MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, JUNE 6, 2017, 4:00 P.M., CITY COMMISSION CHAMBERS.

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

Absent: Vice Chairman Daniel M. Delulio

Others present: Clayton W. Lindstrom, Director of Utilities; Rupert N. Koblegard, III, FPUA Attorney; Nina B. Penick, Director of Financial Services; Paul Jakubczak, Director of Electric & Gas Systems; Bowdoin G. Hutchinson, Director of Water/Wastewater Systems; Evelyn I. Walker, Director of Shared Services; and Jason Hoffman, Manager of Customer Solutions

The meeting was called to order by Chairman Cavalcanti.

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

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

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

Mr. Bey said there was a typo on page 9 of the minutes it states that he made a motion and he was not at the meeting. He requested it be corrected.

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to approve the May 16, 2017 minutes with the correction stated above by Mr. Bey.

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

1. Excuse Vice Chairman, Daniel M. Delulio from today's meeting because he is out of town.

2. Approval of no change to the Purchased Gas Adjustment for May 2017.

3. Bid No. 17-26: Approve award of bid for and purchase of backflow detectors and preventers, resetters, and ball valves from Ferguson Enterprises, Inc., of Newport News, Virginia, in an amount not to exceed $129,394 annually, for the period of June 7, 2017 through June 6, 2018, with two one-year renewal options.

4. RFP No. 17-32: Accept proposals from and approve Contracts for Weatherization and Educational Outreach Program carpentry services with A. Thomas Const. Inc. of Fort Pierce, Florida, Ernstes Construction Inc. of Fort Pierce, Florida, and Hennis Construction Co., Inc., of Port St. Lucie, Florida, in an amount not to exceed $42,495 annually ($14,165 each). The initial term of these Contracts will be from June 7, 2017, to June 6, 2018, with four one-year renewal options, contingent on receiving required Certificate(s) of Insurance.

5. POA 15-49: Approve Post Budgeted Project/Budget Request in the amount of $30,000 and sole source Contract with Crom, LLC dba Crom Engineering and Construction Services, of Gainesville, Florida in an amount not to exceed $30,000 for the installation of an access door in Unit 1 Lime Softener and Filter Units Leak Injection at the Water Treatment Plant. This Contract will commence on June 7, 2017 and end with final acceptance by FPUA.

A card was received from Marquita Phillips of Parkview Baptist Church thanking FPUA employees for the 123 pounds of food donations for their pantry.

An email was received from Steve Craig of SSI Enterprises thanking FPUA Employees Jim Stang, Stoney McPeek, Bill Taylor, and Stacey Williams for their professional and quite cooperative service.

Mr. Lindstrom said the next item was referenced at the last meeting, which is the Portofino Landings.

James Carnes of Water/Wastewater Engineering said the Portofino Landings Planned Unit Development is located on the east and west side of McNeil Road north of Okeechobee Road. It consists of approximately 400 multi-family units with a clubhouse and commercial and retail uses. The clubhouse and approximately 132 multi-family units were constructed in the 2007-2008 timeframe and the developer is interested in the continued development of the project. Staff is requesting the FPUA Board to approve a Water and Wastewater Supply Agreement Amendment whereby the customer has opted to choose the Capacity Reduction Option to satisfy the present Guaranteed Revenue Charge debt owed to FPUA pursuant to the original Water and Wastewater Supply Agreement executed January 16, 2007.

A motion was made by Mr. Bey, seconded by Mayor Hudson, and unanimously carried to approve the Water and Wastewater Supply Agreement Amendment with Landings Fort Pierce, LLC, of Aventura, Florida.

Paul Jakubczak, Director of Electric & Gas Systems, presented the March 2017 electric quarterly reliability update for FPUA. He said it is the 12-month rolling ending in March 2017. He said SAIFI is the number of outages a customer can expect on FPUA's system. For a 12-month period it is at 1.02. The CAIDI numbers show the customers that experience an outage and they saw an average outage for about 75.7 minutes. SAIDI is the average duration for all of FPUA's customers is 77 minutes and even if they were not affected, it is just a matter of a numerator and denominator. Mr. Jakubczak said the next slide shows the 2016 through March 2017 numbers compared to the other municipalities in the state. He said on the bottom of the table it shows how FPUA is based on the small, medium, large, and x-large utilities. The 2016 year end comparison shows FPUA is a little bit lower than average in some for the average number of interruptions and about average for the duration of those interruptions. As FPUA goes through the 12-month average in the next quarter, FPUA's number will drop because of the higher number of outages that we have had in the past three months.

Mayor Hudson asked what the reason was for the higher number of outages.

Mr. Jakubczak said it was for storms rolling through like the afternoon storms we have now. He said tree contacts or animals.

Mayor Hudson asked if he was talking about Hurricane Matthew.

Mr. Jakubczak said all the hurricane numbers are not put into these number per the PSC. He said he had those numbers available if the Mayor would like them. They are not pretty, but he has them.

Mayor Hudson asked if that is a norm when there are a lot of storms, there is a lot of outages.

Mr. Jakubczak said yes it is.

Ms. Cavalcanti said when Mr. Jakubczak said they are not pretty, if it is compared to other municipalities or FPL they are not pretty.

Mr. Jakubczak said he takes the hurricane numbers themselves and the numbers will go up substantially.

Ms. Cavalcanti said they should, but her question is, compared to other municipalities for example New Smyrna Beach or St. Augustine that got hit, is FPUA worse than them.

Mr. Jakubczak said it is hard to say because per the PSC a lot of people will not take large storms such as hurricanes into account when they send in their numbers.

Mayor Hudson said FPUA could request them or do a special study, but that does not happen normally.

Mr. Jakubczak said that is correct.

Ms. Cavalcanti said she did not know if Mr. Jakubczak had already compared them.

Mr. Jakubczak said he has compared it for himself to see what FPUA's numbers were when he put the hurricane numbers in there. He said they are a lot higher than they are right now, which would be expected when FPUA had 70% of the system out.

Ms. Cavalcanti said it seemed like we go back up pretty quick.

Mr. Jakubczak said we did, but it is a matter of a certain number of outages and the number of minutes we were out that skews the numbers a little bit.

Ms. Cavalcanti said compared to 2004 when we were out for weeks, she believes we did well.

Barbara Mika, Finance Controller, presented the bill comparison for the month of March 2017. She said the graph displays the comparison of Florida Residential Electric Rates for the month of March. The data behind this chart has been compiled by the Florida Municipal Electric Association. This graph shows all municipal electric bills in the State of Florida for the average residential usage of 1,000kWh. FPUA's March bill is noted in yellow, identifying our position as compared to the other municipal electric utilities. In the month of March, FPUA's rates remained unchanged. Of the 33 municipal utilities represented in this graph, FPUA is now ranked in the 16th positon from the left. Also depicted in this graph, in blue, is the relative position that FPUA would be in, effective with the June 1st bills, with the approved combined increases in the PCA since March bills were issued. Mrs. Mika said any changes that have occurred since March for these other municipal utilities are not reflected and our position is not a true indicator of where we might be in the actual June comparison. She said since February, there have been 15 of the municipal utilities that have had changes to their bills, 10 of these changes were decreases with the average decrease of $4.16. The five cities experiencing increases in March had an average increase of $3.01. The three biggest rate decreases were in the $10 range with the cities of Bartow, Havana, and Starke. These rate decreases have affected the decreases in the average rates shown in the graph for the All Requirements participants and for the municipal utilities. The Investor Owned Utilities' average bill rose $0.54 due to a rate increase implemented by FPL. The March bill for FPUA, at $110.84, still remains lower than all three of these averages. Mrs. Mika said the next graph displays a similar comparison for usage of 2,500kWh. She said in this comparison, FPUA's standing has improved two positions since February, to 15th from the left. Rate increases occurring in March for Leesburg and Key West have affected the shift in our position. Also included on this graph is the depiction of where FPUA would stand with the additional approved increases to the power cost, which have all gone into effect as of June 1st. Despite the fluctuations in the averages shown for March, FPUA still remains below all of the same three averages in this comparison for our 2,500kWh bill. The March comparison of local

residential electric, water and wastewater bills that have been compiled by finance staff. The table presents 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. Mrs. Mika said since this was last presented for the month of February, the only change in the comparative electric bills was with FPL, which experienced a rate increase of $3.36 per 1,000 kWh of usage on the average bill. She said on the water and wastewater billing comparison for March the only change noted was a slight increase in their customer charge for the Vero Beach bill. FPUA's electric services including all fees and taxes remains lower than Vero Beach by 6.0%. This next table is a more detailed comparison these 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 has been included in your packets. This item is for information only and requires no action on the Board's part.

Nina Penick, Director of Financial Services, presented the Quarterly Financial Operating Results for March 2017, first six months through the fiscal year. She said the year to date increase in net position after the distribution adjustment was a little bit over $1 million and that is down about $6,000 as compared to last year at this time. Operating income was up about $1.1 million as compared to last year, but that was primarily because of decreases in expenses. The leader in that decrease was depreciation at $635,000, general and administration expenses of $372,000, and field operations of $235,000. Capital contributions were also down $458,000 from the same time last year. Operating revenues in the electric system were up 4% from FY 2015 and down 4% from FY 2016. Consumption was up 6% from FY 2015 to FY 2016 and down 3% from FY 2016 to FY 2017. We have less revenue and more consumption because of the lesser cost of the service. Water operating revenues are up 3% from FY 2015 to FY 2016 and up 8% from FY 2016 to FY 2017. Consumption was up 1% from FY 2015 to FY 2016 and up 6% from FY 2016 to FY 2017. Wastewater System operating revenues are up 2% from FY 2015 to FY 2016 up 2% from FY 2016 to FY 2017. The gallons billed increased 4%, but up 1% from FY 2015 to FY 2016 and 3% from FY 2016 to FY 2017. Mrs. Penick said in the Natural Gas System revenues were down 7% from FY 2015 to FY 2016 and up 1% from FY 2016 to FY 2017. She said the contract consumption is up 15%, which resulted in a 4% increase in contract revenue. Debt service coverage ratio is at a healthy 2.82, which is more than double the 1.25 required by FPUA's bond covenants. We are also in compliance with our liquidity covenant. This is an information only item and there is no action required of the Board at this time.

Mrs. Penick presented the status report on the Electric Power Cost Adjustment (PCA) for the month of May 2017 and has no new information to present to the Board. She said the FMPA rate call will be Thursday, but she does not have any information to give the Board fresh numbers. The chart displayed was included in last month's agenda packet. The dark blue line depicts the PCA, and the bars depict the balance of the PCA over- or under-recovery. The blue bars represent actual amounts. FPUA has returned $6 million to our customers over the last 15 months;

consciously under-recovering since February 2016. The orange bars depict what the over- or under-recovery would be if the projections are correct, and assuming a $1 increase in the PCA each month through April 2018. These projections are prepared by Public Resources Management Group, which in turn are based on projections prepared by Florida Municipal Power Agency and shows the over-recovery becoming an under-recovery in May. We do not have the May consumption data and projected rates to do the monthly projections yet. Staff is recommending an increase to the Power Cost Adjustment of $1 per 1,000kWh, from $1 to $2 per 1,000kWh, effective July 1, 2017, in accordance with the Board's previous recommendation.

Mayor Hudson asked if this request is because the Board did not approve $2 last time.

Mrs. Penick said that is basically correct.

Ms. Cavalcanti said it was $3 last time.

Mrs. Penick said she presented two options at the last Board meeting.

Mr. Perri said he recommended the $1 per month. He said looking at the chart now and how the blue line is going up to $11 PCA in March 2018, we will still be under collected a little under $2 million.

Mrs. Penick said that is correct.

Mr. Perri asked what the under collection figure does to FPUA's overall picture.

Mrs. Penick said it depletes FPUA's cash. She said by making the $1 increases, it levels out the amount of under collection.

Mr. Perri asked where FPUA will be on days cash.

Mrs. Penick said she is not sure how many dollars a day's cash is. She believes it may be $300,000, but she would prefer to answer it with correct information at the next meeting. It is a very good question.

Mr. Perri asked if it would affect FPUA's bond rating if our cash supply was substandard.

Mrs. Penick said only if it goes below the 45 days of operating cash will it have a negative impact on our bond rating. She said if we were to do a refunding it may increase the interest rate at which we would borrow money and that is what the lenders would look at.

Mr. Bey asked if this is approved, would it be -$2 PCA.

Mrs. Penick said it will make it at plus $2.

Mr. Bey said we are projecting the PCA will be at $12.

Mrs. Penick said if the projections are correct and if we make the PCA adjustments in $1 increments.

Mr. Bey said worst case scenario we will have to continue to increase the PCA for that reason.

Mrs. Penick said that is the expectation.

Mr. Bey said hopefully that will not be the case.

Mrs. Penick said she hopes that will not be the case. Historically it has not been; however, in recent months, the projections FMPA has been providing to FPUA have been much closer to mark than it has been. We used to get projections that were significantly higher than the rates turned out to be, but FMPA's projections have been closer to being correct. It is possible we may need to continue to do $1 per month, but staff will continue to look at it each month and evaluate it at that time.

Ms. Cavalcanti said to have it at the $1 million rate that we want the fund to be, we really need to raise it, based on these projections and not that she is suggesting that we do it, it looks like it will be $20 PCA.

Mrs. Penick said we would have to raise it much more at least temporarily and it is not something we are recommending at this time. She said as long as the under collection is not increasing at a dramatic rate, we are willing to take a little bit of a gamble with that. To bring it up to the $1 million mark, it would take larger increases than what is shown here. Mrs. Penick said she does not believe this is the time of the year to make those type of increases.

Ms. Cavalcanti said she does not want to do it now.

Mrs. Penick said perhaps in October or November when it is cooler.

Mr. Perri said his concern is we keep a very close eye on this and not get to the $4 million and $5 million negative mark that FPUA experienced in 2008 or 2009 when the PCA was $54. He said it looks like if we add the $30 to the $11, then we are looking at $41 in March realistically comparing it to the $54, it would be $41. It bares close scrutiny.

Mr. Bey asked what is fueling these increases.

Mrs. Penick said natural gas prices primarily. She said there are some changes in the way FMPA is doing their billings, which is negatively impacting FPUA some. It is hard to measure exactly how much it is impacting FPUA at this time.

A motion was made by Mr. Perri, seconded by Mayor Hudson, and unanimously carried to approve an increase to the Power Cost Adjustment (PCA) of $1 per 1,000kWh, from $1 to $2 per 1,000kWh, effective July 1, 2017.

Mrs. Penick presented the FY 2018 Capital Budget and the Operations and Maintenance (O&M) Budgets. She said the presentation is strikingly similar to the presentation done for the workshop, but for those that did not get to attend the workshop, she would like to pass this information along. The budget funded by rates has been very steady in recent years and is not expected to change very much in the upcoming years. The price of purchases for resale, primarily the purchases of natural gas are expected to be increasing in the upcoming two years, the rest of this year, as well as 2018. The O&M budget reflects both the additional expense in the budget as well as the additional anticipated revenue. There will not be the anticipated revenue if there is not the additional costs. That is the recovery of the PCA that was just voted on. Mrs. Penick said 46% of the total FY 2018 O&M budget will go toward purchases for resale, the cost of which is not controlled by FPUA is almost half of where FPUA's funds go. The budget being presented today has very few changes as compared to what was presented in the workshop. Staff did make a change to the allocation of employee insurance based on more recent history and head count. There is estimated revenues and as a result the calculation of FY 2018 Distribution was reduced $43,941 because that is how the calculation turned out. The estimated distribution is approximately $6 million. Although the purchases for resale are increasing from FY 2017 original budget to the original budget for FY 2018 by 8% up to $50.2 million, the budget in FY 2015 was $50 million for purchases for resale. Those decreases we have been enjoying for the last year may have passed. Overall the increases in the Capital Budget over the 3-year period is actually a decrease in the rate funded capital and the rate funded O&M has increased 5% over the last three years. Very conservative increases in times of higher prices. Mrs. Penick said in the O&M budget, the biggest increase is the purchases for resale. She said the items to note in changes is a 3% increase in salaries and wages, which we are hoping to implement on October 1, 2017 equates to $591,600 plus benefits of approximately 25%. Staff has evaluated the impact on rates and although there is a slight shortfall, historically we have not spent all the money budgeted in the capital budget. We do not believe there is a need to raise rates in the near future at all with that salary increase. Also included is an additional $200,000 for salary adjustments at Clay's discretion. As discussed in the workshop, there has been a salary or compensation study done which compared the salaries paid to FPUA employees versus other similar entities in the State of Florida and came to find out there are a number of positions that should be increased to ensure we attract and retain qualified personnel. The adjustments at Clay's discretion are generally for bringing staff up to minimum of the new salary ranges that were looked at. Health claims are on target in FY 2017, so amended $100,000 and another $100,000 in FY 2018, but we are talking about a $3 million budget so it is very little and conservative. It was recommended we include 10% and we did not follow the recommendation because it is believed we will be doing very well this year. We have added $45,000 to the Weatherization and Education Outreach Program in FY 2018, for a total of $100,000, which is FPUA's program for assisting the FPUA customers for home

weatherization and efficiency improvements. A number of contracts have come through in previous Board meetings for local vendors to provide those services. It has been a very positive affect on utility bills and the community as a whole and FPUA would like to expand that program. The distribution to the City of Fort Pierce sits at approximately $6 million each year and there are no significant changes. If we do not meet the revenue projections then the distribution will be less, but we expect it to be approximately $6 million in the upcoming years. FPUA collects and remits the City's 10% utility tax of approximately $2.5 million a year. The estimated Capital Budget for FY 2017 is estimated to be $21 million and in FY 2018 it is estimated to be $25 million. FPUA has implemented a new procedure starting last year where any projects that had begun and were not completed by the end of the fiscal year and had remaining balances in their budgets, we are requesting that money be allowed to be carried over into the next year. The amount of the carryover from FY 2017 into FY 2018 is estimated to be $2 million and we are hoping the Board will allow staff to do that again. This assists in keeping rates down because it is money we did not spend and basically should be allowed to spend those funds. Historically, FPUA is unable for one reason or another able to spend the budgets that at this time of the year we believe it will be spent, but plans do not always come to fruition. As an example when the DOT decides they are going to work on Midway Road, FPUA has to move our facilities, we do not have a choice. We are not going to make more money by putting those lines in because the lines are already in there, we just have to move them. It is not beneficial for FPUA, but something we have to do. Midway was a planned project and pretty much on target. US 1, south of Edwards was a project and was anticipated in future years, but they have moved that up as a result of working on Midway Road. There are other projects like 2nd Street that have dragged on for years and years. The capital budget is very difficult to be spot on. Moving forward, staff is trying to not budget as much and carry over anything that is not spent. The top ten projects for FY 2018, there is one different from when discussed in the workshop. Staff has added the lift station replacements and upgrades, which is not a single project and is why it slipped by before the workshop. It is the addition of four or five projects that relate to lift station replacements or upgrades. The new total when adding them all together shows the top ten projects makes up 54% of the total capital budget. Included in the list is the Avenue M project, Ohio Avenue, and Wendell Road that are to be funded by the State Revolving Fund loans. There are a couple of items that follow this that the Board will be reviewing for loans to fund those projects. Most of these projects are planned R&R projects. The second deep injection well at the Mainland Reclamation Facility is expected to be funded by contribution in aid and is not a rate funded project. The subaqueous main stabilization, which are lines under the river that need to have work done on them. We have included $1.1 million in the FY 2018 budget to perform that work. Of the $25 million FY 2018 capital budget, approximately $15 million of that is expected to be funded by rates. The State Revolving Fund Loans are in the application phase and expected to be $3.6 million. The capital improvement charges is $1.6, contribution-in-aid is $2.6 million, the carryover form FY 2017 is $2 million, the contingencies, which are those items we cannot plan for is $500,000, and the total is $25,167,435. Mrs. Penick said revenues are very steady and projected to be up slightly because of the increases in purchase power for resale. She said the increases in the water revenues are generally contributed to increased sale and the increase of the number of customer's consumption. These are two separate items the Capital Budget and the O&M Budget, but Mrs. Penick said she has

combined them. She said the first item to be considered is the FY 2018 Capital Budget, which totals $25,167,435 and requesting approval to authorize staff to carry over budgeted funds for partially completed projects, which remain from FY 2017 and spend those funds in FY 2018 without additional Board approval.

Mayor Hudson asked if the capital budget is separate from the operating budget.

Mrs. Penick said this is just preliminary approval and what is done after the preliminary is approved for the Capital and O&M, they will be combined in one book, which is the Annual Budget. She said that is the budget that is adopted and taken to the City Commission in August.

Attorney Koblegard said the Board votes on the Capital and O&M Budget separately today.

Ms. Cavalcanti said on the Capital Budget, she remembers at the budget workshop Mrs. Penick said there was a $2 million carryover, which was mentioned again today. She said today it was mentioned there is an additional $5 million of prior capital budgets that is unspent in cash and that the $7 million total is in FPUA's cash account.

Mrs. Penick said the $2 million is a part of the $5 million that remains in cash.

Ms. Cavalcanti said she thought Mrs. Penick said it was $7 million at the budget workshop.

Mrs. Penick said that is correct, it was $5 million as of September 30, 2017.

Ms. Cavalcanti said there is $5 million accumulated and in addition, we are carrying over $2 million.

Mrs. Penick said the $2 million that we are requesting to be approved is carried over from September 30, 2017 into 2018.

Ms. Cavalcanti said she understands, but we still have $7 million in cash of which $2 million we are carrying over because we need it for projects that are not finished.

Mrs. Penick said that has already been done and brought to the Board for approval with a list of the projects.

Ms. Cavalcanti said she understands that, but she is trying to get clear that there is $7 million, which is what Mrs. Penick said at the budget workshop, but the taxpayer and rate payer do not get to hear that unless they want to go online and look it up. She said she is talking $7 million of which $2 million we are carrying over.

Mrs. Penick said that is currently being used in the 2017 capital budget.

Ms. Cavalcanti said that is right and she will assume it will be spent in 2018 to finish those projects.

Mrs. Penick said those funds should be spent in 2017. She said it is classic and keeps carrying over and over and they do not ever end up spending all the money because of construction delays or bad weather, they simply cannot complete all those projects within an artificial timeframe because we have to budget by fiscal year.

Ms. Cavalcanti said she totally understands. She is going back to the $5 million then that is in cash and is not in any projects. There is considerable desire for several things of capital projects items in this community with one being moving the wastewater plant from the island and another is underground utilities. She understands the wastewater cost is a little more than $100 million, but when you add that and the price of the land it is sitting on of 12 acres at $2 million an acre would be close to $24 million. This would give a big step towards removal of the wastewater plant. Ms. Cavalcanti wonders why we can never budget these excesses that have accumulated and are sitting in cash for some kind of capital projects that will benefit our community.

Mr. Lindstrom said that is exactly the reason last budget season staff proposed the carry over projects because the Board authorizes by projects as opposed to budget year. He said in essence that $5 million has been double budgeted for a project that carried over into the next fiscal year. That is staff's transition point with the $2 million saying we anticipate that to be a carried over project. The $5 million is actually sitting there with projects that were either completed over a multiple year period of time and we double budgeted.

Ms. Cavalcanti said over budgeted.

Mr. Lindstrom said he does not think they were over budgeted, they were budgeted for each fiscal year they were part of the construction activity. He said because of the requirement to budget on a fiscal year budget as opposed to a project basis. Here we are trying to do both by trying to tell the Board staff is requesting authorization and approval by total project regardless if that is a 2-day project or a 10-year project. We will then break it up in the budget years so the carryover will be identified into what years we anticipate it to go into. The transition leaves us with the $5 million that really does not have a defining project associated with it. Mr. Lindstrom said he hoped that helped explain it.

Ms. Cavalcanti said it did.

Mayor Hudson said it did and asked if there is any plan for that.

Mr. Lindstrom said not at this time, that money has been identified and spent according to the project authorizations in those budget years and it was just left over.

Ms. Cavalcanti asked if it is sitting in cash.

Mr. Lindstrom said yes and that staff would be happy to discuss the alternatives to utilize that in the upcoming strategic planning session.

Mayor Hudson said that would be a good idea on how Mr. Lindstrom sees it should be used.

Mr. Lindstrom said what this Board directs the staff to do from a policy point of view.

Mrs. Penick said she would like to address another issue Ms. Cavalcanti asked about electric undergrounding. She said there is approximately $100,000 in each year of the 5-year plan to assist customers in undergrounding their service lines. It would also be a strategic plan initially to determine if that is something we want to do system wide or how to implement any additional undergrounding.

Mr. Perri asked if the City has an ordinance that any new service existing or new homes be underground from the pole to the property.

Mr. Mimms said they do and also the City has an ordinance that states any reconstruction of any roadway within the City of Fort Pierce requires all utilities to be placed underground. He said due to their financial situations over the last couple of years, they have not mandated that. It appears there is some cash sitting around, but that is a city requirement.

Mr. Perri said that will help that situation along.

Mr. Bey said since there is some money sitting around, he asked if it was possible for the City to contribute additional money to the WEOP. He said FPUA increased their amount $45,000 and if we can get the City to possibly double the amount they have been contributing, it would be good for our customers, good for the needy citizens, and good all around.

Mr. Mimms said he completely agrees.

Mr. Bey asked if Mr. Mimms could take that back to the City.

Mr. Mimms said as soon as he heard Ms. Penick say that, he sent a text to his staff and asked if the City could match the program for FPUA. He believes they do have some available funding in the SHIP for some of the mortgages that they receive some financial contributions for. That is a possibility and as they move into their budget cycle and budget workshops, he believes that will be discussed.

Mr. Bey requested to be posted on that.

Mr. Mimms said he will be happy to keep this Board informed.

Mr. Bey said yes keep the Board informed.

Mayor Hudson said she had made a note of that when Mr. Bey asked for it at the workshop so she also was going to follow up on that. She had not forgotten. Mayor Hudson said she likes that program and thinks it is a very good program that she supports.

A motion was made by Mr. Perri, seconded by Mayor Hudson, and unanimously carried to Approve FPUA's FY 2018 Capital Budget, which totals $25,167,435, and authorize staff to carry over budgeted funds for partially completed projects, which remain from FY 2017 and spend those funds in FY 2018 without additional Board approval.

Mrs. Penick said the second request is to approve the Operations and Maintenance budgets for FY 2017 amended budget the revenues totaling $104,890,132 and expenses of $105,861,614 as well as the FY 2018 original budget with the revenues being $108,876,870 and expenses $108,091,256.

Mayor Hudson said she can support the budget for the 3% overall, but not the $200,000 additional pension amount. She appreciates the assurance that there is not going to be a rate increase any time soon, but believes that will balloon out of proportion and the Board does not know what will happen with that money. That money could be expanded greatly and once you go down that road and we have that as a policy, she believes it will become an entitlement. Mayor Hudson does not want to be in a position where we are pricing ourselves way too high in terms of salaries and benefits. She said she did not vote for the classification rework because she does not really feel like she can believe it and that it is justified. It is $1.2 million this year, but does not know what it will be in future years and believes it can get out of control so she will not support it.

Mr. Perri said he thinks we are on a slippery slope with our pay plan and thinks we need that money to show good faith to our employees. He said the study showed FPUA is not up to par with existing entities that do our type of work. He has said it before and will say it again, you cannot find the people to do this work at the job fair or at any employment agency. FPUA's employees are highly skilled and we need to protect them and keep them. The alternative to not having them is to have substandard service and Mr. Perri is sure everybody would be up in arms about substandard service. That is the road FPUA would be heading down by not keeping the pace with the industry.

Mr. Perri made a motion to approve the Operations & Maintenance Budgets: FY 2017 Amended - Revenues $104,890,132 and Expenses $105,861,614, FY 2018 Original – Revenues $108,876,870 and Expenses $108,091,256.

Ms. Cavalcanti said she would like to say something before the vote. She is very concerned to see in the comparison there is a $1.4 million increase between column 5 and 10 on page 17 of the report. As she recalled from the budget workshop, Mrs. Penick said there was a shortfall of

$705,000 and was going to be taking that from the Capital budget, the excess funding of the $5 million to be used for the shortfall.

Mrs. Penick said if there is indeed a shortfall. She said just because there is money in the budget available to be spent, the biggest chuck of the money is the purchases for resale and there is a very large increase in the purchases for resale in 2017 and 2018. If we do not need those funds, we will not spend them and there will be no shortfall.

Ms. Cavalcanti said the projections Mrs. Penick gave from her experts showed a very dire situation with that in the sense the PCA was going to have to go up to $20 to get to $1 million.

Mrs. Penick said that does not impact FPUA's budget. She said the power cost is a pass through so it does not impact FPUA's budget.

Ms. Cavalcanti said if our purchases for resale go up, then our rates ultimately will go up.

Mrs. Penick said the PCA will increase, not the rate. The bills will go up.

Ms. Cavalcanti said there are a couple of things that concern her. She said we would be invading the capital budget to pay for this possibly in part by $705,000 and the other thing is she did not vote for the program Mr. Parilla recommended. She talked to a client yesterday that made a very good point about it by saying how many FPUA employees drive from outside the City of Fort Pierce to come to work. Ms. Cavalcanti said she thinks there is a good many and he said if the job is so underpaid and the benefits were so bad, they would not be driving here to come to work. She still thinks and got Mr. Parilla to say it in the meeting that the total compensation package, not trying to compare only salaries, but she wants the ratepayers to understand how this works. For a long time she did not understand how it works. A person that works at FPUA for 30 years will retire with 90% of their highest 5-year salary because there is a 3% multiplier and asked if that is correct.

Mrs. Penick said average.

Ms. Cavalcanti said she would assume the highest 5-year salary, their last five years, we are potentially looking at astronomical numbers for people's pension and she does not resent it. She said if your pensions are well above everybody else's then your wages will be below others, that is how it works. She said she cannot offer to her employees high wages and a 3% multiplier defined benefit plan. She can offer them a 401k and she does not know if their wages are higher or not compared to here. She knows she cannot offer them both and that is what it sounds like this Board is being asked to do is give both. Ms. Cavalcanti wants to make clear that if a person works here more than 30 years or works here 33 years, they will retire with 100% of their highest 5-year salary. She said 33 times 3% multiplier.

Mrs. Penick said a few years ago it was capped at 75%.

Ms. Cavalcanti said she would like to know that for sure.

Mrs. Penick said those cost are accrued each year.

Ms. Cavalcanti said she realizes that, but it is still a cost.

Mr. Bey said if a person works for a company for 33 years, he does not think 75% of their 5-year average salary is a bad thing to pay them. He said 33 years is like almost 1/3 of someone's life they have dedicated to a company. We have been around and around the bush with this thing and we know we have dedicated employees that have worked with us in spite of the fact we are paying with antiquated pay scales. We need to bite the bullet and do the right thing and give the employees what they need to have. He agrees with everything Mr. Perri said and will support it as it is written.

Mayor Hudson said she was looking at the actuary report, which is now on line and she does not know if that has ever been shared with this board. She said it may be something the Board gets educated on the pension plan. Because the Board does not participate in it but the City Commissioners do, this is published every year in May. Mayor Hudson finds that publication very helpful in understanding how the cost are allocated and how it happens. She said there is a percentage of 17% and the book is very educational and she believes this Board could benefit from having it. There is going to be a presentation of the actuary retirement to the City Commission because it is a very important report and we need to be abreast of that and would be an education to all of us.

Mr. Lindstrom said he would like to address the Mayor's concerns, last year's budget for personnel the actual was 3.5% less than our budget so we do pay attention to that.

Mayor Hudson said she noted that, but he compares apples to apples so that is the only thing she has to go on.

Mr. Lindstrom said staff is very scrutinizes and very diligent.

Mayor Hudson said she believes it and that we have a really good staff and has absolutely no qualms about that. She has concerns about the ratepayer's ability to pay what might get to be a pretty big number. Also, she knows we had a consultant and comparisons, but that we ought to at least weigh as relevant what the cost of living and what salaries are in this area as well as in the other areas. Enough about that, she is ready to vote.

Mr. Bey made a second to approve the Operations & Maintenance Budgets: FY 2017 Amended - Revenues $104,890,132 and Expenses $105,861,614, FY 2018 Original – Revenues $108,876,870 and Expenses $108,091,256. Those voting to approve were Mr. Bey and Mr. Perri; those voting not to approve were Mayor Hudson and Ms. Cavalcanti, the motion did not pass.

Ms. Cavalcanti asked Attorney Koblegard what happens now.

Mr. Perri asked if it will come back to the full Board at a special meeting.

Attorney Koblegard said in anticipation of a tied vote, he spent quite a bit of time trying to decide where the Board goes from here. He said he is no authority of Roberts Rules of Order; however, if we follow Roberts Rule, the absent member of the Board, Dan DeIulio, would be considered as having voted with the prevailing party. The prevailing side has a right to ask that it be brought up for reconsideration so Mr. DeIulio would be able to ask that it be put on the next agenda for reconsideration. Attorney Koblegard said he spent an hour on goggle this morning to figure it out and if Gloria Grimyser was here she would not have a problem because she knows it backwards and forwards. He thinks that is one way it can be brought back up, but he believes Roberts Rules are trumped by the Charter and we have to follow the Charter. The Charter says: *"The Authority shall* (shall is the operative word which mandates, is mandatory) *annually prepare and adopt a budget for the ensuing year and furnish a copy to the City Commission at least forty-five days prior to the beginning of the next fiscal year".* We are on a time constraint and we have to pass a budget; therefore, Attorney Koblegard believes it would be appropriate to place this on the agenda for July 5 because we are not going to be meeting again this month. He said at that time, he assumes we will have a full board and therefore it would go up or down. If it is voted down, then we will have to start all over again he believes based on the Charter. We cannot violate the Charter. Today it was brought up as a preliminary and then if it had passed we would have brought it up as Mrs. Penick said as a final vote on the combined budget. This step in which Attorney Koblegard asked Mrs. Penick to check and she did not tell him otherwise we have no resolution that says we have to have the two step process. He does not think we have to have this meeting over again on the preliminary, we can go on to the final budget and that way we stay on schedule to meet the 45 days. The Board can then consider that the final budget on July 5. The staff has heard the considerations that two Board Members have a problem with it and they can work on that between now and July 5. By the Charter we have to bring it back up on July 5 and it should be in final form at that time. Attorney Koblegard said he believes he is safe in saying that, he does not know for sure. He said under Roberts Rule, the Charter trumps that anyway.

