MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, NOVEMBER 19, 2019, 4:00 P.M., CITY COMMISSION CHAMBERS.

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

Others present: John K. Tompeck, Director of Utilities; Rupert N. Koblegard, III, FPUA Attorney; Nina B. Penick, Director of Financial Services; Paul A. Jakubczak, Director of Electric & Gas Systems; Bo Hutchinson, Director of W/WW Systems, and Javy Cisneros, Director of Utility Support Services.

The meeting was called to order by Chairman Cavalcanti.

Opening Prayer was by Christelle Myrick of Water Distribution.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

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

Mr. Matthews said on page 20 of the minutes in the last paragraph he said “Hank talked about one part” and asked for it to say Frank.

Ms. Cavalcanti said a lot of people know him as Hank as well.

Mr. Fee said either one is okay.

Mr. Matthews said to leave it at that then.

A motion was made by Mayor Hudson, seconded by Mr. Matthews, and unanimously carried to approve the Minutes of the Regular Meeting of November 5, 2019.

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

1. Confirm appointment of Barbara Mika to the position of Director of Financial Services.

2. Approve the Post Budget Project/Budget Transfer Request in the amount of $127,000, to construct electric facilities that will accommodate the Pursuit Fishing Boat facility expansion.

3. Approve final Walker vs FPUA Settlement Agreement and authorize a FPUA representative to sign this agreement on page 8.

4. Approve RFP 19-41: Amendment No. 1 to the Substation Barbed Wire Fencing Repair and Replacement Contract with A Great Fence, LLC, of Port Saint Lucie, Florida, to increase the not-to-exceed contract amount from $60,130 to $100,499, and increase of $40,369 and revise the Contract end date to January 31, 2020.

5. Approve POA 19-42: 1) the purchase and installation of hardware and software for the HPE Nimble Storage Area Network (SAN) in an amount not to exceed $92,108.12 from United Data Technologies, Inc. of Miramar, Florida, under the WSCA-NASPO Cooperative Purchasing Organization Data Communications Products and Services 14-19 administered by the State of Utah, Master Agreement No. AR1464 and the State of Florida Alternate Contract Source No. 43220000-WSCA-14-ACS, GSA Schedule 70, Contract GS 35F-538GA; and 2) the associated three year support agreement, in an amount not to exceed $15,287.08.

6. Approve RFQu No. 18-54: The Contract for Continuing Professional Architectural Services with Donald Bergman Architecture, LLC, effective from November 20, 2019 through November 06, 2022, with two one-year renewal options, contingent upon receipt of required Certificate(s) of Insurance.

7. Approve Bid No. 18-20: Amendment No. 1 to the Contract for Pebble Lime (Calcium Oxide), with Carmeuse Lime & Stone, Inc., of Pittsburgh, Pennsylvania, to increase the unit price from $271.98 to $326.20 per ton, and the not-to-exceed amount from $679,950 to $815,500 annually.

Ms. Cavalcanti said she would like to take this time to congratulate Mrs. Mika as our new Director of Finance.

Nina Penick, Director of Financial Services, said she is presenting another affirmed bond rating and in this case it is from Standard & Poor's. She said a number of meetings ago a similar presentation was brought to the Board from Fitch ratings and they provided FPUA an "A+" rating. This is an affirmed rating of "A", which is the same rating they had been providing us previously. It is not as favorable as the Fitch rating, but she is very thankful FPUA received the "A" rating. We had a great deal of discussion with Standard & Poor's in an effort to try and differentiate the two different ratings. She will drill in a tiny bit into what drove that rating. First of all, for strong operational and management assessment, we have a diverse power supply and credit support of financial and capital planning practices which basically says FPUA is doing good. However, they

speak of a vulnerable market position and what they mean is they view weak demographics and high rates, basically low income as a constraint on revenue raising flexibility. Certainly that is a topic for later on this afternoon. Mrs. Penick said both of these ratings focus very much on the electric system and not really the water and wastewater system so much. She said it is very interesting to see how they view FPUA differently. There is another mark they have in the report about strong industry risk and if you look at page 4, that is a good thing and not a bad thing. It sounded to her like that was a bad thing, but what they are saying is they consider industry risk for retail electric and gas utilities as very low and therefore extremely strong. The risk is low so that is a strong industry risk, which sounds bad but it is not when compared to other industries and sectors. The other piece of the rating talks about the outlook or our future. They provided us with a rating of a stable outlook, which is very good to hear and FPUA produces strong and stable financial metric meaning our ratios look good. The reason for Mrs. Penick's concern and their concern was based on our current budgets, liquidity may weaken over the next two years. They do the ratings every two years and do not expect it to be significantly worse in the next two years, but if the coverage metrics decline further, they are indicating the rating and or the outlook could come under pressure and that is not a good thing. Mrs. Penick said she sort of wants us to spend the money we budget, but she also sort of doesn't', she is on the fence. She said the other thing they mentioned she thought would be of interest is the Utility's defined pension plan is well funded at 93% and that other post-employment benefit obligations are minimal. We stand very strong at this time and both of them will be back in two years.

Mayor Hudson said the unemployment rate in St. Lucie County is not high.

Mrs. Penick said not today, that is correct.

Mayor Hudson asked when the discussions were done.

Mrs. Penick said it was based on FY 2018 data, we still do not have final FY 2019 numbers yet.

Mayor Hudson said unemployment is 3.9.

Mrs. Penick said yes it has improved since then. She said those type of things we cannot control that still affect our rating, it is always an interesting point.

Mayor Hudson said that is not so.

Mrs. Penick said that is absolutely a wonderful unemployment number.

Mr. Tompeck said it is important to note they did this based on our rates in 2017 when they said we were 114% of the state average in 2017. He said that certainly is not the case anymore.

Mr. Matthews asked about the financial risk and if there is any protection for our new year coming up 2020, all of this is for 2019.

Mrs. Penick said the actuals were based on 2019, but it also had a five-year look forward so it did project out five years.

James Carnes, Water/Wastewater Supervising Engineer, presented the post budgeted water main project along North 10th Street. He said FPUA water/wastewater engineering budgets are approximately $1,000,000 a year to facilitate water main replacements that have reached the end of their useful life. Of the seven projects slated for FY 2020, staff has identified this location, North 10th Street from Avenue E to Avenue L rated second on that list. Funding is available in the W/WW Engineering FY 2020 Capital Budget under Project No. 617 and 817 for the water and wastewater work associated with the project. Mr. Carnes said the total project costs are expected to be $400,000, $388,000 for water, and $12,000 for sewer. Funds are available on existing purchase orders with our unit price contractor, which can be transferred to this project.

Mayor Hudson asked if FPUA is coordinating these with the City of Fort Pierce and do they know about this work.

Mr. Carnes said absolutely and that FPUA has three coordination meetings a year that we discuss our anticipated project workload for the upcoming year. He said the project we are working on right now, FPUA is working in a corroborated capacity with the City to improve the roadway, which is North 8th Street.

Mr. Matthews said this is a well worthwhile project in an old neighborhood that is long overdue. He appreciates any good stuff and said to keep on going.

Mr. Carnes said yes sir.

A motion was made by Mayor Hudson, seconded by Mr. Matthews, and unanimously carried to approve Post Budgeted Project/Budget Request in the amount of $400,000 to fund the costs of replacing the water main along North 10th Street from Avenue E to Avenue L, along Avenue H from 12th Street to Means Court, and the rehabilitation of a gravity sewer manhole at the intersection of N. 10th Street and Avenue H.

Eric Winterstein, Facilities & Fleet Superintendent, said he was here to request approval of POA 15-11, the single source purchase of Neptune water meter registers from Sunstate Meter Supply in the amount of $310,000 annually for six years. He said this purchase will allow the retrofit of existing water meters to integrate into the Advanced Metering Infrastructure (AMI) project as we move forward over the next few years. These retrofits will allow communication between

each water meter and the various data collectors in the field once installed at a cost of $88 per register, approximately 3,522 existing meters per year will be retrofitted. It is important to note the Sunstate Meter Supply is the authorized distributor in the State of Florida for Neptune water meter registers.

A motion was made by Mr. Bey, seconded by Mayor Hudson, and unanimously carried to approve POA 15-11: Approve the single source purchase of Neptune Water Meter Registers from Sunstate Meter & Supply, Inc. of Newberry, Florida, in an amount not to exceed $310,000 annually for six years. The term of this purchase will be from November 20, 2019 to November 19, 2020.

Tom Fryar, ITS Manager, presented the contract with Complete Access Control, Inc. He is here to request the approval of the contract for the purchase, installation, maintenance, and support of Phase 3 of the Access Control System with Complete Access Control Inc. in the amount of $385,093.29. Complete Access Control was awarded the bid for the Energy Services Center, which the Board approved back on September 18, 2018. They finished the project in late November of 2018. Phase 2 for the Admin and Boston buildings were approved by the Board this past April and finished in late July. Phase 3 will include the Water Treatment Plant, Water Resource/Distribution, Facilities, Manatee Observation and Education Center, Substations, and additional doors for the Admin and ESC buildings.

A motion was made by Mr. Matthews, seconded by Mayor Hudson, and unanimously carried to approve ITB No. 18-38: The Contract for the purchase and installation of a key card access control system (ACS) and provide an annual maintenance and repair service plan for the ACS for the Water Treatment Plant, Water Distribution, Facilities, Manatee Observation and Education Center, Substations and three additional doors for Admin (2) and ESC (1) with Complete Access Control Inc., of Jupiter, Florida, in an amount not to exceed $385,093.29. The term of this Contract will commence on written Notice to Proceed and end on the date that is five years following the completion of the installation and acceptance of the ACS by FPUA.

Keith Stephens, Water Resources Superintendent, presented the budget transfer request and contract with A. Thomas Construction. He said he was here today for RFP 19-22, the Dryer Building re-utilization. Currently, FPUA has a building that was built in the mid 1980s and was used for drying the lime sludge we have. We found it was economical to do it that way years ago and the process has been abandoned. Mr. Stephens said they have removed the equipment and now have a lot of empty space. He said they thought about building, but with site planning and the way the state is on that, we just do not have the room on the existing plant site we have. We need to re-utilize the building and we plan to use the space for office staff, foreman, and maintenance staff because they are in areas that were not set for that purpose right now, some are even in closets with their computers. Staff is asking for approval of the budget transfer

requests totaling $150,000, accept the proposal, and approve the contract for re-utilization of the Dryer Building at the Water Treatment Plant from A. Thomas Construction, Inc. of Fort Pierce, Florida, in the amount not to exceed $379,250.

Mr. Matthews asked how many employees will be in there.

Mr. Stephens said there will be 15.

Mr. Matthews asked if with three supervisors.

Mr. Stephens said one supervisor and two foremen.

A motion was made by Mr. Matthews, seconded by Mayor Hudson, and unanimously carried to approve RFP 19-22: Budget Transfer Requests totaling $150,000, accept Proposal and approve Contract for Re-Utilization of the Dryer Building at the Water Treatment Plant, from and with A. Thomas Const. Inc., of Fort Pierce, Florida, in an amount not to exceed $379,250. This Contract will commence upon written Notice to Proceed and end upon final completion and written acceptance by FPUA, contingent on receiving required Certificate(s) of Insurance.

Mr. Tompeck said the next item is Resolution 2019-07, which is the participation agreement with FMPA for the second solar project and Paul Jakubczak will make the presentation. He said the Mayor, Paul, Jann, and he were up in St. Cloud yesterday where they broke ground for the first solar project. It was a nice time and they are going to start building it and should be done in June 2020, it does not take too long.

Mayor Hudson said we were out in a very vacant field on ranch property belonging to the Mormon Church and Desiree Ranch so two leases are on that, Harmony and Poinsettia. She said it was very interesting.

Paul Jakubczak, Director of Electric & Gas Systems, presented the resolution and agreement for the Solar Energy participation. He said this is another opportunity for FPUA to invest in renewable energy in the State of Florida. Project II from FMPA consists of two sites up in Alachua and Putnam Counties, roughly 149-150 megawatts (MW) total with two 74.9 MW facilities. The reason they do not go any larger is because there is an additional permitting and interconnection requirements that take quite a bit. That is why they stuck with the under 75MW per site, which according to yesterday, it is about 400-500 acres and comes out to be about 300,000 panels per site. The slide displayed shows the list of all the participants and FPUA is looking at up to 15MWs of power from this facility.

Mr. Jakubczak said the supplier for this project is Origis Energy USA LLC and they are located out of Miami. He said the list shows some of the locations to give the Board an idea of where they

are located with the panels located in the State of Florida. A tour was done of the Reedy Creek facility and a couple of those pictures are in this presentation so you can see what those solar panels look like. The next slide shows the process we will go through. Origis Energy will sign a Purchase Power Agreement with FMPA, FMPA will sign agreements with the All Requirement Project Members, which is what FPUA is. Agreements will also be signed by all the Non-Requirement Project Members that belong to FMPA. Tonight we will hopefully be passing the Participation Agreement in addition to the Resolution to go ahead to move forward with this. The same process will happen over on the non-ARP sites.

Mr. Jakubczak said some of the pros and cons that come with this project are that it is a 20-year contract term and we chose to go that route and not do any 5-year renewals. He said they are seeing in the industry that the longer we wait, the lower the price gets. Currently, we are looking at an energy price of less than $28/MWh produced on the site and then a 2% escalation over a 20-year period. This gives FPUA a better up front price and a better long term solution. When we signed Project I in February of 2018, we signed that contract at less than $40/MWh and now we are at less than $28/MWh. As you can see the economy of scales, which Jacob Williams talked about yesterday, is really driving solar prices down throughout the nation. FPUA's share is up to 15MW, which will bring our total solar participation to an 18MW total for our load which is roughly 105-106MW total peak now. About 15% to 18% of our total power will be coming from a renewable source. Besides environmental benefit, as we all know, there are no emissions to solar. There will be some fill in power when the sun is not shining, but if it turns out like it did yesterday, we are just going to bring the Mayor to the solar site because the sun came out of the clouds and it was a nice and sunny day.

Mayor Hudson said I had nothing to do with it.

Mr. Jakubczak said the contract will have no operation and maintenance costs, it is all built into the contract so Origis will be the main supplier and making sure all the power is coming out there. He said we also do see the potential of having credits on our power bills because of the never ending changing price of gas and stuff in the market as it is. The cons are the same thing as the cons from the credits, it has the potential to being a little bit higher cost because of the low gas prices in the market. There is also a slight risk to all ARP Members, but if you remember, when we finalized the deal with Vero Beach to get out of that contract, the same attorney's put together this contract. It is pretty safe to say it is very low risk for any of the members.

Mr. Jakubczak displayed a picture of himself, John, and Mayor Hudson shoveling dirt for the groundbreaking. He said we were there and made comments about those that do not know how to use the shovel, we saw a couple of those. The other two pictures are the Origis site up at Reddy Creek which serves Disney. These are going to be the same type of solar panels we will be seeing out in Putnam and Alachua Counties. When we get further along, he is sure there will be groundbreakings and ceremonial tossing of dirt as well for that. The next step FPUA has is to approve Resolution 2019-07, which locks in our allocation of no more than a 15MW total output

from this plant. Also the approval of the Solar Participation Agreement for the same thing with FMPA. One of the things we are doing in the future is to work with our rate consultant to generate a rate tariff to be able to sell solar power to our customers directly. We are not quite sure how that is going to work right now, but we are going to be working on that. He will be looking at and doing some studies to have FPUA be a prime sponsor of this and start purchasing all of our power from these solar fields. If the City would like to do that, then we would be more than happy to work with you as well to become a truly renewable source of power for both entities. FMPA is pushing to get all of these through the cites and there is a long process, some do single reads and some double reads, but they need to have all of this completed and the agreements signed with Origis before the end of the year to make sure they get their solar tax incentive credits that are available to them. Mr. Jakubczak said he would be happy to answer any questions before we get to the voting.

Mr. Matthews said he has a wild question.

Mr. Jakubczak said he has wild answers.

Mr. Matthews said you talked about 20 years out and we are looking at solar and asked what would happen when climate change comes into existence.

Mr. Jakubczak said if it goes with what the industry experts are saying, the more we can reduce emissions, the better off we will be with climate change. He was reading an article this morning there is a solar project that is working with Bill Gates, one of the founding members of it, to where they use mirrors. They focus all the energy from the sun to produce over 1,000 kelvin to be able to melt steel. They are targeting right now the utility sectors and the power plants, but there are really no solutions out there for the industries like the coal plants for steel production. This is working towards that and with all the solar going in there will still be a need for carbon based plants. The sun does not always shine, so we need to have some type of power to do the intermediate when the sun is not there. Overall this will help emissions tremendously and a lot of states about a decade or more ago started renewable portfolio standards. They require each utility make sure a certain percentage of their power was being generated from a renewable source.

Mr. Matthews said that is why he asked the question to see if we will still be in need down the road.

Mr. Jakubczak said there will still be a need because they are working now with solar and battery storage, but with battery storage, it has to be produced through a plant so you have emission there too. He said as technology progresses, there will be more and more backtracking off of fossil fuel type plants and coal plants. There will always be some type of need for some type of quick start which is normally the gas turbines.

Mayor Hudson asked what 18MW will do for the City of Fort Pierce.

Mr. Jakubczak said the 15MW is what FPUA is looking at getting right now and it is roughly 3,000 customers so they figure about 5KW per customer.

Mayor Hudson said total 18MW would be more than that.

Mr. Jakubczak said more than that. He said the wheels are turning, but he will get back to her on that one.

Mayor Hudson said didn't Jacob say the three areas we broke ground yesterday are somewhere around 45,000.

Mr. Jakubczak said around 45,000 residents will be supplied power out of those three sites.

Mayor Hudson asked if Kissimmee and Orlando are doing their whole city facilities with solar.

Mr. Jakubczak said Orlando and Kissimmee have. He said Orlando is working to be 100% renewable city-wide as a portion of theirs. The gentleman from OUC was talking about roughly 100MW out of the 225MW that his project won going straight to Orlando,.

Mr. Bey asked what the advantages of FPUA providing renewable energy to our customers in contrast to them putting solar panels on their house or in their yards. He asked if there are advantages in this method or the other.

Mr. Jakubczak said doing a community solar type project there is cost advantages. He said the cost to put individual panels up on a roof are a whole lot more expensive, but he does not have the exact percentage. Doing an overall community based or utility based similar to what we are doing here, there is major cost advantages. There is no capital outlay for customers to purchase those panels and go through the electrician and the net metering FPUA requires. It is a cost saving for them plus they do not have to worry about leaky roofs and those types of things as well.

Ms. Cavalcanti said or coming off in a hurricane.

Mr. Jakubczak said or coming off during a hurricane.

Mr. Tompeck said Jacob Williams has quoted that it is about 1/3 the cost of roof top solar.

Ms. Cavalcanti said it is going to cost less than $28/MWh and asked what the cost is now for our customer's per MWh approximately.

Mr. Jakubczak said our rates and he will defer to Nina if he gets it wrong, our rates currently are at $79, but that is an all-in rate that is what is in our rate tariffs now. He said it includes the transmission, distribution, everything going across to it. Our energy cost if he remembers on the last rate call for this month is projected to be $22 or $23. If you look at some of the charts that are included when we do our PCA adjustments, you will see the long term supply of energy going up and down and the variable being based on gas costs and supply and those types of things.

Ms. Cavalcanti said so you are thinking it is $22 to $23.

Mr. Jakubczak said he believes that is what they were looking at on the last rate call which would have been in October.

Mr. Matthews asked if those citizens that are rate payers who are building new structures whether they are office buildings or a large home would they be eligible for some type of bonus if they put their own solar system in.

Mr. Jakubczak said what residence get for putting in their own solar system up on the roof, is the avoided cost credit to them. He said that comes out to be 2 ½ cents per kWh if his memory is right. We get a quarterly update from FMPA and we pass that cost onto the customer. The issue you run into is most customers think that going to solar they will not see an electric bill anymore. Unless they have some type of storage to where they can store that energy during the day and then use it at night, they are always going to be connected to our grid. It is no different than when the sun is not shining, they are going to want their lights on and watch TV so they are still going to have to stay connected to us. The only thing they are avoiding is the actual energy costs coming out of the plant that we pass on to them and there is no mark up or anything for that.

Mrs. Mazzarella read the resolution title into the record: "Resolution No. UA 2019-07 – A resolution of Fort Pierce Utilities Authority, Fort Pierce, Florida (I) approving the All-Requirements Power Supply Project Solar Participation Agreement between Florida Municipal Power Agency and Fort Pierce Utilities Authority and thereby committing to be bound by Section 10 of Rate Schedule B-1 of the All-Requirements Power Supply Contract, or its successor provision; (II) providing authorization to commit financially to a percentage amount of the solar energy acquired by the Florida Municipal Power Agency in the event Florida Municipal Power Agency acquires such solar energy; (III) designating authorized officers; (IV) approving and taking certain other actions; (V) providing for severability; and (VI) providing an effective date."

A motion was made by Mayor Hudson, seconded by Mr. Matthews, and unanimously carried to adopt Resolution No. UA 2019-07 and approve the All-Requirements Project Solar Energy Participation Agreement with FMPA of Orlando, Florida effective immediately.

Mr. Tompeck said the next two items are Resolutions 2019-03 and 2019-04, which are rate increases for water and natural gas. He said our rate consultant Murray Hamilton from Raftelis will provide some background and Barbara Mika will introduce the resolutions prior to the public hearing.

Murray Hamilton, Senior Manager of Raftelis, said they are a Utility Rate and Financial Consulting firm with their Florida office just up a little bit north in Maitland, Florida. He has had the privilege of working with FPUA for the last 15 or 16 years evaluating the overall rates of the electric, water, sewer, and natural gas systems among other things. The utility system has been evaluating its rates through a series of rate studies since 2007 and during that time one of the things they identified was the fact the water, sewer, and natural gas systems were not quite paying their full freight, if you will. There was not a balance on a per system basis and over time the utility system found themselves in a position to phase in those adjustments over time. It led to a rate decrease, several decreases on the electric system side of the fence. In the last several years, we have actually performed an annual update of the Revenue Sufficiency for all four systems and that is what he will evaluate tonight is this year's study results. Mr. Hamilton said on the displayed slide is the highlight of the overall study task and we are doing a 5-year financial forecast over the next five years. He said tonight we only asking the Board to consider rates for this current year, FY 2020. It was predicated in the budget that was just put in place and adopted as well as the Capital Plan that was included in that plan. We are looking at the overall operating as well as the capital needs and make an attempt to phase in the rate adjustments over time to the extent possible. The key areas they focused on was customer sales and revenues in order to cover the revenue requirements of the expenditures of the system dealing with operating expense, the capital needs, principle and interest payments on the current existing debt service payments, and the distribution to the City of Fort Pierce. Overall we get to an evaluation of the sufficiency of FPUA's utility rates.

Mr. Hamilton said for the projection of revenues, there is nothing real fancy about it, quite frankly it is typically based on our most recent audit of the system. He said there has been very little new growth within the system and not a lot is planned over the next few years. In comparison to last year's study we presented, the electric sales and water sales were down just slightly than what was planned. The wastewater system and natural gas system were on plan. In relative terms, things do tend to go up and down just slightly from year over year, but there has been no major change in the overall financial forecast. When we talk about the utility systems in this setting, we are really talking about base rates. It is the revenues FPUA collects and pays its bills and that is separate and distinct from the power cost adjustment and the gas adjustment, the PCA and the PGA that FPUA reviews periodically and make adjustments to. Those are a pass through formula. Again, when talking about revenue sufficiency, we are talking about the base rate, the amount FPUA collects to pay its employees, the transmission and distribution systems of water, sewer, gas, and power services. Last year's rate plan, we implemented a water and wastewater rate increase for last year, FY 2019, and we had an annual index of approximately 1.8% on the gas system. There was no adjustment on the electric system in terms of the monthly

rates that are being charged. Obviously the PCA has actually declined over time and FPUA makes periodical adjustments to the PGA as well. While there is a capital plan that was approved in the FY 2020 budget as well as a 5-year capital plan, the rates that were implemented last year and the rates that are proposed for tonight will not fund 100% of the capital plan as it has been laid out. On average, we might be able to fund 40% of the annual pay as you go and capital that is included in the capital plan. That deals with renewal and replacement of line infrastructure and needs at the plants. This has been a strategy in recent years in an effort to try and keep rates low and within a certain level. We have other income sources such as turn on/turn off fees, meter installation charges, as well as investment income on our overall cash balances.

Mr. Hamilton said the major expenses of the system deal with operating expenses and more than half of that are pass through adjustments for purchase power costs as well as gas cost. He said out of $87 million in operating expenses, what we call the controllable expenses is $42 million, about half that amount. That is what a portion of what gets covered through the base rates we are talking about tonight. Existing debt service payments, $7.7 million/year, FPUA's current debt service is running out to 2029 so that is the forecast of the current debt. Distribution to the City of Fort Pierce is a formula basis of 6% of gross revenues, approximately $6 million/year. The slide shows the major projects that were included in the adopted budget for reinvestment in the system. For the current year, FY 2020, there were $23 million of projects that were included in that budget, $16 million were assumed to be funded with rates and the rates being proposed tonight will fund about $6.5 million of that existing capital plan based on our current estimates. The overall capital needs over the next five years are approximately $91 million and we do have a couple of projects that may be ideal for future debt. This is an assumption at this point and time and the borrowing assumptions we have tried to assume are also subject to change. One deals with the AMI infrastructure project at roughly $7 million and it could result in an annual debt service payment of approximately $860,000/year. There were some customer expansion projects staff has been considering and strategic projects where the city may be able to add new customers, roughly $5.5 million worth of expansion related projects. We have assumed that will be financed over time. The projected debts really hit future fiscal years beyond 2020. The rate funded capital average over the next five years is $12.9 million, which is in line with the system's depreciation rate. It is almost one in the same, but the rates under our projected rate path would only fund about 40% of those needs.

Mr. Hamilton said slide six gives the Board a summary of what the all in funding sources would be for that capital plan over the five-year period. He said the four major buckets that are moving around from left to right clock-wise are electric revenue is at $23 million, water revenues at $20.7 million, wastewater revenues at $17.4 million, and the gas system at $3.2 million. There is also developer contributions as well as new debt and are anticipated to fund that entire capital plan. The overall revenue sufficiency has been a top down approach, ideally we did not come together and say we only wanted to be able to fund 40% of our capital and renewal and replacement plan. Basically, we have had a strategy of trying to keep the rates as level as possible. Many years ago after having several years of somewhat high rate increases, we implemented an annual indexing

provision that allows us to adjust rates at a minimum to keep pace with inflation. That is part of our recommendation here for the two systems water and natural gas. By default, sticking to that top down approach to setting the rates, ultimately we would leave approximately $38 million worth of those capital projects unfunded at the moment for the next five years for that rate path to ultimately be determined. The recommended increases based on the Florida Public Service Commission's index which is FPUA's adopted annual index provision, the reported amount for this current year is 2.36% and we recommend that implementation effective December 1 or later. As a reference, the index would produce about $450,000/year in additional income relative to the adopted budget.

Mr. Hamilton said the overall projections are shown on the displayed slide showing for the next five years, we assumed the annual index being applied only to the water and natural gas systems. He said no adjustment to the current wastewater system rates or the electric system. Obviously the power cost adjustments and gas adjustments will be adjusted over time. The net annual surplus there in the middle of the table are actually deficiencies. What we are really saying here is we got a cash balance that is in the bank today and we are going to continue to use those reserves over time to complete 40% of the stated projects in an effort to phase in these rate increases over time. The only rate adjustment that is for consideration tonight is the 2020 adjustment of 2.36% for the water and natural gas. Some other important benchmarks, Mr. Hamilton said Mrs. Penick was talking about FPUA's rating review for the bonds, your debt service coverage is shown in the middle of the page. A strong relationship, this is one of the key components that the rating agencies were evaluating in order to determine what FPUA's overall rating would be. For cash reserve balances, we have a bare minimum requirement of 45 days which is specified in the adopted Bond Resolution. FPUA has a target of 60 days or more and you can see the overall cash reserve balance is projected to decline over time as we phase in the projected rates. There are some restricted funds that are shown at the bottom of that page.

Mr. Hamilton said to highlight some of needs for the rate increases is obviously the utility wants to continue to maintain high quality and reliable service that safeguards the health and welfare of the community. He said we obviously want to make sure our rates keep up with inflation, we do not want to have several years where we are not adjusting the rates for inflation and being subject to a higher rate increase something greater than inflation or even a two digit increase of 10% or more. Regulations are constantly evolving the costs to produce service and has gone up with the exception to what Paul was presenting to the Board on the solar field at some point in the future. Obviously, we need to retain adequate reserves over the steady period and make sure we have working capital that meets the needs of the system. Specifically we have to comply with the City's Charter and the Bond Resolution in order to have a sustainable utility system.

Mr. Hamilton said the bill comparisons are shown on slide ten and it is the water only charges that are increasing. He said he showed a water and sewer bill because there is a large number of customers that had both services. The wastewater charge is not recommended to increase. For the water bill, it is an $0.88 increase or approximately 2.4% for a customer who uses 6,000

gallons per month. On the water and sewer bill combined using 6,000 gallons, it is still an $0.88 increase, about 1% adjustment to that total bill. For a natural gas customer who is using 13 ccf per month at the current PGA, would see roughly $0.58 increase per month or just under 2%. While he does not have a natural gas comparison, he does have a rate comparison for water and sewer system compared to some neighbors of FPUA. Some of these are adjusting for this current year or under a rate study at the moment. Mr. Hamilton said he knows the City of Vero Beach is recently pursuing a rate study to evaluate the sufficiently of their rates. He said Martin County reviews theirs annually, our firm supports them. The City of Stuart just adopted a series of rates for this current year 2020 and they also have rates adopted for 2021 and 2022. We plan to initiate an update to that rate study later next year. Okeechobee Utility Authority has also just initiated a rate study. A number of these utilities he suspects are going to be moving northward as they continue to evaluate their needs. You can see the existing to proposed combined bill at 6,000 gallons from $85.92 to $86.80, if the rates are approved for this current year.

Mr. Hamilton said in conclusion, FPUA's existing rates are not adequate to fully meet the needs identified in the budget, specifically on the capital plan even if the rates are approved. He said, at best, we estimate they are going to fund about 40% of those overall project needs. We are recommending the Board consider implementing the annual index for water and natural gas to be effective on or after December 1, 2019. The index is 2.36% as published by the Public Service Commission. Again, we ask that you continue to review this plan annually. That concludes the presentation.

Mr. Matthews said in the proposed cost recovery period, he asked if we are talking about five years of stock with 2019 or talking with five years of stock with 2020.

Mr. Hamilton said we start in 2019 and actually this study was kicked off about March of last year. He said as the Board goes through the budget process, we have to make an estimate of 2019 and so this study was basically concluded just after the Board adopted the budget for 2020. Our emphasis is on 2020.

Mr. Matthews asked what the rates will be for the bulk water customers, he does not see it on the chart.

Mr. Hamilton said we were involved in this and worked on an updated bulk rate study between FPUA and the County. He is going off memory here, but if he recalls correctly the water rate was increased and the sewer rate was decreased, so we equalized that. We have been working on that for over a decade to get all the parties to the table so that was a positive. He said Bo might be able to speak to this better, but he thinks the ultimate agreement was adjusted with the retail rate.

Mr. Tompeck said the County will get a letter shortly after this is approved.

Mr. Hamilton said if you do an index on water of 2.36%, the bulk rate to the County will go up as well. He said he cannot tell whether or not the County is going to pass that onto their customer or not, but he suspects at some point at some level they will. Their rate would go up as well.

Mr. Matthews said his concern is that some way or someday we have to do something with Sheridan Plaza as a customer. He said they are crying hard about the rates whether it is electricity or what and they are crying about the surcharge. Somewhere along the line we have got to bite the bullet and deal with Sheridan Plaza, if not now when it is past due. As a citizen coming to these meetings, he has heard that gripe way back.

Mayor Hudson said she has a question about the projections for growth because we are doing a lot of talking on the City side about all the growth we are having in terms of customers in both commercial and residential and the things that are planned She is wondering why the projection is sort of status quo.

Mr. Hamilton said it is a short term, one year.

Mayor Hudson said only what can be built in one year.

Mr. Hamilton said that is correct.

Mayor Hudson asked if he took into account all the commercial that is going along Jenkins Road.

Mr. Hamilton said only what has been connected so far. He said it is a one-year look back and a one-year look forward at the moment. It has been a conservative approach we have taken at this point and if we were attempting to ask the Board to lock in a schedule of rates for the next three to five years, we would very diligently to try put pencil to paper to try to figure out what those connections would be with some ease and sensitivity. Even if the project is completed this year, when is it going to be occupied, and when will they be a paying customer. At best it is an estimate.

Mayor Hudson said if a customer is listening to this meeting, there is a lot of growth planned for Fort Pierce. She said this is just for one year so that is why you are being conservative.

Mr. Hamilton said that is correct and staff has some customer based expansion projects in the capital plan too that are out in the future. He said we would not invest in those if we did not think we were going to add a customer. Obviously, we have initiated those particular projects, his assumption is FPUA would get some new customers to help in the overall growth of the system.

Ms. Cavalcanti said when we were discussing our bond rating, it was talking about we were 114% of the state average on our electric. She said FPUA's average revenue per kilowatt hour was 114% of the state average in 2017.

Mrs. Penick came to the microphone and said yes that is correct.

Ms. Cavalcanti asked what percent are we on the state average on our water and gas.

Mr. Hamilton said on the gas he does not have an opinion of. For the water and sewer, while he has a data base that goes more global than this, he has not evaluated what you are asking. In comparison to FPUA's region for the 6,000 gallon customer, FPUA is at about the average. There are utilities that have a lower rate and his experience is they are all going to be moving at a higher cost. He has already pointed out that some of these either review their rates annually or will be reviewing their rates, rarely to they ever stay status quo.

Barbara Mika, Director of Financial Services, presented the water and gas rate resolutions. She said today she is presenting the resolutions for rate adjustments for the Water and Natural Gas Systems. In an effort to ensure that each utility system's rates are sufficient to support all respective costs for that utilities' operations, the rate resolutions permit annual increases through the annual indexing provision under the authority of the FPUA Board. The price index is established in March of each year and for 2019 is 2.36%. Both resolutions before you today provide for that 2.36% increase in the customer and volume charges for both the Water and Natural Gas Systems. Additionally, the Water System has added a new rate for a 1.5-inch unmetered fire protection. These rate adjustments are necessary to fund FPUA's aggressive five-year Capital Improvement Plan and to make each of the operating systems at Fort Pierce Utilities Authority self-sufficient. Mrs. Mika said the table disclosed in Mr. Hamilton's presentation shows the increases that a customer can expect on their average monthly bill. She said for a water bill with 6,000 gallons of consumption, a customer will experience an increase in their bill from $36.26 to $37.14 or $0.88 on an average monthly bill. The item in the agenda packet had a misprint in the agenda packet and these are the correct numbers and the proposed rate adjustments were the ones included in customers' bill inserts and $0.88 is what the customer was informed. The impact on a Natural Gas customer with the average consumption including the current Purchased Gas Adjustment of $-0.15 will increase from $30.66 to $31.24 or just $0.58 on their month average bill. All the rate changes referred to, if adopted, shall take effect on the first billing cycle of the next billing month after the approvals of the Fort Pierce Utilities Authority Board. We are asking that you accept and approve these resolutions adjusting the Water and Natural Gas rate schedules for Fort Pierce Utilities Authority.

Mayor Hudson asked if when these rates go into effect, do we put something in the bill or do we just increase it.

Mr. Tompeck said we generally do.

Mayor Hudson asked if there was some kind of advice.

Mr. Tompeck said he thinks so, he will have to check. He said we have already had some bill stuffers that have talked about the rate increase, they are aware of the rate increase.

Mrs. Mika said it went out in the October bills.

Mayor Hudson said was it, she does not pay the bill in her family, somebody else does so she did not see it.

Ms. Cavalcanti said the same in her family.

Mr. Bey said the same in his family too.

Mr. Matthews asked if we could make a practice when we are going up for anything like rates, why don't we just advertise it in the newspaper.

Mr. Tompeck said we do.

Mr. Matthews said we might have more people be able to see it.

Mr. Tompeck said we have advertised it and are required to do that. He said we have done that and have also put it in a bill stuffer, and made a press release. He said it is on FPUA's website.

Mayor Hudson asked about the people that pay on line, how do they get notified.

Ms. Cavalcanti said on the website.

Mr. Tompeck said on the website.

Jann Widmayer, Community Relations Manager, said on the website, Facebook, twice in the newspaper, bill inserts, and in the electronic page.

Mr. Matthews said so all customers get some notification.

Ms. Widmayer said yes it is available to them whether they read it or not, she does not know.

Mayor Hudson said they can read it on their smart phone.

Mr. Bey said if you have one.

The Public Hearing was opened and then closed when nobody came forward from the audience to speak.

Mrs. Mazzarella read the title of Resolution No. UA 2019-03 into the record as follows:

"Resolution No. UA 21-03, 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. 2018-06, in accordance with the Charter of the City of Fort Pierce, Florida, Article XII; providing for a 2.36% increase in the customer and volume charges; adding a rate for 1.5 inch unmetered fire protection; and providing for an effective date hereof."

A motion was made by Mr. Bey, seconded by Mr. Fee, and unanimously carried to adopt Resolution No. UA 2019-03, which provides for a 2.36% increase in Water customer and volume charges; and adds a new rate for 1.5-inch unmetered fire protection.

Mrs. Mazzarella read the title of Resolution No. UA 2019-04 into the record as follows:

"Resolution No. UA 2019-04, a resolution amending, superseding, and rescinding the schedule of rates and charges for natural gas services furnished by Fort Pierce Utilities Authority, Fort Pierce, Florida, in Resolution No. 2018-07, in accordance with the Charter of the City of Fort Pierce, Florida, Article XII; providing for a 2.36% increase in the customer and commodity charges based on the 2019 Florida Public Service Commission annual price index; and providing for an effective date hereof."

A motion was made by Mayor Hudson, seconded by Mr. Matthews, and unanimously carried to adopt Resolution No. UA 2019-04, which provides for a 2.36% increase in Natural Gas customer and commodity charges. These rate changes will become effective December 1, 2019.

Mr. Tompeck said FPUA, with the help of our consultant Cape Canaveral Scientific, submitted an appropriation project request for fiscal year 2020-2021 to the state legislature. He said the total amount of the request is $1,020,000 and it would primarily be used on Fleetwood Acres project. Fleetwood Acres is our expansion project on the southeast corner of Edwards Road and 25th Street. Specifically, we are looking at ways to entice customers to switch from septic to sewer at little or no cost. This will provide FPUA if we are successful in getting this appropriation, it will provide us some money to do that.

Mr. Tompeck said at the next Board meeting, Bo Hutchinson will make an information presentation on where we are on the Water Reclamation Facility relocation. He will give us the status on the joint study with the County and also talk about some conversations he's had with other interested stakeholders in the project.

Mr. Tompeck said we are about to embark on another round of strategic planning. He said everybody looks so excited when I say that.

Ms. Cavalcanti said to let them know the date well in advance.

Mr. Tompeck said he will be sending the Board our previous strategic goals for your review and any suggestions you have for new or revised goals will be gratefully appreciated.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN