees on the County side were $7,100, which is a very significant number. It gets really significant when looking at our old system of charging somebody $7,100 and then turn around and charge another $4,700 on top of that for one-single family home in the County service territory. That is almost $12,000 and can be prohibitive to a lot of our price point communities. Our agreement again going judicial and trying to split this was to take the $7,100, the County's impact fees, and split it down the middle. At that particular time, FPUA would get half of it and St. Lucie County would get the other half. Those rates are tied to the Districts CIC, if there rates go up, our half goes up and if theirs goes down, ours go down. It seems so simple and hopefully it is, but of course with anything we are doing like this, we really do not know until you start using it. Our goal here is to create this first step and in a year from now or two years from now, when there are some bugs that may need to be worked out of this system, we should not be in a situation where our staffs are pointing fingers and at each other's throat. This is so simple, it is math and you cannot argue with math, it takes it all out. We can start looking for those other synergies with the County and it bleeds over into relations with the City and FPUA, and the City and the County, and everybody involved. Hopefully we will move in that direction. That may seem ambitions Mr. Mimms.

Mr. Mimms said we will work towards it.

Mr. Hutchison said thank you. He said the last item is very near and dear to FPUA's, the City's, and the County's heart and that is the relocation of the Wastewater Plant. If we look back in history, the initial engineering and the initial studies were back in 2008. Things have changed significantly since then, our numbers that we are using for the costs of the relocation is based on extrapolated 2008 numbers and brought forward. Other things have changed as far as the potential service area for this plant, technology has changed, the cost of construction has change, and everything has changed. We would like to go back in and take another look at this with more of a holistic eye on it and try to get a little better target for us to focus on. The game plan is to use PRMG for that as well and they would subcontract an outside engineering consultant to assist with the technical portion. The estimated costs of that is less than $200,000 so we would be coming back to the Board at some time in the future with a specific authorization for PRMG to move forward.

Mr. Hutchinson said this has been quite an endeavor for everyone involved and he wants to recognize the people that put a lot of effort into this. He said this started out with an investigation team of Andrew Byrd, James Carnes, Joshua Gang, Javier Cisneros, and Keith Stephens. There is 14 years of data to be compiled and to put into a format where you can actually use. We moved into the financial evaluation portion where we had Nina Penick who was very involved with that and the bulk rates and also the financial comparison between the entities. Javier Cisneros did a lot with the customer service side with the meters and getting all of that information put together. We then moved into the negotiations and contracts, which is the point when John Tompeck jumped back in there. Mr. Koblegard helped us with the legal aspect and he was also our historian since he has been there quite a while. Josh Gang helped us with the drafting on this and actually drafted most of the amendment which is fairly impressive to get this from concept stage to something that is coherent on paper, which is not easy. On the District side, Mr. Hutchinson said he only has the main names there and is sure there were other people in the background. Mr. Howard Tipton has a great vision for the big picture, Ron Roberts is very tenacious, Dan McIntyre on the legal side, and George Landry stepped in and is the business mind of the group. This is the end of the presentation and Mr. Hutchinson said he would be happy to answer any questions.

Mayor Hudson asked what Mr. Hutchinson hoped to get out of the study on the Wastewater Treatment Facility because we have studied this before.

Mr. Hutchison said it is to freshen it up. He said the cost is fairly major and there are some questions as to the potential size of the plant. Even some things that seem completely obvious we need to look at it. They will apply some different growth rates to it, maybe a 10 MGD plant up front is not enough or maybe there is some new technology where we can do a 7 MGD plant up front and then expand later on. Some things have changed there that could potentially change that. The location of the plant has been talked about quite a bit and we would like an outside person to assist us with making that decision. Being able to not only look at the plant and the technical aspects of that, but bring in a little bit more of a planning entity to look at where the population densities would be and take that back to the technical aspects of providing the reuse water to those and all the transmission mains. We are not going to start with a fresh slate, but start with where we are and just focus our arrow a little bit better.

Mayor Hudson asked if he envisioned any input in terms of steps we can make to accomplish this.

Mr. Hutchinson said he would hope so and also hope that some potential funding opportunities.

Mayor Hudson said we could do it if we had the money.

Mr. Hutchinson said if we had the money, we could do it. He said we have the technology, we just need the money.

Mayor Hudson said we have to spend the money to tell us that.

Mr. Hutchinson that is very true.

Ms. Cavalcanti asked what the extrapolated costs of moving the wastewater plant are.

Mr. Hutchinson said we are up to $108 million and that is the extrapolated costs of the actual physical plant itself. He said the estimated costs of the transmission lines to get it there and from his presentations there is other variables in there as well. Literally they are his best guesses he could come up with. He looked at the time for $20 million for the value of the land over there and does not include anything if we are able to get some kind of a private partner to maximize the value of that property other than selling it outright. The clause to buy it back from the state has $3 million in there and is something Mr. Mimms helped us determine that is iffy. There are a lot of other variables in there for that number and it would be nice to have a little bit extra help to determine.

Mayor Hudson asked if Mr. Hutchinson factored in the fact that we are the 2nd Best Tasting Water.

Mr. Hutchinson said we are and we have our best customer sitting right here.

Mayor Hudson said we do not have to buy all that bottled water any more. She thanked them for all their hard work.

Mr. Landry said he wanted to take a quick second to thank Bo Hutchinson for working with the County through this and thank you to Mr. Tompeck and Mr. Mimms for their support in working through this. He said there have been many meetings in both places, ours and theirs and it was a great collaboration and coming together and are hoping this is the foundation for something longer going forward.

Mr. Bey said he is impressed that we were able to achieve this because we have been at it for a long time. He said he is happy and is hoping this can be a stepping stone for future collaborations.

Mr. Matthews asked how many hours everybody put in.

Mr. Hutchinson said collectively he could not even estimate, years.

A motion was made by Ms. Cavalcanti, seconded by Mr. Matthews, and unanimously carried to approve Amendment 1 to Exhibit 4 of the Interlocal Agreement between Saint Lucie County (District) and Fort Pierce Utilities Authority and give staff the ability to make non substantive changes as necessary.

Paul Jakubczak, Director of Electric and Gas Systems, presented the Burns & McDonnell Engineering Company Amendment No. 1. He said last year we decided to do a security assessment and checkup for Fort Pierce Utilities Authority (FPUA) to make sure we are compliant with the latest standards and provide the best and safest place to work for our employees, while protecting the assets of our customers. We do this to protect two of FPUA's biggest assets, which we just discussed, 278 specialized personnel, and over $100's of millions of dollars' worth of assets. We also need to be sure we were compliant with the latest and greatest standards out there from DEP, DHS, NERC, NESC, etc. Mr. Jakubczak said we do that by having a very comprehensive survey with staff and with experts we just talked about. He said they did a physical inspection of all FPUA locations and did a comparison with the above mentioned standards to make sure we were compliant. In September of last year a kickoff meeting was held with all Department Heads, which followed up with site visits to all our facilities. They looked at intrusion detection, lighting, fencing standards, City of Fort Pierce requirements, video surveillance, vandalism, etc. The first draft of the report came in November of last year. Some of the analysis that came up with some recommendations was barbed wire repair, redoing our video surveillance system, standardizing our key card access system, tree and vegetation management around our properties, and standardizing on a locking policies throughout FPUA facilities. This report went through a couple of iterations and the final report was completed in February of this year. In talking with Dan O'Hagan, FMPA legal counsel, we decided to make this report exempt from public records request. Mr. Jakubczak read the Statute that is on top of all of our pages that states "CONFIDENTIAL Exempt from Florida Public Records Act pursuant to Section 119.071(3), of the Florida Statutes". He said this is to protect entities such as our self to make sure this safe and secure information is not given out to the public. We have completed some of the upgrades to the key card access system at Energy Services Center and are also deploying the same system at the administrative offices on Boston and 6th Street. We are working on upgrading some of our fencing and repairing our barbed wire. Staff will be looking at the possibility of obtaining variances with the City in some of the FPRA areas where they restrict the use of barbed wire. One of the reasons we are here today is for the approval of upgrading our video surveillance system. The next phase of this project would be to write an addendum, approve addendum No. 1 to Burns and McDonnell and they would work with FPUA Staff to develop a scope for an RFP. They will develop the RFP using industry standards and as previously mentioned security analysis that they had just completed. They will help review all the responses and make a recommendation to FPUA on what they believe is the best fit for FPUA. They are also going to provide implementation support for that. They are going to make sure the selected vendor does what they say they are going to do. Mr. Jakubczak said he is asking the Board's approval for Amendment #1 in the amount of $37,300 to Burns and McDonnell Engineering Company, Inc. of Kansas City, MO and he would be happy to answer any questions you may have.

Mr. DeIulio asked if an alternative to go out to bid would be an advantage to FPUA.

Mr. Jakubczak said not really that he can think of because Burns and McDonnell did all the walk throughs to all of FPUA facilities with all FPUA personnel so all of that would have to be reproduced again. He said one of the things that was mentioned in the first meeting as we started doing all of these walk throughs with our staff and their staff to think like you are a criminal and find locations that are not adequately safe for our employees and our equipment. They did that through their process and procedures. We could go out, but he believes the cost would be more expensive than the amendment.

Mayor Hudson asked if there is security in the amendment for intrusion into the water system if somebody wanted to do something terrible to our water system or something like that.

Mr. Jakubczak said what staff is looking at on some of those is intrusion detection on doors so when a door opens up it automatically alerts the control room. He said they are looking at something similar to that in the substations where remote on electric side and on the water side as well and wastewater. Any location that is specified as an inherent risk is one of those where we will look at to see what the best remedy is to protect it.

Mayor Hudson asked if the security is also for our customer as well as our employees as well as our assets.

Mr. Jakubczak said that is correct.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti, and unanimously carried to approve POA 18-63: Report on FPUA Security Assessment, approve Budget Transfer Request in the amount of $37,300, and approve Amendment No. 1 to the Security Assessment Services Contract with Burns & McDonnell Engineering Company, Inc., of Kansas City, Missouri, to increase the not-to-exceed contract amount from $107,900 to $145,200, under the piggyback of the City of Jacksonville Beach Request for Qualification No. 08-1415, and revise the end date from December 31, 2018 to September 30, 2019.

Larry Lammers, Electric Engineering Supervising Engineer, presented the ABB DE, Inc. (ABB) contract for twelve 69kV breakers. He said because of the age and weather deterioration, staff has identified twelve oil-filled circuit breakers that should be replaced in order to increase our power grid performance and reliability. Replacement of these 12 oil-filled circuit breakers will reduce the risk of oil spills to the environment and the new breakers will better endure harsh weather conditions all while maintaining optimal operation. Long story short, these breakers will be easier to maintain, cheaper to maintain, and more reliable. FPUA sent out request for bids earlier this year and received eight responses. The lowest bidder of the eight responses was from ABB Inc. of Cary, NC in the amount of $429,306. Mr. Lammers said staff recommends the award of bid and contract for the purchase of twelve 69kv circuit breakers, over five years, to ABB Inc. of Cary, NC in the amount of $429,306. He said he would love to take any questions.

Mr. Matthews asked if he said there was only one bid.

Mr. Lammers said there were eight responses, two no bids, and six bids.

A motion was made by Mr. DeIulio, seconded by Ms. Cavalcanti, and unanimously carried to approve Bid No. 19-10: Award of Bid and Contract for the replacement of twelve 69kV breakers, to and with ABB DE Inc., of Cary, North Carolina, in an amount not to exceed $429,306. The term of this agreement shall be from April 17, 2019 to April 16, 2024, contingent on receiving the required Certificate(s) of Insurance.

Barbara Mika, Finance Controller, presented the Bill Comparison for the month of February 2019. She said this is the February 2019 update on the comparison of electric rates and the local utility bills. The first graph displays the comparison of residential electric rates at 1,000 kWh of consumption for the month of February for the 13 municipal utilities in the State of Florida that are members of the "All-Requirements Project" (ARP). The All-Requirements participants benefit as part of a larger group of cities through lower operating costs through the utilization of highly efficient generation, and the ability to plan for future operations with lower risk through the economies of scale. In the graph displayed, it is easy to see where FPUA ranks among the 13 ARP participants. FPUA has the 5th lowest rate of this group. Our current bill at $111.84 remains below all three averages shown for the ARP, Municipal Utilities, and the Investor Owned Utilities. The next graph displays the February comparison of Florida residential electric rates for the same level of consumption and includes all of the municipal utilities in the State. The data for all these graphs has been compiled by Florida Municipal Electric Association (FMEA). FPUA's February bill for this level of consumption remains unchanged since last month. Our standing, which has shifted to the right by one position, is on the better side of the midpoint in the 14th position from the left side of this graph. Rate decreases with the cities of Bartow and Starke have caused this position shift. Mrs. Mika said she would like to point out a few items on the billing rate changes that have occurred since January. Of the 13 ARP participating utilities, seven experienced rate changes with four of those being rate decreases. The average rate change was a decrease of $2.42 which lowered the ARP average by $1.31 to $114.02 for February. Among the other 18 non-ARP cities there were just five cities that experienced rate changes with an average increase of $.61. The combined effect of all the rates changes for the municipal utilities has lowered the municipal average by $.43 from last month and it is now at $112.91 on the average for the municipal.

Mrs. Mika said the next graph displays a similar comparison of municipal utility bills within the State of Florida for the consumption of 2,500 kWh. She said in this comparison, FPUA's February bill at $282.30 is unchanged since January. The rate changes that took place have just swapped positions in front of and behind FPUA so our relative position remains unchanged. FPUA's February bill for the 2,500 kWh of consumption is lower than the average bill for the Investor

Owned Utilities by almost 12.5%. The table displayed is the February comparison of local Treasure Coast residential utility bills. In this table we are comparing the average bills for electric, water, and wastewater services a customer would have experienced last month if they resided in one of these service territories. The comparison of electric services has come down to FPUA and FPL bills in these different areas. The bill totals include all of the taxes and fees that are applicable in each of these municipalities. The calculation of these average bills have been verified to actual and historical bills. In a comparison to last month, FPUA's overall bill for these utility services was the only one to remain unchanged. Since this comparison was last presented, there has been another increase in rate structure for electric services provided by FPL. The February FPL bills reviewed included increases in the customer charge and the 1,000 kWh rates non fuel. They had an offset in a decrease in the 1,000kWh rates for fuel cost. The total impact on the average FPL bill in this comparison was an increase between $0.30 and $0.40 on the total bill, this is on top of last month's average bill increase of approximately $2.00. The only change since January for the water and wastewater services presented was with St Lucie County Utilities. St. Lucie County implemented a 3% across the board increase in February which raised the average water/wastewater bill to a residential customer by $3.45. Mrs. Mika said this item is for information only and requires no action on your part. However, if you have any questions I would be happy to address them.

Mr. DeIulio asked how much of an impact the agreement we just made with the County on the water and wastewater will have with the customer's bills for St. Lucie County.

Mrs. Mika said if our rates go up, they will have a rate increase and she does not know the impact.

Mr. Tompeck said you heard some of this when we went through the details of the comparison that it will bring us about $500,000 extra on the water side and slightly less than $90,000 decrease on the wastewater side. He said we feel it will bring us a lot closer to rate sufficiency on the water side and are hoping we will not have to make an adjustment to the rates this year or we can do it within the PSC index.

Nina Penick, Director of Financial Services, presented the City of Fort Pierce Retirement and Benefit System information. She said the rules under which we live for the defined benefit plan is Chapter 13 of the City Charter, the City Code of Ordinances. The way the benefits are calculated is based on each employee's final average salary which is the top five of the last ten years. There was a proposal a number of years ago to make it the top eight of the last ten years and that has not been put into place at this time. We take the years of service of a given employee and multiply it by 3% for each year of service then multiply it by the final average salary and that is the straight life calculation. There are different payment options, but what she described is the straight life, basically paying the employee for their entire life and once they pass, they receive nothing more. There are other options available to the retirees where they could have the employee or retiree receive less and have 100% of that benefit to go to the survivor, but that

would reduce the individual's benefits. All of these different options would reduce the original retirement benefits to the retiree. Option B is 50% to the survivor and there is an Option C, which is 10 years certain which is more for if the retiree is leaving or expecting to leave their benefits to a trust or younger members of the family. There are certain IRS limitations that you cannot leave your retirement to your 3-year old child. There is Option D where 75% to the survivor and Option E is 66 2/3 to the survivor. Depending on what the employee wants to leave behind is how much they get, take it now or take it later.

Mrs. Penick said a Defined Benefit Plan is nothing like a 401(k) or a 403(b) or a 457 or IRA, it is a plan based on the future. It is fixed for the future. The defined contribution plans, you can put in whatever you put in and you will earn income on that over time, but you are limited to what you put in. The Defined Benefit Plan is actuarially computed and it is calculated in a completely different manner than most other retirement plans. FPUA employees may retire after 25 years of service or at age 60 after 5 years of service. There were a couple of changes this past year. The vesting period was restored back from 10 years to 5 years for the members hired after October 1, 2012. We will take a step back down memory lane back in the next slide to talk about the changes that were made at that time. The other benefit change in 2018 is significant for military, coming back from active service. The City Human Resources Department shall inform the member in writing of his or her entitlement to claim military service credit immediately upon the member's return from active duty. The prior arrangement was the service member had to contact the City and recognizing that when a military member comes back, it is not the first thing they are going to be thinking about when they come back. This is intended to ensure they are aware of their benefits when they come back from active duty.

Mrs. Penick said there were a number of changes effective October 1, 2012 and they sure did make it a lot more complicated for some of these calculations. She said it was the Florida Legislature that mandated starting on October 1, 2012 the pensionable wages, when you do the calculation of the final average salary, the overtime hours are limited to 300 hours per year. Perhaps you may say that is a lot of overtime, but we have some employees that did indeed and still do earn more than 300 hours of overtime in one year. Those hours are not considered in their final average salaries when it comes to that calculation. Also, payments for unused sick and vacation time, the amount that is pensionable, calculated in the final average salary, is limited to the balance that was of June 30, 2011. We took a snap shot at that time and said that is fine as that is paid out, once you get to that limit, anything more than that is going to not be included in the calculation of the final average salary. Anybody that was hired after October 1, 2012, none of that will be eligible to be calculated into their final average salary. There were two other limits that were put in place that the maximum annual pension cannot exceed $100,000 and that has not yet affected anyone. Employees hired after October 1, 2012, they can only receive 75% of their final average salary, which basically means because it is a 3% multiplier, anybody who has 25 years might as well leave for some hired after October 1, 2012 because they are not going to get any additional retirement benefit retirement wise. The 10-year vesting requirement for

members hired on or after October 1, 2012 was repealed this past year and changed back to 5-year vested.

Mrs. Penick said the next slide she would call fun-facts about our retirees for the entire system, FPUA, City, and Police shows the varying average benefits, how many people are receiving those benefits, and how much the retirement system pays out on an annual basis. She said we broke $200 million in funding value this year. The makeup of the Retirement Board is there are a seven members, two City Commissioners, the City Finance Director who is the Clerk/Treasurer for the Retirement Board, FPUA appointee (Nina), and three elected members. Of those seven members, five are Certified Public Pension Trustees and two of the members are in the process of getting certified. There is also an attorney that sits on the Board to keep them on the up and up and make sure they are using proper protocol. There is an Investment Consultant who visits with them numerous times throughout the year and nine Money Managers. They have Money Manager presentations twice a year in May and November. One of the things people want to know is how well funded we are and we are funded quite well. The group of people that represent us in terms of our Money Managers and our Investment Consultants, they have done a very good job to continue to get earnings when you would think you could not get earnings or at least minimized losses in times of down markets. We actually recognized investment return in the amount of 8.07% for FY 2018. We reduced the assumed rate because it used to be 8% and we have reduced it, but are still retaining the 8%, which was quite a feat for last year.

Mrs. Penick explained how much we are paying in for the benefits that we get back out. She said this is just FPUA's portion displayed, employees last year paid in $825,000 and FPUA as an employer put in $2.4 million. In FY 2020 the employee rate of 6.16% is fixed and the employer contribution of 17.58% and is actually a little bit more than ½% less from the FY 2019 rate. The City General and Police employees contribute 5.16%, but FPUA employees put in 6.16%. The way our investment folks are able to accomplish what they do is rule number one for investment if you have enough money to invest, is diversify, diversify, diversify. The targets our pension plan uses are Domestic Equity (US Stocks) 38%, International Equity (non-US stocks) 25%, Domestic Fixed Income (Bonds) 27%, and Real Estate 10%. The real estate is something we have only recently invested in and is generally commercial income-producing properties. We are not buying and selling real estate to make money, it is invest in it and earn income off of it. Another common question is what kind of cost of living adjustments are built into the retirement system and the bottom line is there is not going to be one in the foreseeable future. We have to overcome a $34 million actuarial loss in order for the COLA to kick in unless there is a change made to the plan. There is no provision for a cost of living adjustment expected to occur for the indefinite future. The Actuarial Report can be located on http://www.fpua.com/information/financialreports.aspx along with all our other financial information. If you have any interest to dive into any of the other numbers, it is pretty interesting.

Mr. Matthews said he has lived a long time and gets involved in stocks and stock investments. He asked if there is a manual FPUA passes out to the employees.

Mrs. Penick said annually there is a little pamphlet we hand out and she is not sure if we do the hard copies any more, it may be an electronic version. She said it gives the highlights of what she just talked about. The pamphlets that are handed out has some more numbers in it than what she provided today. It gives the basics about the plan. The thing people have the worse time understanding is the difference between a Defined Contribution Plan which is the IRA or 403b or 401k that they have been investing in and the Defined Benefit Plan that is based on how much you have earned and for how many years and how long the actuary thinks you are going to be taking them in so you will get a certain amount.

Mr. Matthews asked if the stock investment programs hurt the bottom line if we invest in them.

Mrs. Penick said the retirement system Money Managers that handle those stock investments have winners and losers, but they are very involved in it. She said it is way more than a day trader might possibly do. The calculated unrealized gains and unrealized losses, if they are holding that stock, they calculate that in. They watch every quarter very closely to see how well the Money Manager do compared to their peers and to the base line. If we come up with any losers, sometimes we turn them over and take the money from them and invest in another group that is doing a better job of managing money. It is nice to have that much money to be able to have that flexibility.

Mr. Matthews said you have the Police Department, FPUA employees, and then the City, why is it not a rule that everybody come into the same percentage.

Mrs. Penick said that is a very good question and she does not know the answer to it. She said Chapter 13 is broken up into different sections for each of those three employee groups. She thinks in part it has to do with the police and some of the general employees being represented by bargaining units.

Mr. Matthews said if somebody is working at another utility in the State of Florida 20 years and then come here to FPUA. He asked if they would get into the same program as the State started at the same again.

Mrs. Penick said they join this plan the day they are hired by FPUA. She said if someone was to be working at FPUA and go somewhere for a year and then come back, they can buy their service in between. There are provisions for buying back military service. Someone from another, we are a pension plan of our own, we are not the Florida Retirement System (FRS) so it is not a portable plan. As soon as someone works for FPUA for five years, they are then vested. After five years they go work for somewhere else, they take their money, but not the best choice in her opinion, but sometimes they need the money. They can also defer meaning they have to wait until they are age 60 and then they can collect the benefit they are entitled to, but it is only

five years of service if that is as long as they were here and the average of whatever they were making at that time.

Mr. Matthews asked what if they are working for the City of Fort Pierce and then join FPUA.

Mrs. Penick said we are all together, they get the credit. She said if they start at FPUA and then go to the City or vice versus, yes we do reciprocate. There used to be the day when the Fire District used to be a part of this plan, but they took their money.

Mr. Matthews said he did not hear Mrs. Penick mention the DROP Program.

Mrs. Penick said she did not say a word about the DROP Program, the Deferred Retirement Option Program is an option for folks that are eligible to retire. She said they have to be either age 60 or have 25 years of service. They can do what is called dropping and it is a wonderful savings program for folks. Most people in their lives have a terrible time saving money over their life time. What happens is when they drop, their retirement checks go into a deferred account where the money accumulates up to five years and they cannot stay in more than five years. The money accumulates and they can do anything they want with that money, but it is taxed to them when they draw it out as is most of the benefits. These are tax deferred benefits. When it is paid to them when they do retire, it is taxable to them.

Mr. Matthews said he has one more question, a discriminatory question. He said if someone reaches 25 years and are getting close to 60 are they harassed because they are reaching that point of maturity.

Mrs. Penick said she does not think so. She said FPUA actually likes the older people because they know more. She said we like to keep them around and have actively brought on new employees that are older and have that maturity and have that knowledge. She does not believe it is the case at all, we welcome people of all ages. If you dropped, your employer knows you are leaving in the next five years, but that can be a good thing or a bad thing. At least hopefully the employee keeps the employer in the loop and lets them know what their intentions or plans are.

Nina Penick, Director of Financial Services, presented the February 2019 Financial Operating Results. She said this is five months into the New Year and our bottom line is down slightly from what it was this time last year, about $65,000. Our year to date increase in net position after the distribution adjustment was up $125,000, but our operating income was down and so were our capacity reductions. This is the first month there were no capacity reductions as compared to last year where we had them prior to this. The next four charts are going to have bars that represent the dollars and the line represents the units of consumption or usage, or units billed in the case wastewater. The electric operating revenues, less the power cost, are up 3% and 2%

and consumption is up 3% and 3%. The electric system is looking quite good at this point for this year.

Mrs. Penick said the 2018 water operating revenues were flat from FY 17 and the operating revenues are up 10% from FY 18. There was a rate increase of 3% in October of 2018 that contributes, but is not fully the reason for the increase. She said the consumption was actually down 4%, but then up 7% from FY 18 to FY 19. On the wastewater the 2018 operating revenues were up 24% from FY 17 and that was attributable from those capacity reductions, but they were down 5% from FY 18 to FY 19. The big capacity reduction this year that was recorded in the month of February was for Celebration Pointe. The gallons billed were up 1% from FY 17 to FY 18 and up 2% from FY 18 to FY 19.

Mrs. Penick said the Natural Gas is still looking very good with revenues up 2% from FY 17 to FY 18 and down 2% from FY 18 to FY 19. She said the consumption was up 5% from FY 17 to FY 18 and down 1% from FY 18 to FY 19. Where the gas contract consumption fits in here, the gas contract consumption was up 2.2%, but it still resulted in a 1.8% decrease in contract revenue.

Mrs. Penick said the barometer we like to use for our physical health is the debt service coverage ratio which was 3.03 for the 12 months ended February 2019. She said that is still more than double the 1.25 required by FPUA's bond covenants. The capacity reductions are why it is bumping around so much in recent years and she does not think we will see a lot more of that in the upcoming months. Mrs. Penick said this is an information only and requires no action from the Board and she would be happy to answer any questions.

Mr. Tompeck said he has two very quick items, we are continuing our discussions with the Police Department on improving their surveillance capabilities. He said he will probably come back to the Board on an overview of the plan in late May or early June for approval. Mr. Tompeck reminded the Board of the joint FPUA Board, City Commission Budget Workshop that will be held on Friday, May 17th at 10:00 a.m. at ESC.

Mr. Mimms said at the recent City Commission meeting he was approached by a resident of Dark Hammock Estates and the individual informed Mr. Mimms the Dark Hammock Estates organization is seeking to have sanitary sewer in their area. He said they were told FPUA was working with the City of Fort Pierce, but he is not aware of that. He is bringing this to the Board's attention that there are some customers that are waiting on that infrastructure.

Ms. Cavalcanti asked Bo if he is aware of it.

Bo said he knows about it now.

Mayor Hudson asked where Dark Hammock was located.

Ms. Cavalcanti said it is out by John Carroll School.

Mr. Mimms said it is right across the street from there. He said it is private and all the streets are private and the right of way is private.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

VICE CHAIRMAN