John Tompeck, Gas Operations & Energy Services Manager, presented the Unit Price Contract for installation of gas underground utilities with DBE Utility Services. He said staff is requesting approval to award the gas unit price contract to D.B.E. Management, Inc. dba DBE Utility Services in an amount not to exceed $250,000 annually. The initial term of the contract will be from July 1, 2017 to June 30, 2018, with four one-year renewal options. This gas unit price contract is necessary for construction of gas mains, service lines, and other services that includes directional boring and welding that we do not perform in-house. We have a couple of pretty good size road projects coming up especially US 1 between Midway Road and Edwards, which is a little bit older section of the city that has steel pipe there. That pipe will have to be relocated, welded, and

lowered so we need to get this contract approved. The invitation to bid was sent to 737 vendors via DemandStar and 10 vendors requested specifications, with 2 vendors responding by the bid date of April 26, 2017. No local vendors responded and based on D.B.E.'s qualifications and low bid, staff requests the Board's approval for this award and please do not have a tie vote.

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to approve Bid No. 17-05: award of bid and Agreement for Unit Price Contract for Installation of Gas Underground Utilities to and with D.B.E. Management, Inc. dba DBE Utility Services (DBE), of Loxahatchee, Florida, in an amount not to exceed $250,000 annually. The initial term of this agreement will be from July 1, 2017 to June 30, 2018, with four one-year renewal options.

Valerie Schulte, Supervising Engineer for Water/Wastewater Engineering, presented the State Revolving Loan wastewater application for Point Source Water Pollution Control Clean Water Program. She said this is the only application due with the water application being due in August and we have to complete a facilities plan for that. Right now the wastewater is set up so we can get planning loan money ahead of the construction loan and we have to go through that process. They do not allow us to get the total amount up front. Staff is asking for approval for this application and signatures and there are associated documents that will come up later in the resolutions we have to pass to get the process started.

Mayor Hudson said if she remembers right, we are doing this so we do not have to raise the water rates.

Mr. Lindstrom said that is correct, it is a low interest loan through the state for the construction activities over several years.

Mrs. Schulte said these roadways were on the City's list as areas they wanted to look so with FPUA's improvements it will help the City's roadways.

A motion was made by Mr. Perri, seconded by Mayor Hudson, and unanimously carried to approve and Authorize the Chairman to sign the State Revolving Loan Application for Point Source Water Pollution Control Clean Water Program) and associated documents.

Mrs. Schulte said the next item are the documents that are required to be enacted in order to apply for the loans. She said they need the Board's approval of the resolutions, which assures we are going to pay them back are the basic clauses in there. She assumes the Board has had the opportunity to look through the resolutions as they are pretty straight forward.

Mrs. Mazzarella read resolution title into the record as follows: "Resolution No. UA 2017-06, a Resolution of Fort Pierce Utilities Authority, relating to the State Revolving Fund Program for drinking water; authorizing the application; authorizing the agreement; establishing pledged

revenues; designating authorize representative; providing assurances." "Resolution No. UA 2017-07, a Resolution of Fort Pierce Utilities Authority, relating to the State Revolving Fund Program for clean water; authorizing the application; authorizing the agreement; establishing pledged revenues; designating authorize representative; providing assurances."

A motion was made by Mayor Hudson, seconded by Mr. Perri, and unanimously carried to adopt Resolutions No. UA 2017-06 and 2017-07 as required to obtain funding under the State Revolving Fund (SRF) loan program.

Mr. Lindstrom said FPUA has some busy times coming up. He said Saturday, June 10, employees will be participating in the Restoring the Village Activity. Last year we had about 20 employees that participated in that cleanup and we are looking forward to another good participation and volunteer support. Wednesday, June 14, FPUA is starting a 4-week session Citizen Tour Group called Know Your Utility. They will be touring each of our plants, the Wastewater Treatment Facility, Water Plant, and TCEC Facility as well as giving them a tutor session on what it takes to operate and maintain from a capital and maintenance expense side and what all goes into their bill. There has been good response so far and we are looking forward to having several of these throughout the year if it transpires properly.

Mr. Bey asked how many people have signed up.

Mr. Lindstrom said seven have signed up so far. He said we were targeting eight to ten as a maximum.

Mr. Perri asked if we are going to target the classroom.

Mr. Lindstrom said that is the next thing to talk to the School Board during the off season. He said staff will be doing some presentations to the grade and middle school science classes as well to teach them about utilities and energy.

Mr. Perri asked about field trips.

Mr. Lindstrom said field trips also.

Mayor Hudson said she sent Mr. Lindstrom an email about somebody that was interested in it that was sitting behind you at the City Commission meeting last night.

Mr. Lindstrom said he knows George.

Mr. Lindstrom said there will not be a meeting on July 20 because it is the APPA annual meeting, which will be in Orlando this year. He said they are going to take advantage of that and utilize their expertise and learn some more about how to run the utility.

Attorney Koblegard said they are going to be meeting with the County on Thursday afternoon to discuss our long term desire we have had to become the utility provider for the County. He said recently we have come up with some other ideas possibly a middle road. Maybe we can work something out with the County to swap some territories where we are no longer the bulk water provider, but we are the retail provider. Apparently the County has finally decided that since they gave us the 5-year notice it is time to spend some money to start to supply some water and wastewater to the County residents. According to their budget it is a massive amount of funds; however, because of our surplus of water, we could probably take the place of that expansion and save the County a lot of money and actually provide more service to them than they are even anticipating with those expenditures. Attorney Koblegard said that is the discussion they may work towards when they talk Thursday afternoon with the County Administrator, their new utility person, and Dan McIntyre meeting at the County Library.

Mayor Hudson said that theoretically be better for the water rate payers in the County.

Attorney Koblegard said it really is a win/win situation. He said the County will probably always try to fight FPUA for selling their utility to us, but it would be a new partnership. We would do away with the bulk agreement, write up a new agreement to go forward, and it should work well for everyone.

Mayor Hudson said she hopes it does.

Mr. Bey said he was not at the last meeting, but he watched it on the computer. He said during the public comment a gentleman came and raised interesting issues about a situation that we have going on that he felt rather troubling. It could appear that FPUA is bending the rules or giving preferential treatment to certain customers than others. He was very unsettled by that and would like to discuss it. Mr. Bey said he remembers Ms. Cavalcanti asked for some information on that and wondered if any information was provided. He said his position is that if we have a rule, everyone residential and commercial should adhere by that rule and then no special people, everybody is special in our system. He would like to know what happened and why it happened. The business opened in October 2016 and a letter questioning the deposit that was supposed to be paid was not mailed out until May 27, 2017. That sounds like something that is not right and he would like to get to the bottom of it.

Ms. Cavalcanti said she believes we are going to have that on the agenda on the next meeting. She asked Mr. Koblegard if that is correct.

Attorney Koblegard said he does not know about the agenda, but he knows there is supposed to be a report. He said any businesses that have not put up the deposit or the line of credit or the bond, there is a report that is supposed to be covering everything and not just this one incident. The commercial establishment that came up at the last meeting has now filed a public records request for about 10 or 11 items he wants from FPUA. We are going to respond to that and Attorney Koblegard is assuming that will come up at the next meeting. He does believe there is supposed to be a report at the next meeting, but he is not sure. It is to be about some that may have not put up a deposit or lines of credit or bonds and the reason why that has not happened. He thinks it is very few and far between, but also knows this one commercial project that apparently did not put up a deposit. Last week he received a letter that if it is not put up by May 31, then it will go on the next month's bill. So the next time that location's bill goes out, the deposit will be on there and if it is not collected, the power will go off. We will have to see how that plays out.

Ms. Cavalcanti asked if there is any way to get it on the next agenda.

Mr. Lindstrom said first of all no favorites have been played to anyone. He said staff ran a complete analysis of everyone in the commercial business that does not have a deposit on file. From the time frame the request at the Board meeting was made until today, there were three accounts that were in the same status. All three of those received a phone call, letter by mail, a certified letter, and they received an email that stated exactly the same. They have four options to put forth their deposits and if not, it will be added to their next month's bill and will be considered due and payable at that point. We have 36 commercial establishments that go back at least 10 years that have no deposits and we do not know the reason why. Out of the 36, 32 were prior to 2015, so he cannot respond to that.

Ms. Cavalcanti asked how many of them are prior to 2010. She would like to have this on the agenda for the next meeting if possible.

Mr. Lindstrom said 9 of them were prior to 2010.

Mr. Perri said he thinks this situation probably has been festering for a long time and we need to put the item on the strategic planning agenda. He certainly thinks some mechanism ought to be afforded to people in the field to work with people in trying to get some business. That has a lot to do with new businesses coming here. They have to have some latitude. If you get a credit report on an individual that has excellent credit of 750 – 825, there has to be some kind of mechanism that we can cut them a little slack on the deposit for a certain amount of time. Mr. Perri said he thinks what happened is somewhere along the line people were given that latitude and that is why we have what we have. He thinks it needs to be addressed.

Mr. Lindstrom said if the Board would recall, members of this Board had strongly suggested that we perhaps had too much of a requirement for commercial deposits and perhaps give some on of them back. He said he took the firm stance and said no, commercial establishments need a

deposit. Nothing was done out of any favor to anyone, there was no pressure applied to anyone. This is a good situation because we found out that the process and procedure that was in place for several years did not work. It got handed off for at least four people before it was discovered what was going on. We have changed that process.

Mr. Bey said for the record, he wants to be business friendly. He talks about in order for us to attract business to town, we need to be business friendly. If people come and they want to open a business, if they cannot afford to meet our entry fee level standards, then we lose a customer. By the same token, we have to set up a situation where especially with commercial customers. We have a situation where if an LLC comes to town and they open up a business and they go out of business as a corporation or an LLC, they are not personally liable for any of the costs, then we are screwed. Somehow we need to figure out how we can accommodate these people, which is what he wants to do, but by the same token we can be protected ourselves.

Mr. Lindstrom said that is our goal as well.

Mr. Bey said he is not saying that there was any favorites played here, but it appears that may have been the case.

Mr. Lindstrom said he is here to say that was not the case and he would stand firm to that till the day he dies.

Mayor Hudson she understands we are going to have like a full report on this at the next meeting.

Mr. Lindstrom said whatever you want. He said he believes he gave the Board everything they asked for, but if they want more in writing, he can certainly do that.

Ms. Cavalcanti said she thought in Mr. Lindstrom's last email that he said Jason Hoffman was to do a full report on it.

Mr. Lindstrom said a history and when they found out that the letter on file, he understood existed did not exist, then we went to the entire research of what other commercial customers do we have out there that do not have deposits.

Ms. Cavalcanti said that was the response that came first, then Mr. Bey sent you the email and that is why I would like this on the agenda because I did not bring any of my papers with me regarding it. Mr. Bey then sent you an email regarding it and then you sent an email that said Jason I want a full history of all of these, etc. and we have not received that. Ms. Cavalcanti said she has never received answers to her questions either. She said she has a whole series of emails to Mr. Lindstrom that she could not get any answers on and that is why she would like it on the agenda.

Mr. Bey said what he thinks Mr. Lindstrom may be saying is we need to say "Clay we want a full report on this at the next meeting", is that what we are saying.

Ms. Cavalcanti said that is what she is saying.

Mayor Hudson said that is what three of us are saying.

Mr. Lindstrom asked what they want as a full report and what their definition is of a full report.

Mr. Bey said one of the things he would like to know is why it took until May 27 to get a letter out to this business stating you owe us money, we need this money by a certain day or we are going to shut you off. He said the business opened October 2016 and it took until May 27 for us to get a letter out to them. He said if he is not mistaken, FPUA gives a business 5 days.

Ms. Cavalcanti said yes it is in the resolution.

Mr. Bey said they have to submit a letter of credit or whatever the process is and that is a long time between October and May. He would really like to know why that happened and what we can do so that does not happen again.

Mr. Lindstrom said we will do the same for the other two accounts.

Mr. Bey said not for that one particular one, but everybody. He asked if anybody else had anything.

Ms. Cavalcanti said she had sent a series of questions that she would like all of her questions answered.

Mr. Lindstrom said forgive me I thought I had answered all of them.

Ms. Cavalcanti said no, but you have them all in emails.

Mr. Bey said that is all from him.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN