MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, JUNE 21, 2016 4:00 P.M., CITY COMMISSION CHAMBERS.

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

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

The meeting was called to order by Chairman Perri.

Opening Prayer by Carol Johnson of FPUA Human Resources.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Mr. Perri asked to set the agenda.

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

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to approve the June 7, 2016 minutes.

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

1. Approve budget transfers totaling $100,000 for unforeseen repairs and maintenance to the Water System.

2. Approve Post Budgeted Project/Budget Request for $39,172 to provide natural gas service to the Pursuit Boats location on St Lucie Boulevard.

3. POA 6053: a) Approve the purchase of material and labor from MasTec North America, Incorporated of Coral Gables, Florida from an existing blanket purchase order, 18925, in an amount not to exceed $57,790. b) Approve the purchase of material, to include the fiber, and labor from Precision Contracting Services, Incorporated of Jupiter, Florida from an existing blanket purchase order, 18801, in an

amount not to exceed $78,407. c) Approve the Post Budgeted Project/Budget Request for the installation of a 96-count fiber cable and handholes in existing conduit from 701 Seaway Drive into Jaycee Park repump control room to include $13,803 of capital labor cost

4. POA 16-18: Approve the purchase of a 2016 Ford Transit Connect XLT Cargo Van in the amount of $27,624.00 from Sunrise Ford Company of Fort Pierce, Florida.

Mayor Hudson said she is glad that Item D-4, the purchase from a local vehicle vendor is on there.

Mr. Lindstrom said at the last meeting the Board requested the evaluation of the Director of Utilities and the Attorney. He said the Board received a proposed format for evaluation and some discussion items at the Board's pleasure.

Mayor Hudson said for the Director, she is really happy he attends all the City Commission meetings, which is a great thing for FPUA because he can get a feel for the City Commission, and the City Commissioners appreciate it. She sees Mr. Lindstrom is at the EDC luncheons and at the Chamber ones so he is out in the community. He participates in community events and Mayor Hudson sees him at the events and appreciates it. Mr. Lindstrom encourages his staff to participate also. She appreciates the economic development incentives that have been provided and very much appreciates the improved relationship with the City of Fort Pierce.

Mr. Bey said he echoes what Mayor Hudson said and after meeting with Mr. Lindstrom and discussing some of the issues with him, he thinks Mr. Lindstrom is doing a great job. Mr. Bey believes what is important is the strengthening of the relationship between FPUA and the City and Mr. Lindstrom has done a very good job of that and he is happy with his performance.

Mr. Perri asked if a decision was going to be made today on a salary increase.

Ms. Cavalcanti said she believes a decision should be made and asked if the Board wants to tie in the Attorney at the same time.

Mayor Hudson said she has to recuse herself from voting on the Attorney so it will have to be separate. She can participate in the discussion, but her understanding is she cannot vote for the Attorney.

Attorney Koblegard said that is correct.

A motion was made by Ms. Cavalcanti, seconded by Mayor Hudson, and unanimously carried to approve for Mr. Lindstrom the same salary increases the staff received and make it retroactive to the same date as the staff.

Mr. Perri said personally he feels like our Attorney does a good job and he is due the same consideration.

A motion was made by Ms. Cavalcanti and seconded by Mr. Bey to approve for Attorney Koblegard the same 3% salary increases the staff received and make it retroactive to the same date as the staff. Those voting for approval were Mr. Bey, Ms. Cavalcanti, Mr. Delulio, and Mr. Perri. Mayor Hudson abstained.

John Tompeck, Gas OPS & Energy Services Manager, presented an update on the natural gas rate stabilization fund for June 2016. He said staff is requesting approval to increase the PGA by $0.05/ccf, from -$0.15 to -$0.10/ccf, effective July 1, 2016. Staff has re-run the sensitivity analysis, which now includes April actuals and May preliminary information. The price of gas, although still low, has begun to rise, as shown on the first slide. The price of gas has moved from the $2.00/Dth range to $2.50/Dth, which is the highest price in over a year. Mr. Tompeck said he looked at the price of gas this morning and it is up to $2.75 for July. He said staff believes the price of gas is going to continue to increase a little bit. A review of market conditions indicates production has leveled off and that is important because this is the first time in about four years they have not beat the benchmark of the year before. The gas rig count, which has been reduced steadily over the last few years, has probably bottomed out. This indicates some of the small producers that have been struggling to maintain their business have finally gone belly up and some of the big producers as well have shut down some of their wells. Storage levels are still in very good shape as can be seen from the next slide. It started a whole lot higher than it has in recent years, but they are still injecting into storage an average 10 Bcf per day and the overall storage level is probably heading to the same record heights as last year. To predict the price of gas going forward, we look at the Nynex futures and everything he has read, indicates the price of gas is almost solely based on the weather. The weather forecast for the southwest, northwest, and southeast all call for a lot of heat this summer and that means a lot of natural gas will be used for power production. There will be more demand than there has been in the past for power production. As an example, the Port Everglades plant was opened a couple of months ago and to give an idea of how big that plant is, the Treasure Coast uses about 40,000 Dth/day and the Port Everglades will be using over 100,000 Dth/day. A lot of the old coal plants have shut down and been replaced by natural gas plants. Mr. Tompeck believes there will be an increase in demand and eventually is going to result in a price increase. He said the new June curve shows a sharper decline in the over-collection, which will put us outside the operating range of the RSF later this year. In order to bring us back into the operating range of the RSF, Staff has reviewed two options, which are shown of the next slide. Raising the PGA by $0.10/ccf will put us considerably above the operating range and is not recommended. Raising the PGA by $0.05/ccf will keep us in the operating range at least until January or February and then we can get an idea on how the price is going to move. We may see some $3.00 or $3.25 price of gas sometime in the winter and the futures are very close to that now. Staff is requesting approval of the PGA by $0.05/ccf, from -$0.15 to -$0.10/ccf, effective July 1, 2016.

Mr. Bey asked when it will be necessary to raise this again.

Mr. Tompeck said it depends on the price, but if the price stays where it is now and in terms of the futures, FPUA would have to do something in January. He would come back to the Board in November or December depending if it accelerates. The good news is we have lived a very happy life at $2.00 for the last year so even $2.75 or $3.00/Dth gas is really not bad.

Ms. Cavalcanti said when it was at its peak six or seven years ago, she asked how much it was then.

Mr. Tompeck said there was a couple of times where it spiked to almost $15.00/Dth. He said that was when FMPA got into some problems because when it was $15.00, they hedged a bunch of gas at $10.00, which seemed like a good deal. The problem was they hedged it for too long so they had a lot of $10.00 gas after gas went down to $7.00 or $6.00. It was not how much they paid for it, but how long they hedged it. Mr. Tompeck said FPUA does not hedge anything more than one or two years and only hedges 40% of our gas.

A motion was made by Mayor Hudson, seconded by Mr. Delulio, and unanimously carried to approve an increase to the Purchased Gas Adjustment (PGA) of $0.05 per ccf from -$0.15 per ccf to -$0.10 per ccf, effective July 1, 2016.

Mr. Tompeck reminded the Board if they could attend, the groundbreaking is tomorrow for Fort Pierce CNG Partners at 11:00 at the Port Consolidated on Jenkins Road, just north of Orange Avenue.

Attorney Koblegard asked Mr. Tompeck where FPUA is with Cardno on the King Plant.

Mr. Tompeck said the backhoe is getting very close to the gate and that is good news because they are working their way out. He said they have already sent out about 3,000 tons or 130 truckloads last week. Once they actually get moving it goes really fast and should be done in 1 ½ weeks. They continue to find large chunks of concrete that has to be busted up and hauled away. Also, they found a little bit more oil, because when they start digging, they find the pipe FPUA had no idea was there. It is full of the ugliest, blackest, and tar oil imagined. There are some confirmatory samples they have to take, but they have over excavated to be sure there would not be any problems. Mr. Tompeck said he is hoping we are four or five months away where he can come to the Board and tell you everything is done with the site rehabilitation completion order.

Mayor Hudson asked if it would be completed by the end of the year.

Mr. Tompeck said they are planning to send in all the paper work around August or September and DEP has been turning that around in about 30 to 45 days. He said we could see a completion order by October or mid-November, which we have been looking for since 2009.

Nina Penick, Director of Financial Services, presented the status report on Electric Power Cost Adjustment (PCA) for May 2016 and updated projections through September 2017. She said the PCA is the mechanism by which FPUA recovers power costs from our customers that are in excess of the $79.52 base power cost, which is included in the base rate. The cost of power purchased from Florida Municipal Power Agency (FMPA) for the month of May was billed to FPUA at the rate of $72.69 for 1,000kWh. It was a decrease of $2.00 as compared to the month of April. The under-recovery from the customer for the month of May totaled $493,000, so the cumulative over-recovery is approximately $5,150,456 as of the end of May 31, 2016. The chart displays the rate of the PCA that has gone down quite dramatically in three years. In the last four months FPUA has returned about $1.5 million back to our customers. The next slide shows what the projected amount of the PCA over-recovery would be assuming no change leaving the PCA at the -$9 and if they are correct. These projections of FPUA's power cost are prepared by Public Resources Management Group, which in turn are based on the projections prepared by FMPA. Mrs. Penick said since last month's forecast, FMPA's estimate of the price of purchased power for the upcoming 12 months increased 3%. The amount of the over recovery is expected to deplete at a rate much more quickly than previously projected. Current projections indicate the balance of the over recovery will fall below the $1 million floor in April 2017. Staff is not recommending a change in the -$9.00 PCA at this time because of the amount of the over-recovery. Staff will continue to monitor this trend and recommend changes to the PCA only when necessary.

Valerie Schulte, Water/Wastewater Engineering Supervisor, presented the Ocean Towers Utilities Corporation Water Supply Agreement and 12-inch Water Main Project. She said Ocean Towers is located on South Hutchinson Island and is a utility that serves three separate island areas. Island Village I and II are two different townhouse developments and across the street is Ocean Towers, which is two high rise towers, and a mile down the road is Sea Winds that has a private water line that serves them. It has been a little complicated to get them to the table, but they have signed the agreements and annexation agreements are in place. We are ready to move forward with FPUA's contribution being all the pre-planning and engineering. Staff has also helped them secure the bid for the contract, which is with Underground Construction Management Corporation. They are the contractor that did the other conversion for Miramar Condos and they are very qualified since they know what is out there. FPUA's contribution in the agreement is stated up to the amount of the construction of the main being installed for FPUA. Their Capital Improvement Charges (CIC) are above that amount so they will owe FPUA also with financing being setup to get that paid. Mrs. Schulte said that will provide us a lot more customers down there and get some water moving on the beach with better water quality and fire flow capabilities.

Mr. DeIulio asked if the payback to FPUA is within three years.

Mrs. Schulte said it calculated out to about 2.65 years and that is based on her estimate of estimated usage with their existing well. She portioned out for each condo and used FPUA's existing rates for the meters and our 1,000 gallon rate.

Mr. Delulio said that is a pretty good return on an investment.

Mrs. Schulte said it is very good.

Mr. Bey asked how many new customers FPUA is getting from this.

Mrs. Schulte said there are 384 condo/townhome units and they each have a pool so that is a little bit more for CICs.

Ms. Cavalcanti asked if there was any possibility if these condos would be annexed ever.

Mrs. Schulte said no they would not because they are south of the power plant, but we still require the agreements.

Ms. Cavalcanti said we could annex the power plant.

Mayor Hudson asked if their address is Fort Pierce.

Mrs. Schulte said the address is Jensen Beach because they are so far south.

Attorney Koblegard said the Homeowner's Association signed the annexation agreement rather than each individual condo owner because it would be another two years before we could receive all of them. He said they cannot be annexed and it is academic.

Mayor Hudson said it is in St. Lucie County. She asked how long Mrs. Schulte had been working on this.

Mrs. Schulte said it has been at least two years and they talked to our old engineer Dave Mellert years ago about this. She said their onsite system is very complicated to disconnect and connect so they have hired an engineer that is helping them with that side. Because they have the high rise across the street where there existing plant is on the west side, the high rise needs the fire pumps on the east side. They are going to have to relocate that and build a building and it is pretty involved.

A motion was made by Mayor Hudson, seconded by Mr. Delulio, and unanimously carried to approve: a) Post Budget Project in the amount of $178,250 to cover FPUA's contribution for construction of Sea Winds 12-inch Water Main. b) Approve the Water Supply Agreement with Ocean Towers Utilities Corporation, Inc., which provides for an FPUA contribution to the project in the amount not to exceed $163,250 or the cost of the construction. Approval is pending receipt of executed annexation agreements.

Mr. Lindstrom said Mrs. Penick is going to present the FY 2017 Capital Budget and the Operations & Maintenance Budget. He said we have already gone through these in extensive detail at the workshop. There are no changes other than maybe what he calls decimal point changes.

Mrs. Penick said there are three changes in each budget and she will explain what exactly is different in the final versions. She said they would not have changed it if it was not felt it did not have to be done. Much of this presentation is very similar if not exactly the same as what was shown at the workshop. The most significant change relates to the employee insurance. We had projected decreases in those lines and after getting some additional information from our broker, we increased the 2016 employee insurance by $100,000 and the 2017 to $200,000. Mrs. Penick said we are not going to spend it if we do not incur the claims, but it is so unusual to see a decrease in employee insurance we did not want to take the risk of running that far over. She said there was a typographical error in our worker's compensation. It was a situation where something was typed in as $1,000 and it should have been $10,000 so that was an increase of about $16,000 in 2016. The Manatee Center revenues are looked at and we subtract the expenses of the Manatee Center. When we finalized the numbers we make up the difference and those numbers turned to be out slightly different. In 2016, it was about $12,500 and in 2017 about $22,000. Until we finalized the revenues we could not come up with a firm FY 2017 distribution number. It increased the 2017 budget by about $121,000. As discussed in the workshop, even with all those changes included in this chart because of the volume of the dollars, we are still seeing very flat or very little differences from year to year in each of the areas funded by rates. The purchases for resale is a cost that is not controlled by FPUA and in 2017 that amounts to 44% of our total budget.

Mayor Hudson asked if that 44% is constant or is it usually almost 50%.

Mrs. Penick said it varies and it used to be a higher percentage; however, it may be a higher percentage if the natural gas prices rise as they are predicted to do. She said over the three-year period, the rate funded piece of the Capital Budget has decreased about 13%, but the rate funded for O&M has gone up about 2%. The purchases for resale are way down. The first component she will be requesting approval of is the Capital Budget. During the workshop we talked about setting funds aside for funds that have remained unspent at the end of FY 16 that simply did not get competed. They did not get spent, but rolled over into FY 17 and it was suggested we set aside some of what was being called contingency money so we could do that. In the recommendation we have included the ability to spend those funds. It is not going to change the rate sufficiency analysis and staff believes it will save a lot of administrative headaches. The Board will see fewer budget transfers early in the fiscal year for projects that did not quite get finished in time. It happens every year and we are hoping this is a solution for a long standing problem. We have set aside $1 million to call "carry over" and $500,000 for contingency and until we try it, it is hard to say how well it will work. This will alleviate a lot of administrative headaches for the engineers as well as finance. What the Board sees is we budget for more than we can spend and a lot is just timing. Mrs. Penick said the top ten capital projects in the Capital Budget are listed on this slide. Three of them; Avenue M, Wendell Road, and Ohio Avenue are to be funded with State Revolving Fund loans staff is in the process of applying for in an effort to

ease the rate impact in doing those R&R projects. She said Midway Road is under construction and it should almost be completed and 2nd Street is an ongoing project. If we exclude the carry over in contingency, the total of these projects is 52% of the Capital Budget in just ten projects. The vast majority of the money to pay for these projects is coming from rates, $3.5 million is from the total of the loans we are hoping to get. Capital Improvement Charges will go against some of those projects that expand our system. Contribution in Aid is our funds that are contributed by developers and other customers where they need to make a contribution in order for the project to be viable. There has been a lot of success with that in the gas system recently. Staff is requesting approval of the total Capital Budget, which is $21,170,667.

Ms. Cavalcanti said she has a question of Mr. Mimms. She said the projects on Wendell, Ohio, and Avenue M are being done with the City. She asked if the 2nd Street project is getting a lot of other renovations from the City as well.

Mr. Mimms asked what she means by renovations.

Ms. Cavalcanti said she means lighting and sidewalks,

Mr. Mimms said the City would be putting in lighting and a sidewalk on one side of the road. He said it is a joint project with the FPUA, FDOT, and St. Lucie County. The City of Fort Pierce is chipping in with some inspections and stormwater improvements.

Ms. Cavalcanti asked about the other streets, Wendell, Ohio, and Avenue M and asked about better lighting and sidewalks.

Mr. Mimms said on Wendell Road, it is on the City's list for resurfacing and is a great opportunity to get these projects completed prior to any resurfacing on behalf of the City.

Ms. Cavalcanti said that is what she meant because Wendell has curbs and sidewalks and so does Ohio. She asked about decorative lighting like what is on 2nd Street for these streets.

Mr. Mimms said decorative lighting will not be installed on Wendell or Ohio.

Ms. Cavalcanti said it would be a great opportunity.

Mr. Mimms said yes it would and we are here at the FPUA meeting and they can put it in their budget and the City will make it happen. She said FPUA's leadership team, staff, and Executive Director have done a tremendous job in coordinating with the City of Fort Pierce to identify opportunities for a collaboration. In the past they have not been as well coordinated, but now with the joint forces working together there are opportunities to reduce opening the road.

Mr. Perri asked if the loan pay back will come from rates.

Mrs. Penick said it will, but it will be over more years. She said it is the same amount of dollars, but it is spreading it out over a longer period of time.

Mayor Hudson asked if we are doing that in order to not raise water rates as planned.

Mrs. Penick said that is the intent, but still get the work done that needs to be done rather than delaying or not doing it.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti, and unanimously carried to approve FPUA's FY 2017 Capital Budget, which totals $21,170,667, and authorize staff to carry over budgeted funds for partially completed projects which remain from FY 2016 and spend those funds in FY 2017 without additional Board approval.

Mrs. Penick presented the Operations and Maintenance (O&M) budget. She said it includes both revenues and the operations and maintenance expenses. For the record, the amount of the revenues requested to be approved for FY 2016 amended budget is $100,672,456 and the expenses $99,063,769. For FY 2017 original budget the revenues $106,214,674 and expenses $104,025,058. The revenues are fairly consistent, but the biggest change we are seeing is the amended 2016 budget in the electric. The total revenue budget is down about 4.5%, but that represents the lower power cost revenues because there is lower power cost expenses. The numbers are higher in the 2017 budget, but we have lowered them as best we could in the 2016 budget. The original 2017 is fairly flat compared to the 2016 original budget. The 2017 budget does include increases in water revenue and consumption, but it is offset in part by reduced wastewater revenue in the general service and bulk areas. Overall, the original 2016 to the original 2017 is basically flat. The expenses of the O&M budget shows the actuals are consistently less than the original budget. The amended has a nice dip in it, but the original budgets are basically flat. Mrs. Penick said there is not a lot of specific things going on that are significantly different from year to year. She said the distribution is continuing to increase because of the higher estimated revenues in 2017. We are seeing a higher estimated distribution because it is based on revenue. The calculation of the distribution is included in page 20 of the O&M budget if the Board would like to see the graphic details.

Mayor Hudson said we are using some of that difference on the weatherization as she saw in the press release. She said we are partnering and doing some really good things for low income customers with weatherization.

Mr. Lindstrom said FPUA's share of that is $55,000 and the City proposed to match $35,000 in addition to the initial $25,000 that was granted prior.

Mayor Hudson said those are free to the customers that are eligible.

Mr. Lindstrom said free audits and free upgrades. He said each individual will be audited individually as to what their needs are and the best expenditures on their facilities.

A motion was made by Mr. Delulio, seconded by Mr. Bey, and unanimously carried to approve the Operations & Maintenance Budgets: FY 2016 Amended – Revenues $100,672,456 and Expenses $99,063,769; Original – Revenues $106,214,674 and Expenses $104,025,058.

Mr. Lindstrom reminded the Board there will not be a Board meeting on July 19 because they will be attending the annual FMEA meeting in Orlando that week. He will be on vacation for the July 5 Board meeting and Tim Perkins will be in charge during his absence.

Mr. Lindstrom thanked the Board for the evaluations and the recommendation for a raise. He said this is a great place, we have great people, and a great organization.

Attorney Koblegard thanked the Board for their consideration and for the raise. He said if the Board has not been down Savannah Road lately, they should take a ride there to see what the City has done with the City Park there. If you have time to park near the Humane Society and take a walk around the lake, there are islands and exercise stations. It is very nice and a lot of people can fish there and are catching fish.

Ms. Cavalcanti asked if there are any gators there.

Attorney Koblegard said there are a number of alligators.

Mayor Hudson said it is great if you live on Indian River Drive and cannot walk along there safely, then you could go over there and park to exercise.

Attorney Koblegard said he believes it is a mile around the lake and there are a number of alligators so you may need to keep an eye out for them.

Ms. Cavalcanti said she would stay away.

Mayor Hudson said they would invite Ms. Cavalcanti to the ribbon cutting.

Mr. Delulio said he was thinking back to about a year ago when we went through the process of finding a new Director. He said it was during a time when he had discussion with the prior Director to find out his opinion of Mr. Lindstrom. Mr. Thiess gave the highest recommendation he could of Mr. Lindstrom and Mr. Delulio said he believes it holds true a year later.

Mayor Hudson said on Saturday for the Village Initiative at 25th Street from Orange Avenue to Avenue Q, the Fort Pierce Utilities staff had big representation and she appreciates it. She said Board Member Darryl Bey was there and it was a huge and ambitious project and the volunteers

were need. It was appreciated that FPUA staff and the Board was there for the good community event.

Mr. Bey said it was very impressive to see the people in the community working together and when we analyze and come up with what our problems are, we can find solutions and work together. He said it should have a positive effect on the community and he was very impressed with the outcome and the number of people that attended. There was approximately 500 to 600 volunteers that day.

Mr. Perri thanked all FPUA employees including the Attorney and the Director. He said we have a very good compliment of employees and they do a tremendous job for us.

There being no further business, the meeting was adjourned.

ATTEST:

Acting SECRETARY

Acting CHAIRMAN