MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, SEPTEMBER 6, 2016 4:00 P.M., CITY COMMISSION CHAMBERS.

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

Absent: Deputy Secretary Darryl Thomas-Bey

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; and Valerie A. Schulte, Acting Director of W/WW Systems.

The meeting was called to order by Chairman Perri.

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

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Mr. Perri asked to set the agenda.

Mr. Lindstrom requested Item G1 "Approve budget transfers totaling $444,750, including $140,000 funded by contingency, for the 2nds Street from Seaway Drive to Taylor Creek project (#581)" be pulled from the agenda.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti, and unanimously carried to approve the set agenda with Item G1 being pulled.

A motion was made by Mr. Delulio, seconded by Ms. Cavalcanti, and unanimously carried to approve the August 2, 2016 minutes.

Mr. Delulio requested Item D-6 be pulled from the consent agenda to vote on separately because of a perceived potential conflict of interest on that item that involves a client.

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

1. Approve extension of Banking Services Agreement with Seacoast Banking Corporation of Florida dba Seacoast National Bank, of Stuart, Florida, for the period from August 17, 2016 to December 31, 2016.

2. Excuse Darryl Bey from this FPUA Board meeting because he is out of town.

3. POA 15-49: Approve Budget Transfer Request in the amount of $60,000 and Contract with Crom, LLC dba Crom Engineering and Construction Services (CECS), of Gainesville, Florida, in an amount not to exceed $55,000, for the repair of the ground storage tank at the Repump 1 facility at Jaycee Park. This contract will commence upon written Notice to proceed and end by September 30, 2016.

4. Approve the Service Agreement with Florida Gas Transmission, LLC, of Houston, Texas, to provide natural gas delivery to FPUA, effective February 1, 2017 through January 31, 2027.

5. Approve budget transfer of $38,000 for the New Electric Service for Cumberland Farms at 2009 South 35th Street.

7. POA 16-55: Approve Contract with Regal Power Inc., of Pompano Beach, Florida, in an amount not to exceed $80,000 for directional boring services associated with the North 2nd Street project and other various projects. This Contract will commence on September 6, 2016 and end on September 5, 2017.

8. POA 13-60: Approve extension of Contract with Mears Construction of GA, LLC, of Houston, Texas, in an amount not to exceed $110,000, to provide natural gas services for the period from August 22, 2016 to August 21, 2017.

A motion was made by Ms. Cavalcanti and seconded by Mayor Hudson to approve Bid No. 16-41A: Approve award of bid and contract for the removal of dry lime residuals from FPUA's Water Treatment Plant to an offsite location, with D & L Trucking and Excavating, LLC of Fort Pierce, Florida, in an amount not to exceed $32,000 annually. The initial term of this contract will be from September 7, 2016 to September 6, 2019, with two, one-year renewal options. Those voting for approval were Ms. Cavalcanti, Mayor Hudson, and Mr. Perri; Mr. Delulio abstained.

Nancy McConkey read the following into the record:

A card was received from Boys & Girls Club of St. Lucie County thanking FPUA for their support of the 34th Annual Chili Cook-Off.

A card was received from Patricia Evan, Food Service Supervisor at DATA, thanking FPUA employees for 165 pounds of food donated to DATA House.

Barbara Mika, Finance Controller, presented the bill comparisons for the month of June 2016. This graph displayed before you is the June Comparison of Florida Residential Electric Rates, which is compiled by the Florida Municipal Electric Association. This graph shows municipal electric bills in the State of Florida for usage of 1,000kWh. FPUA is identified in yellow, and represents FPUA's relative position compared to the other municipal electric utilities. FPUA's position remains unchanged since May and is in the 8th position from the left. FPUA's Electric bill for June, at $107.84, remains below all the averages for the All Requirements participants, for Florida Municipal Utilities, and for the Investor Owned Utilities. Since May, eleven utilities have increased their bills, and three have decreased their bills. The most notable changes this month that have affected FPUA's improvement in standing were the City of Williston with their bill reflecting an increase in fuel cost adjustment of $7.60. The City of Quincy with their bill reflecting an increase in fuel cost adjustment of $7.20. The three municipal utilities that show decreases in June were the Cities of Newberry $2.50, Moore Haven $2.40, and City of Vero Beach $2.00. The increase by Williston and decrease by Moore Haven have offset one another, which has helped FPUA to maintain their standing this month. Mrs. Mika said the next graph displays a similar comparison for usage of 2,500kWh. On this comparison, FPUA has improved one position since this comparison was last presented in May and is now in the 12th position from the left. The reason for this change in FPUA's standing is the rate increase implemented by Quincy. Also important to note is that FPUA's 2,500kWh bill for the month of June remains below all the averages shown in this comparison. Displayed before you is the June Comparison of local residential electric, water, and wastewater bills that have been compiled by Finance staff. This table displays the comparison of utility bills between Fort Pierce, Port St. Lucie, St. Lucie County, Vero Beach, and Martin County. All calculated bills include applicable taxes and fees and have been verified to actual bills. There have been some slight changes in the local water and wastewater bills with Fort Pierce having a $1 water rate increase and Martin County showing an increase of $1.13, which was both part water and part wastewater. There were also some changes in any electric bills in this presentation with Vero Beach having a rate decrease of $2 in June. FPUA's electric services despite this remain lower than Vero Beach by $12.22, which is about 9.5% lower. Electric service for Port St. Lucie, St Lucie County, and Martin County, which are all provided by FPL have shown a very slight decrease. FPL had a $10.00 increase in their storm charge. FPUA's total bill as shown is lower than all other St. Lucie County total utility bills and is 1% lower than Port St. Lucie and 2.6% lower than St. Lucie County Utilities. Mrs. Mika said the next chart is the more detailed presentation of those bills with the fees for services and breakdown of the taxes and other charges. A breakdown of the tiers is also shown on the bottom for the electric and water usage for all the utilities shown. FPUA does not charge a separate franchise fee to customers inside the City limits; however, a distribution of 6% of all the revenues billed are paid to the City each year. The 6% distribution is built into the base rate for all services billed. This item is for information only and there is no action is required on your part.

Nina Penick, Director of Financial Services, presented the June 2016 Quarterly Financial Operating Results. She said there has been a year to date increase in net position of $2.2 million after the distribution adjustment. That is down about $1.16 million from the year before as a result in decreases in capital contributions. It is not so much that the capital contributions are lower than normal, but last year they were higher than normal. There were some very large non-cash contributions contributed last year that we have not seen this year. The operating income was up slightly and the operating revenues were up a little more than the operating expenses were up. The interest expense was down $101,000, primarily a result of the refunding we did earlier in the year and the bonds will be paid off a year earlier as well. It was a decrease in the interest rate from 5% down to 2.14%. FPUA's electric revenues as well as consumption is on the rise. We did not see a change in revenue from 2014 to 2015, there was a 2% increase from 2015 to 2016. The consumption has been gradually increasing 2% from 2014 to 2015 and 3% increase from 2015 to 2016.

Ms. Cavalcanti asked if it was because we have more homes or businesses occupied or because people are using more electricity.

Mrs. Penick said she believes it is both. She said there is an increase in the customer count, but as well people are using more because it has been hot. This goes back to June. The water operating revenues have been on the rise, but the consumption is fairly flat. The increase in the revenues is attributable to the rate increases implemented in the last couple of years. The wastewater consumption is basically flat and because of the way it is billed, the wastewater revenue increased 2% and the gallons billed only went up 1%. The natural gas system we did very well last year, but not doing very well this year. The revenues from 2014 to 2015 went up 5%, but dropped 5% from 2015 to 2016. The gas consumption was up 4% 2014 to 2015 and down 8% from 2015 to 2016. This is a result of the gas contract consumption, which was down 14% and it resulted in a 9% decrease in the contract revenue. Our operating income and debt service ratios are steady. Our debt service ratio was 2.59% and that is more than double the 1.25 minimum required by FPUA's bond covenants. Our operating income is very consistent for the 12 months ended on all these respective periods displayed. This is an information only item and no action is required from the Board.

Attorney Koblegard said if he looks at the new water customers and knows his office is processing a lot of annexation agreements for new customers, it looks like FPUA picked up 161 new water customers for the month.

Mrs. Penick said for the services billed on the water it does look like that is the right amount for the current month of June. She said they are not comparing annual averages.

Attorney Koblegard said he did not know FPUA had that many customers in a 30-day period.

Mrs. Penick said that is extraordinary.

Attorney Koblegard said it looks like FPUA lost 38 commercial customers in the city. He said it was 2,988 and this year is it 2,950. Mr. Koblegard asked if we know why we dropped 38 commercial customers in the City.

Mrs. Penick said she does not know off-hand and she will get back with him in two weeks.

Attorney Koblegard asked if the general service is commercial.

Mrs. Penick said that is commercial.

Attorney Koblegard said we picked up 161 residential and if we did not lose the 38 in the commercial, we would be up to around 200 for the month.

Mrs. Penick said she will find out which customers this relates to.

Mayor Hudson said that would be important to know.

Mrs. Penick, presented the status report on Electric Power Cost Adjustment (PCA) for July 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 June was billed to FPUA at the rate of $77.61 for 1,000kWh. It was a decrease of $0.75 as compared to the month of June. The under-recovery from the customer for the month of July totaled $966,235, so the cumulative over-recovery is approximately $3,488,823 as of the end of July 31, 2016. FPUA has returned $3,231,343 to our customers over the last six months. 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. Since last month's forecasts, FMPA's estimate price of purchased power for the upcoming 12 months has increased 1.4%. Based on the current projections, the over collection would deplete more quickly than previously projected; however, projections are still indicating the balance of the over recovery is expected to fall below the $1 million point in April 2017. Staff is not recommending a change in the PCA at this time, but will continue to monitor this trend and recommend changes to the PCA only when necessary. Mrs. Penick said we will be having our upcoming rate call this week and during that call, we will most likely see the 2018 projections. Staff will continue to monitor the trend and recommend changes as needed.

Mr. Lindstrom said FPUA had the privilege of sending five lineman along with several trucks to help out GRU after their storm recovery. He said it went very well and everyone has returned safely. Staff will be debriefing as to lessons learned.

The Island Water Reclamation Facility Committee to move the facilities has met with FPUA and requested three or four different things as our City Manager so well pointed out they do not have the authority to do. It will be coming to the City Commission tonight in a formal request and then we will evaluate what we can and cannot do at that point.

Mr. Lindstrom said there are eight applicants for the FPUA Board, which is currently held by Darryl Bey.

He said Jacob Williams is the new General Manager from FMPA and he will be in town on September 19. If you have not had a chance to meet him, we can set that up. Mr. Williams will be going to the City Commission meeting on September 19 to be introduced to them. Unfortunately, he will not be able to spend the next day here to meet with the FPUA Board, but we can get a more formal presentation at a later date.

Attorney Koblegard said that he, Mr. Lindstrom, and Bo Hutchinson met with the St. Lucie County Utility staff Dan McIntyre and the County Administrator last week to discuss the Bulk Water Agreement. He said the County has given FPUA their 5-year termination notice saying they were going to create a new source of water and wastewater for customers and that 5 years is up. St. Lucie County has also given FPUA the notice to terminate the Bulk Water Agreement, which requires a 20-year notice. There are still 12 years left on that. Attorney Koblegard said he talked with Mr. Lindstrom about discussing with the County to get the changes of the Bulk Water Agreement done. FPUA has been trying to discuss this with the County for a couple of years and have not been able to get anywhere. We thought it might pay to get Mr. Tipton and Mr. McIntyre at the meeting and it was a good idea. We talked about the development called Creekside, which is out Okeechobee Road on the left hand side going west past the turnpike. There are some spec homes built in there. Someone is trying to get that started up again and they want to advertise this fall. We had a discussion with the Creekside people and they had spoken with the County and the County was going to try and get them to spend over $1 million in additional money over what they have paid to get their water and wastewater to the project. It appeared the County was going to require them to build a new line for wastewater that parallels their line that is already there. There is a County line for water and wastewater installed side by side, both of them come to our bulk water meters. FPUA is there and we can serve them tomorrow at no additional cost to them. Attorney Koblegard said we discussed the reasoning for that, which did not make a lot of sense. He thinks the culmination of that is the County is rethinking that and it may be best to let them hook up to the County's line that is already there and bring their water and wastewater through our bulk water meters and will continue as a bulk water customer. They are looking for about 130 units on the first phase and another 130 after that. We believe we have shown the County that the better way to do this was to continue using FPUA. The County does not have any water service of their own, they still have to get our water. He said we also talked about the Bulk Water Agreement and had already talked among ourselves briefly. Attorney Koblegard said he made the suggestion if in fact they have now given the 5-year notice

and they are going to start creating sources of water and wastewater for new customers on their own, in which they are not prepared to do, they have given us the notice to terminate the Bulk Water Agreement in its entirety in 12 years, we suggested to them, with this Board's approval, to just go ahead and terminate their agreement today and start over again. The County asked if that meant FPUA would turn their water and wastewater off, which of course we would not. This has brought about some serious thinking about the best way to go forward. The County is considering it, FPUA is going to think about it some more, and hopefully we can bring something to this Board to consider. If we do it, it may also mean terminating the three party agreement that involves the City and getting the City's approval. Attorney Koblegard said it may be that the Bulk Water Agreement is outdated and has served its purpose. He said the County asked if they changed their mind and wanted to extend what we would do. It was a very good meeting and got the attention of some people outside their utility department that was important to do.

Attorney Koblegard said he checked with Mrs. Penick again and the City has not paid the $900,000 down on the Treasure Coast loan yet. He said it is his understanding that someone in the accounting department said they had to have a bill first. If Mr. Mimms could check with the City Attorney, it can be prepaid at any time, which is in the agreement. There will not be a bill to pay it off because it is not due yet. The money is there and there is no reason why the City cannot just go ahead and pay down the first $700,000 and pay the balance towards the second one. If they have to send a bill, Attorney Koblegard said he supposes they could, but based on the agreement, it is not necessary.

Mr. Perri asked where we stand on that particular issue.

Mayor Hudson said Mr. Mimms made a note of it.

Mr. Mimms said he will follow up on it.

Mayor Hudson asked if we scrapped the Bulk Water Agreement, does there have to be a new Agreement for us to provide them water and wastewater.

Attorney Koblegard said it depends on how far we go. He said if we do away with Area A and Area B, the County can serve retail in Area A, which is protected for us now. FPUA can then go to customers in Area B, which is the County's area where we are not able to go other than by the Bulk Agreement. It would take a lot of thought to see what is best for everyone. If we tore the agreement up, then we are back to square one the day before we ever signed it and everything is fair game. FPUA has a pretty good jump on the County on being able to do serve people.

Mayor Hudson said she would like to thank the FPUA employees for their contribution to CA Moore School and the backpacks this year, which they do every year. She said they bought the

backpacks and filled them with school supplies and it is appreciated very much. That school could use it and it is a good thing FPUA does every year.

Mr. Lindstrom said the negotiations with the County are not in the least bit meant to be adversary, we are very cooperative on all the operations and are very upfront with all the administration with the County. He did not want to leave it that as a threat, it is just a negotiations issue and there are several alternatives that are still on the table as well.

Mayor Hudson said the County initiated the terminations of the Agreements.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN