MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, AUGUST 7, 2018, 6:00 P.M., CITY COMMISSION CHAMBERS.

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

Excused: Deputy Secretary Glynda Cavalcanti

Others present: John K. Tompeck, Director of Utilities; Rupert N. Koblegard, III FPUA Attorney; Nina Penick, Director of Financial Services; Paul Jakubczak, Director of Electric & Gas Systems; and Bo Hutchinson, Director of Water/Wastewater Systems

The meeting was called to order by Chairman Daniel DeIulio.

Opening Prayer was by Larry Lammers of Electric & Gas Engineering.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Mr. DeIulio asked for a motion to forgive Glynda from not being at the meeting.

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to excuse Ms. Cavalcanti from this meeting, she is out of town.

Larry Lammers, Supervising Engineer of Electric and Gas Engineering introduced Madeline Chabab, Intern for Electric & Gas Systems. He said every summer for the past six years Electric & Gas Engineering has hired an intern and every summer has proven to be both beneficial to FPUA and to each aspiring engineering professional. This year has been no different. Tonight, Mr. Lammers said it is his pleasure to introduce the Board to Madeline Chabab. Ms. Chabab graduated from Lincoln Park Academy and accomplished the admirable achievement of completing the IB Program while also dual enrolling. He said she is a recipient of the Young Floridian Scholarship and the Treasure Coast Chapter of the Florida Engineering Society Scholarship. She has matriculated at Johns Hopkins University and is set to begin her studies of Electrical Engineering in just a couple of weeks. Please welcome Ms. Chabab as she expresses a few words pertaining to her experience at FPUA.

Ms. Chabab expressed her gratitude not only for the department for selecting her as the electric and gas intern this summer, but also for internships in general. She thinks it is great how FPUA is involving youth and young adults in FPUA matters and engineering. She has done lots of things this summer with FPUA and Ms. Chabab said her department is so kind and gifted at what they do. They have been kind enough to show her everything they do on a daily basis and more. In splice schematics, which uses FPUA's mapping system, ARCGIS in order to identify the fiber optics

around the county and how they connect through splicing. She finished about 75 of those in the week she was working on them. In addition, Ms. Chabab said she helped update inventories and data bases for SEDS, which is a software that provides a simulation of transformers, wiring, and loads that are going on in the electrical engineering side of things. She worked on updating the database both for transformers and conductors, which are basically the wires. The process she is working on currently is using AutoCadd to create a few different options for new designs and layouts for our department to accommodate new hires/employees. In addition to all of that, in the 1.5 weeks Ms. Chabab has left there are more plans. Everyone in that department is so kind and they voluntarily take her out with them to show her what is going on in the field. It is great to really see the details in the office and see how it is all planned out on the engineering side of things and then also to go out in the field to see it all come to fruition. It is very rewarding. Ms. Chabab said she is excited to be going on to her college education with practical experience under her belt and she could not have asked for a better experience to do it than Fort Pierce Utilities Authority. A special thanks to her department of Electric and Gas Engineering, there are some wonderful folks there and thank you to Fort Pierce Utility Authority.

Mr. Tompeck said he has a walk on to Item G-2, which has to do with an agreement letter of representation to intervene with FERC. He said he will explain the details when he gets to Item G-2.

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to approve the set agenda with the addition of Mr. Tompeck's item.

A motion was made by Mr. Bey, seconded by Mayor Hudson to approve the Minutes of the Shade Meeting of July 3, 2018. Mr. Bey, Mayor Hudson, and Mr. DeIulio voted to approve and Mr. Perri abstained because he was not at the meeting.

A motion was made by Mayor Hudson, seconded by Mr. Bey and unanimously carried to approve the Minutes of the Regular Meeting of July 3, 2018.

Mr. DeIulio said under Comments from the Public, it will be handled a little bit different tonight. He said this meeting has two components to it. The regular meeting component and the rate resolutions component so if you have a comment with regard to the rate resolution, he ask that you hold that until later in the meeting. Otherwise if you have a comment in regards to the regular meeting, you are welcome to come forward.

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

1. Approve Post Budgeted Project/Budget Request for Celebration Point PUD in the amount of $112,100.

2. Approve Budget Transfer Request in the amount of $44,000, approve the Iroquois/Navajo potable water Municipal Service Benefit Unit Interlocal Agreement between St. Lucie County, Fort Pierce Utilities Authority and the City of Fort Pierce and approve a FPUA contribution in an amount not to exceed $100,855.59.

3. Bid No. 18-58: Approve award of Bid for Electric Meters to Anixter Inc., of Glenview, Illinois, in an amount not to exceed $41,184 annually, for the period of August 8, 2018 through August 7, 2019 with two one-year renewal options.
4. POA No. 18-66: Approve the purchase of Microsoft DataCenter Server Licenses with Software Assurance maintenance in the amount of $115,645.68 from CDW Government LLC, of Vernon Hills, Illinois, under GSA Contract GS-35F-0195J.

5. ITB No. 18-37: Approve the award of Bid and Contract for the installation of a roll-up steel exterior door at the Energy Services Center located at 1701 South 37th Street, Fort Pierce, Florida to and with A. Thomas Const. Inc., of Fort Pierce, Florida, in an amount not to exceed $32,145. This Contract will commence upon written Notice to Proceed and end 120 days after delivery of door to Contractor.

6. Bid No. 18-57: Approve award of Bid and Contract for the purchase of Emulsified Cationic Polymer from Polydyne Inc., of Riceboro, Georgia, in an amount not to exceed $60,000 annually. The initial term of this Contract will be from August 8, 2018 to August 7, 2019 with four one-year renewal options, contingent on receiving the required Certificate(s) of Insurance and also contingent upon the successful completion of the required bench test.

Mr. Tompeck said the next item is a follow up item from a couple of months ago when we talked about the claims procedure. He said the procedure has been rewritten and modified and Joshua Gang, our new Risk Manager, will make the informational presentation.

Josh Gang, Risk Program Manager for Finance, presented the FPUA Claims Policy and Procedures update. He said this is an information presentation on the Claims Policy and Procedures. An updated copy of these are in your packet and he will be covering the highlights of the policy. The goals of the updated policy is to process claims promptly, fairly, and efficiently; resolve claims in-line with FPUA's General Rules and Regulations, continuity of utility service, which is found in FPUA Resolution UA 2009-13, Section D4 and reprinted on the first page of the policy. The third goal is to have a clear policy and guidelines for how to process, investigate, review, track and resolve claims. Mr. Gang said looking at the policy, FPUA is not responsible for damage or loss caused by events beyond its control, FPUA will promptly investigate and review claims received and claims are evaluated on a case-by case basis. He said looking at the procedures, claims are received and logged by the Risk Program Manager and then forwarded to the department to

investigate to determine the cause if possible. The Department Head, System Director and DOU will review it, and if the claim is not resolved internally by FPUA, the claim is forwarded to the League of Cities, which is our insurance carrier for final determination. In terms of the time line, FPUA's initial investigation and review is targeted to take 14 to 21 days, Risk Program Manager will provide claimant with status update within 21 days, and the goal is to resolve claims within 60 days.

Mr. Tompeck said one of the things we wanted to do is to make sure we had some reasonable time frames here because the one case we had here in front of the Board dragged on for a long time. He thinks we have that in the new procedure and will adhere to it as closely as we can.

Mayor Hudson said we wanted to make sure the person making the claim was kept up to date and communicated with because that was another problem. She said she appreciates that.

Mr. Bey asked if communication will happen within the 60 days where the customer will know.

Mr. Gang said once he receives the claim and if he needs additional information, he will contact them and gather the extra information from them. He said once the claim is routed through FPUA's internal process, he will contact them and give them the status update.

Mr. Tompeck said the next item is an addendum to the Asset Purchase Agreement with FPL for the County Line to Emerson substation 138 KV transmission line. He said the original agreement was approved by the Board at the February 6th Board meeting and the original sales price was $2,070,000. The original sale price was based on the assumption that FERC would approve the methodology we used to calculate the value of the line. That methodology used net book value calculated as replacement value less depreciation. Our methodology used 2017 dollars rather than the costs when the asset went into service in 1993. As a result, FERC rejected the original valuation method. Without torturing you on the details, Finance was able to recover the original costs associated with the line and the value was recalculated using the original cost less depreciation. It is our understanding, through FPL, that this methodology is acceptable to FERC for calculating the line. Mr. Tompeck said this new value adjusted the asset purchase price to $2,430,788.36 which is an increase of ~$361,000. He said the amended agreement reflects this increased price and there are no other changes to the original agreement. The agreement is set to close within 20 days of the FPL/Vero Beach sale close date. He will talk about that later because October 1 is not going to happen. The other issue associated with the sales agreement, which is the walk on item that needs Board approval and we were made aware of it a few days ago. FMPA has suggested FPUA intervene with FERC to establish "standing" which gives us the ability to appeal a FERC decision in the future. Another words, if FERC goes off the rails, right now FPUA has no method to intervene and appeal a decision. Mr. Tompeck said this is very common and is called a doc-less intervention. The cost motion is minimal, less than $1,000 and if we wish to intervene or appeal in the future, he will bring information back to the Board on how much it really will cost. This is just a simple motion and FPUA does not plan to take any stand at this

point, just we are interested in gaining standing so we can appeal if we want to in the future. We do not anticipate we have to, but want to give ourselves the opportunity if the case should arise. Staff is requesting your approval of the amended sales agreement and filing the motion with FERC. We will need your approval on the amended sales agreement and the approval to retain Speigel & McDiarmid, which is a law firm FMPA has used and FPUA has used frequently over the last twenty years and maybe longer.

Mayor Hudson said we do not have any problems now, but this to prepare and be able to have somebody prepared if we do have problems in the future with the regulatory agency.

Mr. Tompeck said yes with FERC. He said the likelihood of that is minimal because the method we used is the method they identified as an alternative method in a letter. There should not be any problems, but we want to have the ability to appeal it, if there is a problem.

Mayor Hudson said for the amendment with the recalculation, it is actually more than we originally had.

Mr. Tompeck said this is good news.

Mayor Hudson said good news, no trick here.

Mr. Tompeck said it is good news and he will talk about it a little later that we will not be getting this money in the near future as we thought.

Mayor Hudson asked if we need two different motions.

Mr. Tompeck said he thinks one motion is enough.

Mr. DeIulio asked if the City of Vero Beach and FPL are fine and do not have an issue with this.

Mr. Tompeck said no and he did talk with FPL to let them know we were doing this and they understand. He said this is kind of a common thing so we can gain standing. Another thing is it puts FPUA on the list so we get all the paperwork and documentation of the review, which we have not gotten in the past.

Mr. Perri said this seems like a retainer.

Mr. Tompeck said it is not a retainer so much because all they are going to do is to file a doc-less intervention. He said he understands what Mr. Perri is talking about when you read the letter, it sounds like a retainer letter. Mr. Tompeck said he has been told it is something they can do in less than an hour and even at these rates, it should still be less than $1,000.

Mayor Hudson said we are kind of establishing a relationship.

Mr. Tompeck said yes.

Mr. DeIulio asked if we are going to do this in two votes.

Mayor Hudson said he said one vote.

A motion was made by Mayor Hudson, seconded by Mr. Perri, and unanimously carried to approve Amendment Number 1 to the Asset Purchase Agreement with Florida Power & Light Company, of Juno Beach, Florida, to increase the purchase price for FPUA's undivided 50% share of the transmission line and switching station owned with the City of Vero Beach to the amount of $2,430,788.36 and approve retaining Spiegel & McDiarmid LLP.

Nina Penick Director of Financial Services presented the Status Report on Electric Power Cost Adjustment (PCA) for June 2018 and updated projections through June 2019. She will be back in two weeks to look at July. The power cost adjustment, or PCA, is the mechanism by which FPUA recovers power costs that are in excess of the $79.52 base power cost, which is included in the base rate. The cost of power purchased from FMPA for the month of June was billed to FPUA at the rate of $81.58 for 1,000kWh, an increase of $4.77 as compared to May. The under-recovery from the customer for the month of June totaled a little over $530,000. The cumulative over-recovery was approximately $3.5 million as of June 30, 2018. In the chart displayed, the dark blue line represents the PCA, which is currently at -$2 and the bars depict the over-recovery of the PCA. The blue bars indicate actual amounts, while the orange bars show what the over-recovery would be if the projections are correct. These projections are prepared by Public Resources Management Group, which in turn are based on projections prepared by the Florida Municipal Power Agency. It appears, based on the current projections, that if we leave the PCA at the negative $2, it will result in an over-recovery that remains between the $1 million and $4 million through May 2019. Staff is not recommending a change to the PCA at this time.

Mrs. Penick presented the Bill Comparison for the month of May 2018. She said the graph displayed is May's comparison of Florida residential electric bills, which is compiled by the Florida Municipal Electric Association. It displays the Florida electric bills in the State of Florida for usage of 1,000 kWh. FPUA's position stands out and is shown in yellow and represents FPUA's relative position compared to the other municipal electric utilities. FPUA's position has improved by one position since April. At $114.84, FPUA's electric bill for 1,000kWh is below the ARP and IOU averages. There have been no significant changes in the other utilities in this comparison since April. The next graph displays only the ARP bills and makes it a little bit more apparent why FPUA's bill is below the ARP average and where FPUA is positioned amongst the All Requirements Participants. The next graph displays a similar comparison for usage of 2,500kWh. In this comparison, FPUA has also improved by one positon since April so at $289.80, FPUA's electric bill for 2,500kWh is below the IOU average. The table displays May's comparison of residential

electric, water, and wastewater bills that is compiled by staff. The amounts reflected on this comparison include any applicable franchise charges, as well as the gross receipts, utility taxes, whereas the FMEA comparison excludes those items. There are no changes in this comparison as compared to the month of April. This is an information only item and no action is required from the Board.

Bo Hutchinson, Director of Water/Wastewater Systems, presented Resolution 2018-10. He said this resolution covers Capital Improvement Charge's (CICs), Guaranteed Revenue Charges (GRCs) and how they are implemented and collected. Outline of the proposed changes to this resolution are as follows: the first changes are to the CICs and are based on the recommendation of our rate consultant and staff. Staff is proposing to increase the water CICs from the current $920.50 to $1,850. If you recall, the water CICs have been on sale at half price for several years and that explains the very low number. This will bring them back to about where they were before they went on sale and we rounded out the numbers. The wastewater (WW) CICs will get a slight rate increase from $2,815 to $2,850 where we rounded the numbers off as well. Mr. Hutchinson said staff is proposing to ear mark 10% of the WW CICs specifically to support the relocation of the wastewater plant. This is being done in an effort to demonstrate to the public what our commitment is to this endeavor and also to start a little savings account effectively to start working in that direction. We have also included some language to give staff and the Board flexibility to help us compete with our neighbors. When we are trying to attain some of these economic development opportunities, we end up in competition with Port St. Lucie, Martin County, Vero Beach, and the other areas. They have a little bit more flexibility than we do typically to do whatever it takes to create the incentives to get the businesses here. The second item is the GRCs and staff is proposing to suspend these GRCs for an indefinite amount of time and incorporate the ability for staff and the Board to make adjustments to those outstanding GRCs, if it is in the best interest of FPUA and the developer. Mr. Hutchinson said this is being proposed in an effort to support the existing developments that have already made substantial contributions to the expansion of our system. Last would be to establish a minimum capacity allocations per meter sizes and this is to solve a problem where a business comes into our area and because of some kind of hydraulic need, the meters are oversized in the beginning. However, the capacity they are allocated does not support that size of a meter. Later on when the development or that business expands or there is a different use that is much more water intensive, FPUA does not have the opportunity to go back and recover those lost CICs. This will give us the ability to capitalize on that up front.

Mayor Hudson said we are doubling the Capital Improvement Charges for water.

Mr. Hutchinson said effectively, however they were half before as an economic incentive.

Mayor Hudson asked if that was because of the recession.

Mr. Hutchinson said it was an attempt to try and get more connections to make connecting to our system a little bit more favorable.

Mayor Hudson said this could be interpreted to being not business friendly. She asked if there is a sound basis for why we are going back to the original.

Mr. Hutchinson said the original numbers for the $1,850 is based on our Capital Improvement plans and our expected rate of connection over the years. He said that is what the rate consultant puts together for us to set those recommendations.

Mayor Hudson asked if we are competitive with the new level with surrounding communities.

Mr. Hutchinson said we are. He said our impact fees now are a little over $3,700, which is an example of a single family home, one Equivalent Residential Connection (ERC) for water and one ERC for wastewater and this would put FPUA up to $4,700. In comparison, St. Lucie County in their service territory it is about $6,300 for a comparable ERC. If it is a portion of St. Lucie County that is behind our bulk meter, it is $10,100, so that is substantially higher. Port St. Lucie would be a little bit less at about $4,500, City of Vero Beach is around $3,800, and Martin County is $3,800. Mr. Hutchinson said to make a point on Port St. Lucie, Vero Beach, and Martin County, a significant portion of their systems were built with the MSBU type program. The capital was installed and they are able to recover that money on a tax basis as opposed to having to recover it from the impact fees.

Mayor Hudson asked if this is a one-time charge.

Mr. Hutchinson said yes, up front.

Mayor Hudson said a one-time, up front charge.

Mr. DeIulio requested Mrs. Mazzarella read the title into the record.

Florinda Mazzarella, Executive Assistant to Director of Utilities, read the title of Resolution 2018 into the record. She read it as follows: "Resolution No. UA 2018-10, a resolution restating the Capital Improvement Charges (CICs) and Guaranteed Revenue Charges (GRCs) for services and facilities furnished by the Water and Wastewater Systems of Fort Pierce Utilities Authority, Fort Pierce, Florida, in accordance with the Charter of the City of Fort Pierce, Florida, Article XII, as set forth in Resolution UA 2012-04, and temporarily modified in Resolutions No. UA 2012-03, 2013-07, 2014-08, and 2015-03, delegating authority to the Director of Utilities to adjust the amount and/or terms of the payment of CICs and outstanding GRCs, establishing minimum CIC's based on meter size, designating 10% of wastewater CICs for projects that support the relocation of the Island Water Reclamation Facility, suspending GRCs for developments within the FPUA service territory, and providing an effective date thereof."

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to adopt Resolution No. UA 2018-10, which restates Capital Improvement Charges (CICs), suspends Guaranteed Revenue Charges (GRCs) for developments within the FPUA service territory, delegates authority to the Director of Utilities to adjust the amount and/or terms of the payment of CICs and outstanding GRCs, establishing minimum CICs based on meter size, and designating 10% of Wastewater CICs for projects that support the relocation of the Island Water Reclamation Facility.

Mayor Hudson said she would like to know maybe on an annual basis how much money we are setting aside for the wastewater plant, some kind of tracking mechanism.

Mr. Tompeck said we can do that.

Murray Hamilton of Public Resources Management Group, Inc. (PRMG) presented the rate resolutions. He said he is an associate of PRMG, a utility rate financial consultant headquarters in Maitland, Florida and has had the privilege to work with FPUA for several years, back to 2005. He made a promise to Nina tonight, especially after the long meeting last night that he would keep this very brief. The information he has tonight has been seen by the Board several times during the budget process. Since 2007, FPUA has initiated annual rate studies in order to determine the revenue sufficiency for the electric, water, wastewater, and natural gas systems. The last study was completed in March 2016 at which point FPUA implemented a 3% water increase. Based on that study, we knew there were subsequent deficiencies out there specifically for the water system and additional increases were recommended. Mr. Hamilton said subsequent from that study, FPUA has not increased rates over the last two years. He said last night's discussion at the City Commission meeting was a lot on the budget for FY 19 and he wanted to point out the current year 2018, if we annualize the numbers, we are in a deficient this year of about 4.5%. Our recommendations were not predicated only on the FY 19 budget, but obviously that is a key factor too. Staff has requested PRMG update the forecast, which is over a six-year period specifically focused on the next five years, through FY 2023. The effort this year is focusing on next year and as he understands it, staff is going to continue to look at doing an annual update to revisit the rate path we have come up with this year. It is obviously a component of your strategic plan. They evaluate revenue sufficiency on a stand-alone basis for each one of the different utility systems even though we have one single pledge. Under FPUA's existing operations, he has to make estimates about future growth and revenues of the system. Sales are constantly dynamic and it is something Nina brings back to the Board on a monthly basis, they are up, they are down, and they are volatile. The capital improvement program has some significant needs in there, enhancements, and principle and interest payments on debts. On the revenue side, the sales forecast for the entire system for the most part is better than what we thought it would be 2.5 years ago. All the systems are slightly up and in regards to the water system, the system for this coming year are slightly less than what we were planning last year in the 2018 budget cycle.

Mr. Hamilton said in this particular study, we are analyzing FPUA's base rate, it is the portion of the monthly base charge and volume charges FPUA gets to use to FPUA's costs. Not to confuse that with the power cost adjustment or the gas adjustments on the other system, those still need to be managed over time. In total, FPUA has about $98 million in annual rate revenues for the system and just under $3 million in other income used to pay for the annual expenditures. He said the major items the Board has reviewed with the budget are operating expenses about $83 million for the upcoming year and about half of the $83 million are purchase power and gas costs that flows through FPUA's adjustment factors. Existing debt service payments are just under $8 million/year and is fairly level over the forecast period of FY 2023. The distribution to the City is 6% of gross revenues and is about $6 million, fairly consistent planning number there. The capital plan has been looked at under a couple of different approaches and we will talk about that when we get to the rates. In 2019 alone, the total capital plan was just under $19 million and is fairly robust. A lot of different funding sources are going in there as well as developer contributions. They have made some assumptions about some possibility of future debt. The major projects are listed on the screen. For slide five, the Board's packet changed slightly because he had left some things off this slide. Specifically, in the first bullet under the debt assumptions, we basically have a $93 million capital plan over the 5-year period and are assuming about two debt instruments. The first is $8.7 million for Advanced Metering Infrastructure system (AMI). FPUA does not want to finance that over too long of a period so between himself and Nina, they are planning on a 10-year note. The payment is what was not in the Board packet which is $1.3 million per year beginning April 1, 2019, so it would be mid-year. That is when the sinking fund deposits would take place and that payment is not specifically due at that time. In the second note is another $5.3 million, which is primarily the customer base expansion projects. One of the reasons we selected debt for that is for the other expansion related projects, he expects FPUA to exhaust the CIC fees that are currently in the bank. FPUA does not have another revenue source and to the extent some of the expansion related projects move out in time, it will be easier to absorb that in the rate path. Mr. Hamilton said he would like to point out in conversations he has had with Nina, to the extent these loans move forward, they may come back to FPUA as a reimbursement. Maybe some funds may be spent out of the reserves first and then be reimbursed by issuing long term debt. A cash flow strategy to make sure that those prioritized projects move forward. The last bullet, the overall pay as you go funding is about $12.8 million, but that is just below FPUA's average depreciation rate. The next slide is the overall funding of the Capital Plan with roughly 70% of this plan is funding through monthly user rates as well as cash reserves that are in the bank today. Other developer contributions were assumed as well as the debt proceeds totaling approximately $14 million. For overall revenue sufficiency, the FY 18 is in a deficient and cash reserves will be used to fully fund that program this year. Looking over the next five years, the rates are not adequate to fully fund the capital plan in total as it was presented to the Board.

Mr. Hamilton said staff has elected to take a top down approach and limit the rate increases for next year to no more than 3% on the water and wastewater side system and no more than the index on the natural gas system. He said the index stated for this year is 1.76% and the three-year average has been 1.5%. We will assume there will be some adjustments in the future as

well, but we will reevaluate that with staff. Primary emphasis has been on cash reserves, not less than a 60-day target, a minimum based on the bond resolution is 45 days of operating expense that we need to make sure we have in the bank. The rate path selected with this top down approach is really only meant to fund about 40% of the rate-funded projects. In the total capital plan it would leave about $39 million of that $93 million in projects over the five-year period unfunded unless conditions change over the period. The next slide the Board saw back in May in the budget packet and nothing has changed on it. The proposed rate path for the water, wastewater, and natural gas systems is at the top of the page so we are assuming to keep in line with the 3% adjustments for water and sewer although staff is not asking the Board to adopt that tonight through FY 23 nor is the index for the gas system. You can see the cash flows based on proposed rate increases in FY 19 it would still be a deficiency of 1% or $1.3 million. Over the forecast period, we are not creating a net income here, we are basically trying to get to a level where we are sustainable. What we are attempting to sustain is the cash balance and towards the bottom of the page, we float around 60 and 70 days of cash, the firm minimum being 45 days. We do not talk about it a lot, the debt service coverage ratio is important, but it is always very strong at more than two times. This reflects highly of the utilities ability to pay its long term debt. In terms of the rate increases, FPUA needs to maintain reliable services. About 40% of the overall projects laid out in the capital plan deals with specifically reliability, where another 30% deals with regulatory issues in order to stay within compliance and those are key issues. Operating expenses we try to single out FPUA's expenses by themselves and anticipate that on average they are going to increase about 3% a year over this study period. That deals with labor and benefit cost escalators that are in there as well as overall CPI. The minimum cash balances are all issues that are driving the study.

Mr. Hamilton said the proposed bill is shown on slide 10 and for the combined water and wastewater bill, which is most of the customers out there would see a $2.50 per month increase or 3%, assuming they are using the 6,000 gallons. That is the typical bill out there and obviously there may be some users that are higher and some that are less. Since the rate increase of 3% is being applied uniformly to all rates and customers, it would still be a 3% increase. Natural gas about a $0.49 increase and that is based on the current negative PGA of $0.10. Nina showed the Board a more comprehensive comparison for this region. The slide presented was prepared in May and there has been some changes since then. Martin County tends to put through there index in June of each year so their rates have gone up 1.5%. When they implement their index, it is a lag so they already know what the index will be for FY 19, but they will not apply it until June of the following year. Martin County will then have another 1.8% index assuming it is approved. The City of Stuart has a rate path for several years, this year and next year it will be 7% for FY 19 and 7% for FY 20 on water, 3% for wastewater in FY 19 and 3% for wastewater in FY 20. They have adopted a 5-year rate path to deal with some issues they are having locally. FPUA's proposed bill including the 3% would be $85.92 based on 6,000 gallons. As we discussed, the rates today are not adequate even as we spoke a little over two years ago. We presented a rate path that FPUA needed future increases and over the last two years, FPUA has not adjusted rates. In keeping with what the recommendation was two years ago, it was a loss of $1.5 million in revenue by not continuing to adjust the water rates based on the rate path we had. We are

making our recommendation today that the rates become effective on or after October 1st and recommend the Board continues to update the study annually.

Mayor Hudson said somewhere back here Mr. Hamilton said this is what we are proposing unless something changes that would make it different. She asked what would be so drastic that would change it.

Mr. Hamilton said it could be changes in sales.

Mayor Hudson said increased customers or customers increasing their use.

Mr. Hamilton said it could be an increase or a decrease in sale and we would like to see the increase. He said sometimes operating expenses do not come in exactly as planned so some of those things tend to carry forward. Capital projects depending on how they are lined up in the capital plan now and depending on how the priority shifts throughout the year. As you have different water line breaks and FPUA has to react, the plan will continue to adapt over time, which is one of the reasons to look at it annually.

Mayor Hudson said it is very hard for the customers to understand why we need an increase when it appears we are in a very healthy state. She said it is hard for her to explain it so she requested Mr. Hamilton to give his elevator speech why because we have unrestricted assets that are very healthy. We are very healthy with our debt ratio where the company is in very good shape and we want to stay in good shape.

Mr. Hamilton said the plan is ever adapting and so over the years we have to make a projection of what the capital projects are going to look like. He said if we go back and take every presentation lined up, it shows cash balance declining over time. He cannot speak for staff, but he thinks what has happened in the lineup is various projects have moved out in time where they were not spent exactly as they were laid out. What we have today is an appropriation's basis, cash balance is going to differ, but eventually to the extent the projects are fully funded that cash balance will decline. Mr. Hamilton said he has a number of clients that have had healthy cash balances and they had the same question. He said every year you come back and we have x number of dollars in the bank. Eventually it caught up to the point there is a couple that are actually below their minimum requirements and so they are just barely trying to hold the line now. A lot of it has to do with the capital plan. On an operating budget there is a very low variance between the actual versus the budget so it is very tight in terms of budgeting there. He has a perception that a lot of it deals with the capital plan. In that, as mentioned at the onset, sales are up and that is a positive thing. Until we see the actual construction turning and the connections happening, we are real reluctant to count on that growth. We do not want to get over dependent on impact fees or capital connection charges or the net revenues, but the system has grown marginally over the years.

Mr. Mimms thanked Mr. Hamilton for the presentation. He said referencing the first bullet point and he remembers sitting here listening to him a couple of years ago and basically he said the same thing that FPUA's existing rates are not sufficient to meet the current financial obligations and operating needs of the system. If that has continued over the course of several years and you are projecting a need for rate increases over the next four or five years, what other than increasing the cost to the customer has been achieved. How else are we going to resolve this issue?

Mr. Hamilton said he cannot answer that question alone in terms of what you will achieve, that is what is laid out in the capital plan in terms of the overall strategies.

Mr. Mimms said that is not an answer.

Mr. Tompeck said he thinks FPUA is doing their best to keep the Capital and O&M budgets as low as possible. FPUA has not been self-sufficient in water and wastewater for a long time and have been trying to get there and that is a Charter requirement. That is why we are talking about the rate increases here. When Mayor Hudson asked the question a few minutes ago, the plan does show the unrestricted capital moving from $27 million down to $15 million so we are going to be using that unrestricted cash to assist. As Mr. Hamilton said, FPUA has been at a deficient for quite a while.

Mayor Hudson asked how long quite a while is.

Mr. Hamilton said water has been since the onset and it has never been fully cured.

Mayor Hudson asked then since 1972.

Mr. Hamilton said he has been a part of the rate study since 2005.

Mayor Hudson said then since the onset Mr. Hamilton has been here.

Mr. Hamilton said from 2007 to 2009 there were significant double digit increases, more than 10% for a couple of years.

Mayor Hudson asked if that was in electric.

Mr. Hamilton said they were water and wastewater. He said electric has had some modest increase over time, but also a few years ago under Mr. Thiess, we were trying to re-calibrate the systems. We were trying to bring the water system up and we lowered the electric rates. We did that for at least a couple of years, he would have to go back in the record. We were trying to offset the subsidy electric was carrying for the water system. We have never fully taken it all the way through the planning horizon where we have gotten water rebalanced. With the new capital

plan of $93 million, all four systems would be deficient over the 5-year period. We have not focused a lot on that and are trying to take one year at a time.

Mayor Hudson said it is hard to imagine a deficient when you have a lot of money. She thinks what he is saying, it gets spent down and then you are in trouble.

Mr. Hamilton said the cash flow on slide eight, again this is an appropriation approach, so we have around $25 million at the start FY 18 and FY 19. He knows FY 18 is not represented on the slide, but there are activities in FY 18 that are taking place now. We have FY 19 and at the end of FY 19 even with the current rate increase, that balance if the dollars are spent perfectly, would be $15 million. That is the unappropriated balance at the end of FY 19 based on spending 40% of the capital that is in the FY 19 budget under the rate funded categories, so that is not fully funding.

Mayor Hudson said that is not 100%, it is 40%.

Mr. Hamilton said that is right and in addition that is the appropriated number. He would say cash balance is going to be different. There are going to be some projects that are not going to be spent fully in FY 19 as they have been laid out. Some will move into FY 20 and some new critical need projects may be identified during the year either through a storm event or some other key factor. They will be moved in and FPUA will get the opportunity to address those budget amendments at that time.

Mr. DeIulio asked if the 40% being used is typical for FPUA.

Mr. Hamilton said it is not typical. He said the last briefing he heard that FPUA is on plan to spend about 49% of what was in FY 18.

Mrs. Penick said it is about 57% as of yesterday.

Mr. Hamilton said it is less than historically.

Mr. Bey said he thinks we have some kind of aggressive capital project that is driving this cost and he thinks that is because these are some things we really need to do to the system. He does not think we are just raising rates because we do not have anything else to do. It is a need and this is how we need to explain this, we have an aggressive capital campaign of things FPUA needs to do to the system that is requiring we raise the rates. Along with the fact we need to bring the wastewater and the water so that it can stand on its own and not have to depend on the electric system. He said that is how we have been operating over the last x number of years. Mr. Bey asked if that is somewhat of an accurate assessment of where we are.

Mr. Hamilton said he believes so.

Mr. Tompeck said he thinks it is.

Mr. Bey said he thinks that is what needs to be said. He said if people can wrap their mind around that concept then that helps us. It is always difficult when we have to raise rates even if it is $0.50, people are like "oh my God". We are running a business and there are things we have to do to necessitate the business to be run so that is the answer to the question.

Mr. Mimms said if Mr. Bey is talking about his question, no it was not answered. He appreciates what Mr. Bey is saying, but it does need to be explained where folks can understand. If you are not meeting expectations with your operating and with your financial obligations, you either reduce expenditures or you increase your revenues. Mr. Mimms said that is what he was looking for. He said if FPUA is constantly in a state of deficiency and constantly looking to raise the cost to our customer, then we need to figure out another way to operate.

Mr. Tompeck said Mr. Mimms needs to put the whole puzzle together, it is not just those two things.

Mr. Mimms said he agrees.

Mr. Tompeck said if you really want us to change the paradigm and you really want us to grow the utility and the City, you will have to consider that some of these rate increases are going to be necessary.

Mr. Bey said exactly.

Mr. Tompeck said if you want us to do that then we can look at it a different way and take out some of those projects. He said he does not think that is what Mr. Mimms really wants.

Mr. Perri said there is a lot that cannot be changed, there is a lot of things that must be done on a daily basis. He said our Charter states that each department should be self-sufficient and that is part of what we are trying to do here also. We are obligated by the Charter to not have somebody that only has electric service and does not have water or wastewater subsidize people that have water and wastewater. We have to get to that happy medium somehow or sometime in the future.

Mr. Mimms said that makes sense and he understands what Mr. Perri is saying there, but for a report to say FPUA is not meeting their financial obligations or operating needs that is a problem. He said if you are trying to balance each individual utility to be self-sustaining, that makes sense and he understands where FPUA is trying to go. That reflects FPUA is operating in a deficiency is what he is saying.

Mr. Perri said he is saying there are things money has to be spent on every day to keep the system up and not get in disrepair. He said you got to give service, people certainly do not want to pay

a water bill if they only have water two or three weeks out of the month. It takes maintenance and there is a lot more going on that meets the eye in this business. It is a very complex and complicated business, the utility business. Mr. Perri said when he came on the Board he thought he knew something about electricity because he worked for years building power plants. He said he found out real fast that he did not know much about the utility, the electric business. It is the same with FPUA's other disciplines like gas, water, and wastewater. There is a maintenance figure in there that cannot be quantified that has to be done. You also have to remember back when we had cash flow he thinks Commissioner Perona said it was 15 days cash and Mr. Perri thinks it was less than 15 days one time and we were on the brink of disaster. We do not ever want to get in that position again. It is a necessary evil and the 3% is the minimum we can cope with right now.

Mayor Hudson said she thinks water in this state and wastewater has come a much more critical issue in a way and a much more top of the mind issue than electric. She said water is going to be the source of water, the clean water, what we are going to do with the wastewater, what we are going to do with bio solids, and all of that is very critical for the future of Florida. Mayor Hudson said she understands from that standpoint why and also what FPUA provides as a service of water and wastewater is really what we think is the best in this County. She said we think that is the secret to our growth because we know that our electric growth potential is not as great as our water customers and our wastewater customers. We have to emphasize for the company what is happening in the water and wastewater area and is really critical.

Mr. Tompeck said if there is no further questions and comments, we can go ahead and open the public hearing.

Mr. DeIulio opened the public hearing for Resolution No. UA 2018-06 for the water rate.

Delores Hogan Johnson of 429 North 19th Street, Fort Pierce said she did get the notice in her utility bill. She is concerned about rate increase and does appreciate the questions the Mayor and City Manager raised. Looking at the history of the Utility Authority goes back a ways and she knows they have their own Board now. She is concerned about a lot of things and even operating procedures of certain issues projecting rate increases. It takes capital to move that wastewater treatment facility from over on the water side and that is to be done. She asked if she is understanding that correctly.

Mr. Tompeck asked if it was okay for him to answer the question. He said if Ms. Johnson is discussing the relocation of the Water Reclamation Facility, FPUA does have projects associated with that.

Ms. Johnson said okay and that citizens are concerned when they see the steady rate increases and they need to understand what it takes to do what you have to do. She just wanted to state her concerns about what is happening with the Utility Authority on many levels. Ms. Johnson said she will start with talking again and that she and the City Manager a few months ago just

broached the subject. She does want to talk with him as the manager of the city and eventually she will come to Mr. Tompeck because she wants to do what they call due diligence and totally understanding the picture of what is happening with the Utility Authority and how it affects the service of the citizens. A lot of stuff is being automated and it is a headache at times and there are some issues she will bring up regarding that she does not agree with the increase, just for the record at this point. She does understand that things have to increase at times and she will study it and make sure when she comes before you as the Utility Board, she will have a lot more information. A lot more things to say about what is going on because she has a utility bill she is looking at regarding some serious charges and will be talking about that. Mainly she wants a voice and does not agree with the increase at this point and will be asking more probing questions when she gathers the information she needs in order to do that.

Mr. DeIulio closed the public hearing.

Mrs. Mazzarella read the resolution title in the record as follows: "Resolution No. UA 2018-06, a resolution amending, superseding, and rescinding the schedule of rates and charges for water services furnished by Fort Pierce Utilities Authority, Fort Pierce, Florida, in resolution No. U.A. 2016-02, in accordance with the Charter of the City of Fort Pierce, Florida, Article XII; providing for a 3% increase in the customer and volume charges; and providing for an effective date hereof."

"Resolution No. UA 2018-08, a resolution amending, superseding, and rescinding the schedule of rates and charges for wastewater services furnished by Fort Pierce Utilities Authority, Fort Pierce, Florida, in resolution No. U.A. 2014-05, in accordance with the Charter of the City of Fort Pierce, Florida, Article XII; providing for a 3% increase in the customer and usage charges; and providing for an effective date hereof."

A motion was made by Mr. Bey, seconded by Mayor Hudson, and unanimously carried to adopt resolutions No. UA 2018-06 and 2018-08, which provide for a 3% increase in the Water and Wastewater customer and volume charges.

Mayor Hudson said she would like to say for the record the Board is only approving one year, we are not approving multiple years.

Mr. Bey said since we are speaking on the record, he said he does not really want to raise rates just because he does not have anything better to do, for the record. He said sometimes the things FPUA must do to move the company along and that is what he thinks about when he considers to raise a rate or not raise a rate. If it is important or something we need to do, because he understands our community and the economics of our community, be we have a business to run and have to at times raise rates. That is the reality.

Mr. DeIulio said he wanted to add to something Mr. Bey said earlier, that a lot of the rate increases have to do with projects we put off over the years and now we are playing catchup. He said these projects are very expensive and so it is time to catch up and deal with it.

Mr. Tompeck said the next Resolution No. UA 2018-07 provides for a 1.76% increase in natural gas rates and that is based on the PSC index and it also adds a compressed natural gas rider. He said this is a rate that has not been in the resolution before where people will buy natural gas and compress it to use for vehicles.

Mr. DeIulio opened the public hearing. There were no public comments and Mr. DeIulio closed the public hearing.

Mrs. Mazzarella read the title into the record as follows: "Resolution No. UA 2018-07, a resolution amending, superseding, and rescinding the schedule of rates and charges for the Natural Gas Services furnished by Fort Pierce Utilities Authority, Fort Pierce, Florida, in resolution No. U.A. 2014-06, in accordance with the Charter of the City of Fort Pierce, Florida, Article XII; providing for a 1.76% increase in the customer and commodity charges based on the 2018 Florida Public Service Commission annual price index; adding rates for new meter sizes and removing rates no longer billed; adding a compressed natural gas rider; and providing for an effective date hereof."

A motion was made by Mayor Hudson, seconded by Mr. Perri, and unanimously carried to adopt Resolution No. UA 2018-07, which provides for a 1.76% increase in the Natural Gas customer and commodity charges and adds a Compressed Natural Gas Rider.

Mr. Tompeck said Resolution No. UA 2018-09 is related to new LED outdoor and streetlight rates. He wants to make sure everybody understands, FPUA is not raising the electric rate here, we are just adding a rate schedule for LED lights.

Mr. DeIulio opened the public hearing, nobody came forward, and Mr. DeIulio closed the public hearing.

Mr. Tompeck said it is good we do not do this very often.

Mr. DeIulio said maybe he should sit in on some other meetings to understand the process.

Mrs. Mazzarella read the title into the record as follows: "Resolution No. UA 2018-09, a resolution amending, superseding, and rescinding the schedule of rates and electric services furnished by Fort Pierce Utilities Authority, Fort Pierce, Florida, in resolution No. U.A. 2014-03, in accordance with the Charter of the City of Fort Pierce, Florida, Article XII; adding rate schedules for LED outdoor lights and streetlights; adding rate schedules for outdoor string lights and LED

decorative rope lights; removing rate schedules for outdoor lights from dusk to midnight; removing rate schedules for streetlights no longer biller; and providing for an effective date hereof."

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to adopt Resolution No. UA 2018-09, related to new LED outdoor light and streetlight rates and other minor changes to those Electric tariffs.

Mr. Tompeck said last night, Staff brought the FPUA budget to the City. After some lively conversation, two line items in the budget (decreasing the total capital budget to $25M and removing the 4% raise pool) were brought to a vote. Neither item received the required 4/5 vote to remove it from the budget. The vote on the overall budget, while 3-2 against approval, also did not achieve the required 4/5 disapproval required to reject the budget. By Charter, the budget will go into effect in thirty days.

Mr. Tompeck said to Mr. Mimms that they did talk about the raise pool last night at the City Commission meeting and it was brought to our attention the City's raise pool was 3% whereas FPUA has put in 4%. He did not have the information available handy last night but we went back and took a look at the raises for FPUA and the City going back to 2006 through 2016. We found the average raise over that period for the City was 2.08% and for FPUA it was 2.12% so there has been years where FPUA was higher than the City and other years where the City was higher than FPUA. It is not very far out of whack and that is important for everybody to understand.

Mr. Tompeck the FPL/Vero Beach sale was set to close on October the 1st and the PSC has received four challenges to the sale. He said that has necessitated a 2-day hearing starting on October 10th. Obviously this will delay the closing. He does not have a lot of information on the challenges themselves other than the issue is about the amount of the sale FPL will be able to recover from their ratepayers. The total purchase price of the sale was $185 million. The PSC staff thought that only $69 million of that was really the cost of the Vero Beach asset and that FPL was asking for a premium of $116 million. The challengers are saying it is not fair the rate payers have to pay for the premium that FPL is putting on Vero Beach's sale that the shareholders should have to pay for that instead. Mr. Tompeck said he does not know exactly how that will play out and some of the challengers are saying this sets a poor precedent where FPL is paying a premium and expecting the ratepayers to pay for the premium. He does not know how it is going to play out and there are a number of different scenarios. It is not going to close October 1 and in talking with FMPA, he gets the impression that even November 1st is a long shot. It may as late as December 1st or January 1st. The impact to FPUA is the $2.4 million for the asset purchase agreement will not be in our hands until 20 days after the closing of the FPL/Vero Beach closing.

Mr. Tompeck said last week Bo Hutchinson and he were in Tallahassee to lobby for the approval of the Florida Job Growth Public Infrastructure Grant Proposal. He said this grant application was for the infrastructure improvements in the DiGiorgio, Enterprise Road area. The EDC and Orchid Island folks were there as well. We had a chance to talk with representatives from Adam

Putnam's office, Enterprise Florida, and the Department of Economic Opportunity, which is the agency for the grant. Jill Marasa from the EDC did a good job introducing the grant and Bo did an excellent job on a short presentation to each of the groups. He thinks we made a compelling case for the grant and received a warm welcome from each of the groups and they all felt that we made an excellent presentation and grant application. Hopefully we will hear something positive of that about the middle of October. We talked a lot on how to grow the utility and how to grow the City and this grant will give us the ability to put in infrastructure in that area so we have essentially slab ready property for people coming in. Mr. Tompeck said when developers come in they do not want to hear that we will not have a system in there for two years. He said they want it there and want to buy the property with the system in place. This is one of the ways FPUA can work hard to make these partials attractive to developers. We will see how that works out and we are doing some heavy lobbing.

Mr. Bey said good work John.

Mayor Hudson said thank you.

Mayor Hudson said today at the Economic Development Council there was a presentation about the 1/2¢ sales tax increase, which is going to be on the ballot in November, Issue #14. She said each of the jurisdictions of City of Fort Pierce, City of Port St. Lucie, and St. Lucie County all have specific projects that we are pledging to the public that we are going to work on in order to take that money and use it just for that. It is a really important ballot measure that everybody needs to study and consider because just as we were talking about not being able to keep up with the water and wastewater infrastructure maintenance and reliability, the same is what happened with our roads. Primarily in Fort Pierce it is roads, in Port St. Lucie it is roads and sidewalks, and the County it is clean water and other issues. Each jurisdiction is pledging and we have to spend the money on what we say we are going to spend the money. Mayor Hudson said the 1/2¢ sales tax last for 10 years and then it sunsets or gets reapproved by the vote. She said it is really important that we all consider it in order to be able to fix our roads in Fort Pierce, we have got to have that money. It will be on the November ballot, not the August ballot.

Mr. Tompeck said it is fairly terrifying that the County say their replacement years for roads was 75 years and it is what they are planning on how often to replace their roads.

Mayor Hudson said Port St. Lucie was 35 years. She said somebody asked her what Fort Pierce was and she said it is about a century or 100 years because we are over 100 years old. There are a lot of amendments on the ballot that came from the Constitutional Commission so we think the people are going to have ballot fatigue and hope they get down to 14 and consider on how important that is for St. Lucie County.

Mr. Perri asked if there was a deadline for the Vero Beach deal to close.

Mr. Tompeck said he believes there is a deadline and he believes it is six months or there about. He said every month it is delayed, FMPA will get less money because some of the risk is removed as time goes on. He thinks it is six months, but he will check and let Mr. Perri know.

Mr. Perri said he would like to bring up FPUA's utility bill and said there are other costs on that bill that do not come to the Utility. He said Port St. Lucie and the County have their solid waste bill on the tax bill and if the City took that approach, the utility bill would go down a considerable amount. They also tacked on a $1 several months ago to help fix places up, which he did not agree with and spoke to it. Everything on that bill is not the Utility's and people should understand that.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN