MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, DECEMBER 5, 2017, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Chairman Daniel M. DeIulio; Vice Chairman Darryl Thomas-Bey; Secretary Michael A. Perri, Jr.; and Deputy Secretary Glynda Cavalcanti.

Excused Absence: Mayor Linda Hudson.

Others present: John K. Tompeck, Director of Utilities; Amy Shevlin, Acting FPUA Attorney; Nina B. Penick, Director of Financial Services; Paul Jakubczak, Director of Electric & Gas Systems; Bowdoin G. Hutchinson, Director of Water/Wastewater Systems; and Lois A. Wolfe, Human Resources Manager

The meeting was called to order by Chairman Daniel DeIulio.

Opening Prayer was by Christelle Myrick of FPUA 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 Ms. Cavalcanti, and unanimously carried to excuse Mayor Linda Hudson from this meeting because she is out of town.

Nina Penick, Director of Financial Services, presented the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Award for FPUA's FY 2016 Comprehensive Annual Financial Report (CAFR). She said this is not quite the pretty and fluffy document the budget is and does not have quite as many pictures, but all the information in the CAFR is the actual results as opposed to the way we think it is going to turn out. This is how it actually turned out. The GFOA recognizes governments, which have gone beyond the minimum requirements of generally accepted accounting principles. FPUA's CAFR has been judged by an impartial panel to have met the high standards of the program to evidence the spirit of transparency, full disclosure, and to clearly communicate its financial results. FPUA has received this award since 1995, which is 23 years. We were one of only 282 governments in the State of Florida to receive the Certificate of Achievement for Excellence in financial Reporting for their 2015 CAFR, they did not have the 2016 information on their website. Ms. Penick thanked her staff and everyone involved in the organization in putting the report together each year and doing such a good job.

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

A motion was made by Ms. Cavalcanti, seconded by Mr. Bey, and unanimously carried to approve the Minutes of the Regular Meeting of November 21, 2017.

George McArthur of 5063 Melissa Lane, Fort Pierce said he was an FPUA user and came because he happened to go to the Citizen's Academy back in July and August. He said looking behind him he sees some of the people that put him through the Academy and he got to see the water works and the power generation station. It was very informative and he said it is amazing what we can do as Americans when we put our mind to it. Most of the public utilities are 100 years old and citizens got together and decided they needed power, they needed electricity, and it became a public endeavor. Mr. McArthur said it is amazing to him on what we can do. He said he would have come sooner, but there was some controversy soon afterwards and you lost your director and he did not feel comfortable coming to speak then. In that crisis there is also opportunities and he said he thinks FPUA has an interim director and are looking for another director. He said maybe it is time to look at FPUA's philosophy and start to say "what can we do as a utility to help our community be a better community"? Mr. McArthur said he has always been struck by the fact that we do not meet the federal guidelines for solar energy and thinks that is an important thing. He realizes with special net metering it could cost the utility money, lose money to do that. There are several reasons why it might be good for our community to at least consider that and with a new director, it might be something you may want to think about. This is the Sunshine State and we live in the sunshine, this is the Sunrise City, and the sunrise and the sun are our natural resource. Every time we buy fuel, whether it is coal, oil, or whatever, it is going to another place. It is going to North Dakota, Texas, or Saudi Arabia and all that money is leaving our state. If we consider solar energy and only cut down say 10% of our energy use in this state that is 10% of the money that stays here. We spent $25 billion on the utilities here in this state and if we save 10% of that, it is $2 million right here. Mr. McArthur said he does not know how much we spend in energy with FPUA, but that is money our citizens can keep right here. He said it also employs local people who will install those facilities, there are many producers who produce the solar panels right here in this state. The City of St. Petersburg is hoping to go 100% solar with their houses because they think it is important. Duke Energy has now solar fields he believes here in Florida and so does FPL. He is sure there is a way we as the utility can find a way to make it profitable by helping our citizens to get solar energy. It also raises property values as investors want to come here and build houses if they see we have a progressive outlook on solar energy. They are more likely to invest in our houses or our homes and our community. Mr. McArthur thanked everyone who gave him the tour and the information.

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

1. Approve an Emergency Gas Contract with Mears Construction of GA, LLC of Houston, Texas, at a total cost of $27,850.84, to isolate the pipe that was leaking into the wastewater main at US 1 and AE Backus Avenue/Avenue C.

2. POA 14-68: Approve the purchase of desktop computers in an amount not to exceed $51,450, from Dell Computer Marketing Limited Partnership, of Round Rock, Texas, under Florida State Contract Number 43211500-WSCA-15-ACS, for purchases through September 30, 2018.

An email was received from Tom Evans of Port St. Lucie thanking FPUA for the speedy re-connect of power to his parents' home, post Hurricane Irma.

Bill Crawford, Electric T&D Superintendent said he was requesting the Board's approval to purchase of 55-foot material handler bucket truck from Altec Industries of Birmingham, Alabama in the amount of $233,736 under the GSA contract. He said this will replace a 2006 55-foot material handler bucket truck with 65,000 miles and 12,960 hours. This vehicle replacement is part of the FY 18 budget.

Mr. DeIulio asked if the GSA contract means FPUA is getting the most affordable price that is out there.

Mr. Crawford said yes.

Ms. Cavalcanti asked if 65,000 miles all these last for.

Mr. Crawford said it is more the hours on them instead of the miles because they spend a lot of time working with the engines running while the bucket is up in the air.

Ms. Cavalcanti asked if it was 12,000 hours.

Mr. Crawford said that is quite a few hours.

Mr. Perri said he called about this and Paul responded. He said he understands we are trying to standardize our fleet, but he is a little concerned that we do not try to go the extra mile. We have a guy that handles buckets truck here in town and there are several reasons we might consider trying to phase into his operation. Mr. Perri said he talked to him today and he has delivered bucket trucks to Key West, Orlando, and several other utilities around the State. They have been doing it for a long time with repeat customers. He is sure they would not be buying them repeatedly if they were not serviceable. Mr. Perri said he thinks people like that who are in the community and probably have 30 or 35 people working for them and some of them are probably FPUA customers. He said somewhere along the line we need to change our mindset to reach out to these people and try and get a comparative product from home. Sometimes he

does not think we do that because he always sees single source deals and piggyback deals. He thinks some of them are done without investigating and thinks there is a way to do that and to buy locally, just like he thinks there is a way in the United States to buy locally instead of buying from China. Where there is a will, there is a way. That is all he has to say about that and would appreciate if all our departments would endeavor to try and buy locally.

Ms. Cavalcanti asked what the old bucket truck sells for or is it sold.

Mr. Crawford said it is not sold, it is going to auction and FPUA gets about $6,000 and he believes the last one was $7,000 at auction.

Ms. Cavalcanti asked if the same company that Mr. Perri is talking about, she asked if FPUA did put a bid with them.

Mr. Crawford said no they did not.

Ms. Cavalcanti asked if we could put a bid with them to see if they would be competitive.

Mr. Crawford said he could.

Mr. Bey asked what the advantage of buying this under the GSA contract is.

Mr. Crawford said the company has already bid out to where they bid at the lowest price they could go.

Mr. Bey asked if that is the lowest price any and everywhere.

Mr. Crawford said typically yes it is.

Mr. Perri said he said his peace.

A motion was made by Mr. Bey, seconded by Ms. Cavalcanti, and unanimously carried to approve POA 18-26: The purchase of a 55-foot Material Handler Bucket Truck in the amount of $233,736 from Altec Industries, Inc. of Birmingham, Alabama, under GSA Contract #GS-30F-026GA.

Tom Parker, Electrical Operations Superintendent presented FPUA's Electrical Apprenticeship Program as information only. He said he appreciates the Board giving him a few minutes to talk about something that is very near and dear to his heart and that is teaching the next generation of linemen and substation and meter techs. Throughout the industry we are losing a lot of the senior people who are retiring and we are not getting the qualified applicants that we normally do or the ones we used to get. We have had to come up with some ways to try and get those people through internal placement. The reason there is a need for the apprentice program is as

staff, we looked across the electric departments at the essential electrical jobs that were hard to fill. Historically those jobs have been hard to recruit the following essential jobs and that is a NERC Certified Electric System Operator, Journeyman Lineman, Journeyman Substation Electrician, and Journeyman Meter Technician. Mr. Parker said typically those are your seasoned guys that have been there forever and now we are looking at succession planning. We see a gap where we have all this talent that is fixing to retire and have to look at what we are going to do to fill those jobs. He said possible solutions to the loss of this critical job knowledge is FPUA staff felt the best solution was to pursue having an apprenticeship program and getting it registered with the Florida Department of Education (FDOE) and Federal Department of Labor (FDOL). We went through a vetting process of six different apprenticeship programs around the United States and decided on Northwest Lineman College (NWLC). They have three campuses and just opened a fourth facility here in Edgewater, Florida. The others are in Oklahoma, California, and Texas. The apprentices that succeed in completing the program receive a Journeyman certificate not only from NWLC, but also from the FDOL so they will have a Journeyman certificate from each source. That will then qualify them to work anywhere in the United States as a Journeyman Lineman, Journeyman Substation Electrician, Journeyman Meter Technician, or Electric System Operator. Mr. Parker said the FDOE process for approval was very lengthy and very cumbersome on paper work. He said the conversation back and forth from Tallahassee and Fort Lauderdale where our local representative is for FDOE took about 14 months to get the program approved by Tallahassee. It was finally approved on December 14, 2016 by the State of Florida and in the process of trying to get that program approved, staff felt it would be prudent to go ahead and hire the first two apprentices because the need was there. We were under the gun to have some way to fill that position so the first two positions were filled prior to approval with the understanding that the State would grandfather them into the program once we had the approval from Tallahassee, which did happen. We currently have seven apprentice positions filled and all but one of them was filled internally. On the screen you will see we have an Apprentice System Operator that was filled internally by Jennifer Krip on August 3, 2015, and Apprentice Meter Technician Patrick Gillespie was filled on November 16, 2015 that was before the approval from the State. They were both grandfathered into the program by the State. Staff went on to hire a Substation Electrician Darin Patterson that was just hired November 6, 2017. We have the four Apprentice Linemen, with Quincy Price being the only external candidate and he was hired on June 1, 2016. Quincy put out the money himself to go to Georgia to a climbing school six-week boot camp and put himself through the climbing school out of his own pocket. He was working for Pike at the time and you may recognize the name Price because Tony Price is his father and works for the Water Department. Quincy interviewed for the job and he ended up getting it. He was the only external hire. All the other six positions were hired internally and presented opportunity for advancement for those employees internally rather than going outside the company. Traditionally none of the industry has a good track record when going outside trying to hire these positions. The last three apprentices are Dade Capper hired June 6, 2016, Daniel Tillman and Charles Alford both hired January 3, 2017. Mr. Parker said all the apprenticeship classifications are based on a four-year program consisting of 8,000 hours. He said if you take two weeks off for the year so you have 50 weeks at 40 hours a week it gives you 2,000 hours a year and the four years gets you to 8,000 hours of on the job time in classification.

In addition to the 8,000 hours on the job, all the apprentices are required by the State to have 144 hours per year of documented on-the-job skills training. These are the tasks that are defined and that an apprentice has to go to a Journeyman when he feels comfortable and say he would like to perform the task and get it signed off. There is no coaching involved, the Journeyman has the apprentice do it, watches him, and if he is satisfied with it he signs him off. If not, he hands it back to him to practice more so that is the 144 hours per year in addition to the 8,000 hours. FPUA is using Northwest Lineman College curriculum at the facility in Edgewater, Florida and the linemen go up twice per year for skills testing. Overall, staff found this as a vital solution to succession planning for those critical positions while increasing the opportunities for the existing employee's advancement within the company. He displayed a picture of Quincy Price and Dade Caper representing FPUA Apprentices at the 2017 FMPA Lineman Rodeo. There was also a picture showing other employees that went to the rodeo with them and help pull their tool cart around to get setup. The last picture was of Dade Capper and Quincy Price on top of a 60-foot "H" structure at that rodeo. Mr. Parker said they are very proud of all the apprentices and said they are doing a wonderful job. He said the first two hired have finished their first year and are starting their second year apprenticeship now.

Ms. Cavalcanti said she is a little confused as to how this works. She said we use the curriculum of Northwestern Lineman College (NWLC).

Mr. Parker said that is correct.

Ms. Cavalcanti said if a kid is in high school and is considering wanting to be a lineman or something like that, do they then try to sign up for NWLC.

Mr. Parker said they have a boot camp similar to the one Mr. Price went to. He said they can either get sponsorship or they can pay out of pocket. It is a 16-week program and NWLC says about 90% of their graduates have a job by the time they finish. It is $16,000 for the 16-weeks.

Ms. Cavalcanti asked if FPUA helps pay any of that for anybody.

Mr. Parker said FPUA is paying for the curriculum and that is one avenue. He said the other avenue is to have a sponsor from your employer. FPUA is paying the yearly tuition for four years for these apprentices.

Ms. Cavalcanti asked if these apprentices have to get hired by FPUA.

Mr. Parker said that is correct.

Ms. Cavalcanti said FPUA hires an apprentice.

Mr. Parker said they can go through internal promotion or we can hire them from outside the company if the need is there.

Ms. Cavalcanti said Mr. Parker said there is such a shortage and are trying to have some kind of succession plan. She asked if FPUA lets anybody know at the High School or anything that we have these potential jobs.

Mr. Parker said yes that most every job that FPUA has is posted on the board, which Lois could probably speak to better than he could. He said it gets posted at IRSC, several of the community bulletin boards, and on-line if it is an external posting. If it is an internal posting then it is just for the people in the company.

Ms. Cavalcanti asked if they just have to go to Edgewater and not go to Kansas.

Mr. Parker said the first two linemen had to make one trip out to the facility in Texas the first week of testing. He said since then, the Edgewater campus has opened so all of our linemen and any of our journeymen will go to Edgewater for testing because of less expense and more convenient.

Ms. Cavalcanti asked if that is the same 16-week course.

Mr. Parker said no, the 16-week course is for if he signed up to go to NWLC for the 16-week boot camp, basically NWLC is assuring me they will find me a job by the time I finish. He said 90% of those people that complete the 16-week course wind up working with a utility or a contractor. The difference is the program FPUA is doing is a four-year program of 8,000 hours and it is all certified through the State of Florida. The only way you can get there in this program is to be sponsored by your employer.

Mr. Bey asked if we have any other skill areas that FPUA recruits apprenticeships.

Mr. Parker said typically you look at places like NWLC who have the boot camps going on, they are not the only ones. He said there are several other utilities around the nation that do that type of 6-weeks of intensive training and try to place their employees. Through looking at the jobs that needed to be filled at FPUA, staff felt we had a lot of qualified candidates and the opportunity to promote from within. We actually did not have to go out, we had one job that was posted externally out of the seven. Thankfully, FPUA was able to take some of the young talent here in the company and move them forward.

Mr. Bey said his question was is this the only apprenticeship type program FPUA has within the company.

Mr. Parker apologized and said he misunderstood the question. He said water, wastewater, and gas could speak for themselves because he is not sure what they have going on. This has worked great for electric and thinks it would be a good program companywide when it comes to taking young talent and giving them opportunity for promotion.

Mr. Bey said he is impressed by how we were very proactive with setting up the program of getting this linemen college certification. He said we saw a need and filled it and that was great. He thinks that it is a good idea that we should maybe institute companywide as far as succession planning is concerned.

Mr. Parker said he agrees 100% and said it takes a lot of time, paper work, and legwork up front, but the payoff is great at the end. He said FPUA was able to do it for the electric department so he would say water, gas, or any of the other departments should be able to do it. He could give them all the contact information for starting that process with Randy Holmes who is the local Florida Department of Education sponsor.

Mr. Tompeck said we do have several apprentice programs, none of them quite to the level of detail that Mr. Parker is describing here. He said we have had one in gas for quite a while where we will bring in a high school graduate who shows some promise and we will take them through in what usually last at least a couple of years before he can be considered a level 1 mechanic. They are doing the same thing in water/wastewater as well. It is not necessarily to the level of what Mr. Parker is talking about, but we do have programs that seem to be working very affectively. We have had difficulty recruiting and hiring level 1 mechanics.

Mr. Parker said there is an opportunity maybe to work with IRSC or some of the other vocational places and schools around to try to get some of this started locally. He said that would be a real opportunity there.

Mr. Perri said Mr. Parker said that NWLC pretty much places people they put through the curriculum.

Mr. Parker said once they make it through the program.

Mr. Perri asked if we have ever gotten anybody from them.

Mr. Parker said no because we did not go through the 16-week route with them except for Quincy Price who paid his own money and went through a South East Line College program in Georgia. Mr. Price paid for that himself and then applied to FPUA for the apprenticeship job here and was hired.

Mr. Perri asked if he goes there and takes their 16-week program, then they will guarantee him a job or will pretty much place me somewhere.

Mr. Parker said yes.

Mr. Perri said what he wants to know if FPUA has a lifeline to them to get some of their placements.

Mr. Parker said we do and he has contact with Bill Bosch who is the President of that campus and he has my contact information. He said if we find there is a need down the road, we are constantly looking at who is going to be retiring and when we need to start looking to fill that position. This is a 4-year program and cannot just snap our fingers and have a journeyman. We have to plan in advance and we certainly have the opportunity to reach out to NWLC.

Mr. Perri said all he is interested in is if we have an opportunity to gain from some of the people that are already there when they come out.

Mr. Parker said yes.

Mr. DeIulio asked how many journeymen linemen we have now.

Mr. Parker said 12 journeymen linemen with four apprentice linemen.

Mr. DeIulio asked of those 12 what the timeframe of them retiring was.

Mr. Bill Crawford said with himself, if one of them was to move into his spot, himself and Bill Kaeff who is a supervisor, we are within six years. Maurice Bacon would be another six years before we have our 25 years. There will actually be three positions that could open up for somebody else.

Mr. DeIulio said you have seven apprentice going through the program now so within the next three to four years they are going to qualify for the journeymen positions.

Mr. Crawford said on the lineman side there are only four journeymen and the other three journeymen are under the apprentices. He said one is under the substation where we have a guy retiring soon and Mr. Parker has two of them under his department.

Mr. Parker said a NERC Certified System Operator and Journeyman Meter Technician.

Mr. DeIulio asked if these apprentices that are in the program now follow through and finish up, then in the next four or five years the department is pretty much set.

Mr. Crawford said in his department they have the ones that topped out 10 years ago, they have 10 years I so it is 15 years for that.

Mr. Parker said potentially within the next three to five years we could look to be putting on some more apprentices to fill those vacancies that would be coming.

Mr. DeIulio asked if there is much turnover and said when they go through the apprentice program in Fort Pierce, are they loving it here and not moving on.

Mr. Parker said some of them live locally and they do sign a two-year commitment that when they make it through the program and top out as a journeyman, they have to stay for two years. He said that is part of the contract we have with the State is when they sign on, FPUA has an obligation to give them the training and they have an obligation when they top out as a journeyman to stay a minimum of two years.

Nina Penick, Director of Financial Services, presented the item for approval of contingency funding in the amount of $500,000 to cover the amount of unspent FY 2017 Capital Budget to be carried over to the FY 2018 Capital Budget. She said she was not usually the one that comes up and asks for contingency funding, it is usually related to a specific project and we come to the Board in dribs and drabs and emergencies come up along the way. We identified a situation a couple of years ago that because of a number of situations beyond our control, we are not always able to spend the money we budget for capital investment in the course of the year. Often times it is related to delays in projects that are associated with FDOT, the County, the City, anybody else, or even weather delays. Two years ago staff requested when the Capital Budget was approved that the Board allow staff to carry over and last year we requested $1.5 million and we ended up needing to carry over about $2 million in projects that were not completed. Mrs. Penick said this year we upped it to $2 million and the first estimate we came up with was about $3.3 million. She said the biggest project we needed to roll over was Midway Road because the progress with that project did not progress as expected and we had a hard time even getting a contractor to actually do the work. The work has begun, but it did not get started anywhere near the time we were originally told that would happen. As a result, the Board has already approved $2 million in FY 2107 Capital Budget money be carried over into FY 18. We are also asking the other $500,000 of contingency money for things that we do sincerely believe we will spend in FY 18. Mrs. Penick said it can be very trying and the good thing here is that if the money is not spent, we are not spending it willy-nilly on things we not need to do. The three big projects are 2nd Street that has been going on for a long time, the wastewater part of the project started in 2010, seven years ago. It has been cooking along very slowly and we are really hoping it will be done this year. Midway Road was in phases and those projects have started, but just are not done and are very expensive. US Highway 1, we have been hearing for a long time that the Midway to Edwards Road section was going to be widened and improved. We have to get all of our facilities out of the way before all of that happens. Mrs. Penick said those are the three main singular projects and she will not get into all of the other projects, but they are listed in your agenda item packet. She said the next item that Bo is presenting will address some of those and more details that may be of more interest than just financial. What you see before you is $2.5 million in carry over on projects that we have already spent $4.6 million on. It is not like we can just stop those projects and not finish them. We are very well invested in many of these projects to start with and we request the Board's approval for use of contingency money to continue on with these projects that we had hoped to get done in FY 17 for a variety of reasons.

Ms. Cavalcanti said normally when we had these projects and budgeted them, she assumed Mrs. Penick at the end of the project did some kind of spreadsheet to see whether we had gone over or under. She asked how close we are when she does that.

Mrs. Penick said we do not look at them one by one like that as much. She said we run a budget versus actual every week so we look at it more actively more so than looking back after it is all done. The other problem we have run into is we have in the past taken the attitude and the approach that we are budgeting for the upcoming one year. Very few of these projects take just one year and the problem is we do not know how much is going to be in this year and how much is going to be in next year. The next step staff is going to undertake is rather than attempting to just budget year by year, we want to budget by project instead and then we will look at it more in terms of how much we spent versus how much we budget. What she believes would be found for most of the bigger projects like all the work done at the water plant, is we budgeted it for one year and then we re-budgeted it for the next year. We knew it was not going to get done and we did not have the roll over so for many years we have been really double budgeting because we had to. The letter of the law says you cannot spend the money if you do not have it in your budget. In that circumstance, we are hoping if we take this different approach of budgeting by project instead and many other organizations including the City of Fort Pierce budget this way, if we budget by project rather than by year and we are not sure of all the details on how we are going to do that yet, we are going to keep track of it by a project by project basis. Hopefully the Board will not see, what seems to staff, a continue flow of budget transfer that we have to bring for approval.

Ms. Cavalcanti said if you have a project that is going to take seven years, how can staff even know what the costs are going to be five years from now? She said looking at the hurricanes this year, it has caused a huge spike in cost of labor, she is assuming because you cannot get any. All the communities are trying to get someone to pick up debris and it is all over the place. Ms. Cavalcanti said she thinks doing it year by year in a way is easier because you can project what you are expecting to do for this year. She wondered at the end of the day do we say over these seven years, this is how much we budgeted and this is how much it costs us and we are within 90% or 105%. She asked if we do anything like that.

Mrs. Penick said if you look at that you would find we were very under budget because we were double budgeting.

Ms. Cavalcanti said okay.

Mrs. Penick said moving forward, we better be a whole lot closer and it is not unusual to throw another 10% contingency on a project, which is not extraordinary. She said sometimes we have no idea what we are getting ourselves into. Many of the projects like the ones at the Water Plant, we have a pretty good idea because we have a Specific Authorization with a given company that states what it is going to cost. We just have to add any staff time to that and maybe capitalized interest, just little extras and we should be able to get much closer this way. Mrs. Penick said we

do not go as far out as seven years, still only going out five years. She said there are very few projects that should ever take seven years, which should be the exception. Usually two years is the norm. We are trying to do something to cut back on our budget, reduce the double budgeting, and spend the budgets we have. There will always be delays because it is construction.

Mr. DeIulio said if you have a project that is going to be a 3-year project, the Board approves it for $5 million and two years in, you realize it is going to be $5.5 million, then you would have to come back to the Board to make an adjustment.

Mrs. Penick said we would have to do that and would still be coming to the Board every year with the revised estimate for those projects. She said hopefully not too many of them get revised. Revising those estimates upward or downward would be if we found out that when we got in there it was not as bad as we thought or it was vice versa, you got in there and found out there was a lot more damage than thought and may have to replace more components than thought.

Mr. DeIulio said the budget part will kind of work the same, but the actual tracking of the projects will be a lot more defined.

Mrs. Penick said that is correct and there will not be quite as much of a firm cut off, but there will be a cut off on the actual costs, but the budget will just carry forward until such time as the project is completed. Staff has recognized we have to do something and believes this will work better.

A motion was made by Ms. Cavalcanti, seconded by Mr. Bey, and unanimously carried to approve use of contingency funding, in the amount of $500,000, to cover the amount of unspent FY 2017 Capital Budget to be carried over to the FY 2018 Capital Budget.

Bo Hutchinson, Water/Wastewater Systems Director, presented the end of fiscal year 2017 Capital Projects status update as information only. He said a good portion of his presentation, the thunder has been stolen so it will shorten it up and he has been assured of a full hour to speak. He said he will start out with all of the operational departments and will try to hit the bottom lines of them. In general, a note to point out as we go through these in particular, the items that are listed “as needed” in this particular slide the last item the Main/Service/Valve Replacements are “as needed” and we only spent about 92% of that money; however, it was listed at 100% complete is because that was all that was needed in that particular year. We have to be sure there is enough in the budget in theory to cover whatever comes up during the year. Starting with Water Distribution, their adjusted budget was about $1.1 million and we expended about 85% of that and were able to complete 100% of the work. The next department is Water Resources and their adjusted budget was about $1.3 million, completed 90% of the work in their budget, and 83% of the budget was spent. You will notice there are a few items listed there as transferred, those were to help facilitate the emergency gravity thickener project. It was actually

scheduled for this fiscal year, however it failed last year so we had to do some juggling and get an earlier start on that, but it is well underway. The Wastewater Collection's adjusted budget is about $1.3 million and they were able to complete 100% of their work that was required and 83% was spent. The items that have the asterisks are sub categories under the lift station improvements, which was a general blanket and whenever they are able to identify any specific stations that need those funds, we put it in the budget. This makes it easier when we try to book the assets. The Water Reclamation budget had $135,000 adjusted budget, completed 75% of the work, and spent 17% of the budget. There is one item there, the largest one is the CCC Gate Replacement that was in the roll over that will be brought forward. There was an issue with getting the materials in for that job. The other two are as needed. The Electric T&D had a couple of purchases in their budget and they bought them both at or below budget. The Electric Operations percentages look pretty rough on this one, however the items that were not accomplished in this are all tied together. Mr. Hutchinson said he had a conversation with Mr. Parker about this earlier to find out what happened and whenever they got into looking at these upgrades, evidently there was a lot of disparity between the different vendors and there was a bit of a learning curve. When they were able to get enough information to make the right decision on how to proceed it was very close to the end of the fiscal year and then we had a hurricane, which stopped it there at the end. This is expected to be finished by the end of this calendar year. Gas Operations has 70% of the work completed, 61% of their budget was spent and you can see the US 1 project on there, which is a typical pitfall as stated about the roadway projects. He said he hates to only bring up the negative percentages here because in general all of the departments do a good job especially on the operations side. They have a fairly defined scope and are able typically to get it done. Just because he talks about only the ones that are at the low percentage does not mean we feel like the guys are doing a bad job. The Water and Wastewater Engineering spreadsheet was massive with the amount of projects and the font would have been so small to where everyone would need binoculars to see, so Mr. Hutchinson said he put it in format displayed. He said this is the format used at the budget workshop presentations where you would have a little bit of a comparison with the improvements we are hoping to make in the budget system. The next time we do this, we will probably have a different format for it as well. Staff broke the budget down in two general categories, the projects scheduled by others and those timeframes are typically controlled by the City, County, FDOT, MSBUs and SRF, which is funding we attempted last year. There are 25 projects in this particular category, the adjusted budget was about $4.2 million and that represents 73% of the water budget. The actual spent was a little less than $1 million at 23%. A couple of examples on both sides of the spectrum is 2nd Street, which is almost done with about 10% left to complete and in this fiscal year we were able to expend around 87% of the funds we had. This project is going to roll over and it should be completed at the end of the calendar year. Kings Highway is the example of what bites us over and over. This project date has moved multiple of times and the most recent date we have been given is May of next year. We have not spend much or been able to accomplish much with this project. Mr. Hutchinson said he is skeptical of getting it started in May, but hopefully we will. He said the projects that are scheduled in-house, we typically do a little bit better with these. These are as needed and projects that are constructed by our Unit Price Contractor. The plant projects fall into this category and also anything that is put out to

bid. The adjusted budget is about $1.6 million, which is 27% of the total of our water budget, actuals are about $1.3 million or 86%. A couple of examples are the North 16th Street WM Replacement project that was done by our UPC last year and we were able to complete under budget. We did not have to get into any of the contingencies and it went a lot smoother than it looked like when we took the job. We were able to save a little bit of money there. Selvitz Road WM expansion is an area where we can use a little bit of improvement. We were able to complete and spend about half the project this year once we got moving with it. A difficulty we had and we are working on some solutions for and Commissioner Johnson said we have a spending problem and a little bit of that is accurate, but we are going to do a little better. This was also performed by our UPC, which based on the format of the contract, the contractor will be on a production job like Selvitz Road. They will be working and get a day, two days, or a week and then get pulled off to handle sink holes or a water main break. This hurricane has given FPUA so many sink holes it is unbelievable. If that happens during the day, the UPC has to demobilize and go work on it. If it is the middle of the night and have to work it, then we lose the whole next day. We are looking at a few different options that we will be bringing forward up to the staff level to try and improve that situation internally. Unfortunately the other side of the coin with the roadway projects and such, we just have to try to give ourselves a little more flexibility in the spending so we are able to make the spreadsheet match reality instead of making reality match the spreadsheet because obviously that is not working. Mr. Hutchinson said it is broken down the same way on the wastewater. He said the projects scheduled by others, the adjusted budget is $3.4 million or 63% of the total wastewater budget. The actuals were a little over $400,000 or 13%. Examples are North 13th Street, which was controlled by the City of Fort Pierce where we were able to complete that job with 77% of the budget and it is 100% complete. The 2nd Street project, wastewater portion of it is rolling over into this fiscal year to be completed by the end of December. We have spent 65% of our budget through 2017. The wastewater projects that were scheduled in-house, about twelve of those, the adjusted budget was $2 million and 38% of the total budget. The actuals were $1.3 million or 64%. The IWRF clarifier rehab is 90% complete and we spent 88% of the budget so far. The IWRF flow meters are 100% complete and were on budget. For the Electric and Gas Engineering, 65% of their work was completed in general and 31% of the budget was spent. They also have the same issues as everybody else in the company where US 1 popped up there again and that hurt them. In general something that is very positive, if you look at the percent spent and the percent complete, the Electric Department does a very good job of being able to tune up their designs in the field and save a little bit of money and typically not have to get into their contingencies. When we break their particular budget down, there would be an extra category here, they have the same two the Water/Wastewater Departments do. A couple of projects they do in-house is the water plant feeder that is 100% complete using 63% of the budget. The water reclamation feeder is the circuit 55 to improve the reliability over there and it was scheduled to be done right before the hurricane, which stopped it. It did not get completed until October. They were able to jump back on it and get done because it was a very high priority project. Projects scheduled by others is 2nd Street with 46% of their budget being spent and 95% of the projects was complete. US Highway 1 on the electric side they have a hybrid schedule where the Electric Department installs more of the equipment themselves for these particular developer driven projects. Even though they have control of their

schedule of the work that is being done for example if a developer is held up in a site clearing permit because of a South Florida Water Management permitting issue, or turtles, or eagles, or squirrels that seem to hold up those projects, this would bump them back as well.

Mr. DeIulio asked Mr. Hutchinson to back up two screens. He asked if the schedule would change when we go to more project oriented analysis.

Mr. Hutchinson said it actually will and in the next couple of slides he will explain how staff is expecting it to work and what we are expecting to give at the project approval time as a deliverable to the Board to make a decision on approving the project.

Mr. DeIulio said if you look at 2nd Street, Seaway to Taylor Creek that is a project that has been going on for several years. He asked if the $308,885 is what was budgeted for 2017.

Mr. Hutchinson said that is correct. He said the Board would be approving a 2nd Street project and it would be our estimate that would carry out for the entire length of the project including contingencies. If it looks like it is going to roll out and perhaps the contract that we would be using is the UPC if we are expecting a 3% increase during the scope of the project, then we would include that 3% in our estimate. We would do the best job we could to get that number right the first time. However, if we do happen to go over budget and start getting close to the end and looking like we are eminently going to go past it, we will still come back to the Board to extend the funding for the project at that time. Hopefully, we will only have to do it one time instead of once or twice a year.

Mr. DeIulio asked about the projects that are under budget.

Mr. Hutchinson said that money just goes back into the general fund and falls back into the green bucket. He said the budgetary methodology that we use now is a time based budget and what we would like to go to is a project based budget. Now the Board approves a multi-year project, but then approves the funding for that project every particular year and this causes a lot of unnecessary budget transfers through the year. We are not necessarily increasing the cost of the project, all we are doing is adjusting the spend down schedule on reality. This increases our staff work load and it necessitates double budgeting. If we have a project that may land in fiscal year one or fiscal year two, but not exactly sure when, then we have to budget in both years. If it comes in the first year, it is not that bad, if it comes in before the budget is complete. Our budget process is fairly lengthy so we start relatively early in the fiscal year so that train is already down the track by the time it comes. What that does is now the 2nd year budget's year we have this whole other project there that has artificially inflated our budget and basically it creates a very negative perception and looks like we are not getting our work done and looks like our budgets are higher than they really are. Mr. Hutchinson said it boils down to the inefficient system. He said a couple of years ago we came up with the roll over process that has helped, but it did not quite fix the problem. You may ask the reason and purpose for us doing this in the first place as a time based program as opposed to a project based program like most other municipalities and

even companies do. The next slide is an excerpt from the FPUA Charter, Section 176, Item (12 that states: "The authority shall also annually prepare and adopt a budget for the ensuing year and furnish a copy to the city commission at least forty-five (45) days prior to the beginning of the next fiscal year." Mr. Hutchison said he can only assume that the first time this was interpreted years and years ago, they took this as being very exact for what they wanted. He said he had the opportunity looking through the Charter with the Charter Review Committee looking at other things, we had a chance to look at this again. We got with Mr. Koblegard and the new interpretation is that this would be the minimum the FPUA Board and the City Commission would want to see. If you could imagine the City Commission, he does not know if they are seeing our five-year capital improvement project list or how far forward they can actually see where we are looking. It is simple like turning on your high beams instead of your low beams. We will be able to give a much clearer picture to the City Commission and also to this Board as to what our intentions are going forward and you will be able to look at it not just this year, but you would be able to look at it going forward with the real projects, and this is consistent with the Charter.

Mr. DeIulio said that would be just the projects that will start within the next year. He said if there was a project that would start three years out, would it be included in here.

Mr. Hutchinson said it would show up in the five-year capital improvement plan, but it would not be up for approval until the year we plan to start it. He said the solution is the project based budget where the Board would approve a multiyear project and it would approve the total project budget without restrictions on what year the funds are spent. That could have some problems as staff will still provide a target spend down schedule to the Board and also for simple cash flow so we have an idea of what we are doing here. This is much more open on the roadway projects and the things that other people have control of timeframes whereas internal these target spin downs and milestones, it would be very important for our internal managers and project managers to make sure we are hitting those milestones. Typically, going back to the other information that was provided, the internal projects we have control over, we typically hit our milestones pretty close. There is always going to be little bumps in the road, but we are pretty close on that. By providing this target spend down schedule that is based on a milestone schedule to the Board, that will help us stay on track with that as well. The funds will still be booked in the fiscal year spent just like they are now, this should completely eliminate the need for double budgeting, which should in theory drop our budget down significantly. It will definitely reduce staff time. Mr. Hutchinson said he had a conversation with the Finance Director about this to see what type of increase for staff productivity this would be or how much time would it save us. He said her estimate with staff alone would be about 10-15%. From his own experience with engineering and talking to the other guys at least 5% or 10% decrease on the administrative side of pretty much all the departments throughout the company. Effectively this should be much more efficient and should give us a small change that gives us very large results. Any efficiency we can save on the inside is taking time away from defense and allowing us to apply it to offense. Instead of 80% defense, which this company does an excellent job of watching costs and making sure we are fiscally responsible. Mr. Hutchinson said he thinks we can do a better job moving forward with a little bit more offense and a little more for expansions and things of that nature.

Mr. DeIulio said he has a question for Nina. He said the 10% to 15% time saved, asked if that is mostly the budgeting on these projects.

Mrs. Penick said watching the budget, creating the new projects, and budget transfers.

Mr. Hutchinson said the budget transfers and bringing them back to the Board.

Mrs. Penick said it is really for one capital person because the O&M we are going to continue to do the operations maintenance the same way year by year. She said the person that does the capital does not do a lot of closing projects, it is more a lot of administrative shuffling of money from here to there to make sure everything is in balance. It would be less administrative work and more real accounting work like capitalizing costs and getting them booked into the fixed assets system and start appreciating them.

Mr. DeIulio said when you go toward the end of the project where it is determined the over and under, he asked if certain individuals within the organization are assigned that project and then they follow it through. He asked if it is mostly whoever is working on the budget.

Mr. Hutchinson said if we are at the end of the project and it was over budget or about to become over budget then the project manager would have to prepare all of the agenda items to come back to the Board. He said the additional estimates and all of that then goes over to Finance to do their part. The budget transfers are internal to the department and sometimes outside the department to be able to fund the projects, the administrative shell game.

Mr. Tompeck said the first item he would like to discuss is the City Commission Meeting last night. He said earlier this week he sent the Board Mr. Mimms' November 30 memo and it was discussed at last night's meeting. The resolution attached to that memo was also discussed and ultimately was not acted on. There are two issues that came up during the discussion that he would like to clarify them for the record and he is not clarifying them because of anything specific that happened with last night's meeting. He would like to clarify them because these issues are going to resurface with the Charter Review Commission and he wanted to be sure everybody understands the details here. Mr. Tompeck said the first issue was the issue of the number of days of cash and Mr. Mimms evaluation was based on 60 days cash. He said the 60-day threshold is usually applied to government general funds, not enterprise funds. We feel the 60 days cash requirement is too low based on GFOA Best Practice "Working Capital Targets for Enterprise Funds", which clearly states that you should start with a target of 90 days and adjust that based on particular characteristics of the enterprise fund in general. What that means and there is a long list of those characteristics that you would adjust the 90 days from and some of them are plusses and some of them are minuses. In other words, if you have support of the local government for additional money, then you would subtract from the number of days. If you have transfers out, you would add to the number of days. Some of the other adjustments have

to do with your control over rates and revenues, the ageing condition of the system, and your debt position. Mr. Tompeck said he does not want to guild the lily in terms of going to much over the 90 days as we already have, but there are some considerations we need to at least make the Charter Review Commission aware of and staff is going to be doing that as part of the presentation that is planned for the next meeting of January 23. The other issue was that the City Attorney Jim Messer did not agree we would be violating the Charter or our Bond Covenants by giving the City some of our unrestricted cash. Mr. Tompeck thought our Bond Counsel's opinion letter that he sent to the Board yesterday, was fairly clear on the issue. He said based on a discussion he had with Mr. Koblegard earlier today, they are going to set up a meeting with Mr. Messer and Mr. Mimms to see if they can clear that up. As he was listening to last night's conversation and thinking about it, he wanted to be sure we do not let this one area of conflict with the City to overshadow everything else we are trying to do. As he has discussed with each of you individually, we are working on initiatives on the WRF and expansion of the water/wastewater systems. He has only talked in general about that and we need to give the Board some specifics. Bo Hutchinson has been asked to give a presentation of these initiatives in January to this Board. You will be able to get an idea of some of the details and where we think we can utilize our unrestricted funds in the most beneficial way to expand the City. We are also trying to reduce rates and in our last meeting, we did knock the PCA down a couple of bucks. We expect to have the latest rate sufficiency study later this week and have been flying blind without having a rate sufficiency study. Mr. Tompeck said Bo mentioned it and he is not mentioning this because Mr. Johnson is in the audience today, but he agrees with Commissioner Johnson that we have a spending problem. He said one of the reasons is we are having difficulty with our requisition process in terms of getting things through the system and getting them started. We are working on streamlining the requisition process so we can move these projects from the planning/bidding stage to actual construction quicker. A couple of other items from last night's meeting unrelated to the issue about unrestricted funds, there was a discussion about Celebration Point and Mr. Tompeck will be sending the Board a note explaining the Celebration Point issue. There were some comments that they did not feel FPUA helped them as much as we could on some water/wastewater issues. He has the information on that and will send the memo that should be clear there is only so much we can do without violating what is in the resolution. We cannot do that for any individual or developer. One of the other subjects that came up last night and is a subject that is making him apoplectic is the street lights. We have had a lot of discussion on the street lights over the years and he does not understand why we cannot clear this up and do it right. He thinks we need to rethink this subject in general and start from scratch and come up with a new agreement or memorandum of understanding that takes into account all the current configuration and types of lighting and exactly what FPUA needs to do. Mr. Tompeck said he talked to Mr. Mimms about that today and they are going to get with Mr. Reals and some of FPUA staff and try to meet on this as early as next week if we can. A couple of other real quick items, the Vero/FPL sale documents will be on the agenda for December 19th. Mr. Koblegard is going to talk about that a little bit and if the Board wishes, we can have Jacob Williams or Jody Finklea attend the meeting if you need any more clarification. Looking at the Board meeting for January and with your approval we would like to cancel the January 2nd Board meeting and that is entirely at your pleasure if you would like to do that. We have been working

on getting the Kiosk in Customer Service up and running and it is up and running. This gives our customers the ability to make payments quickly and not wait in line. It has been going for about one week or week and a half and we already have had over 100 people take advantage of this. We have someone on station in Customer Service to shepherd them through the process so they will be able to use that in the future. It will save them time and obviously will save Customer Service Rep time. The Board received an email late this afternoon that Mr. Jim Hartley is available to meet with each Board Member after 10 a.m. on Tuesday, December 12 or Friday, December 15. He can come to your office or meet in my conference room, just let us know what you would like to do. Mr. Tompeck said the last item and this is an information item, we had discussion about WEOP and the SELF program that Doug Coward has been working on and we talked about how we can integrate the two programs together. We had our first success story based on inspection on an analysis done by Mr. Winterstein on our WEOP, he was able to recommend the SELF program to that customer. Subsequently, that customer got a loan from SELF and that is primarily the way we would like the system to work. Also, he has and can hand out to Board the bill stuffer coming up shortly that has discussion of the WEOP on one side and the other side has discussion on the SELF program. We are trying to work those two programs together and hopefully we will have some more success stories in the future.

Attorney Koblegard said Mr. Tompeck asked him to take a look at the FMPA/Vero Beach agreements to allow Vero Beach to withdraw from FMPA and the All Requirements Project and be taken over by FPL. He has been through all of them, not at one time, and from a legal standpoint he refers to Jody Finklea who is there to represent all of us as Members of FMPA. Mr. Koblegard does not see any problem with these different agreements and he did call each of the Board Members and the Mayor individually to see if they had anything specific they wanted to ask him about or had any questions and nobody seemed to have an issue with that. He can go through them now with the Board, but he thinks Mr. Tompeck's letter back in November really laid it out clearly. He did notice, unless he is mistaken, he knows there is a desire to get this done in a hurry, and Karen Culpepper the secretary for FMPA sent revised documents today making changes as they go along to all of these to keep things moving. When Attorney Koblegard looks at the master annexation agreement which refers to all the other eight members that are going to be deciding on at the next meeting, they talk about the planned closing date that is in October of next year and at that time, FMPA would receive $108 million from Vero basically. If it closes as early as April 2018 and as he sees it, FMPA gets an additional $7.8 million. If it drags out to March 2019, it is a deduction of $6.5 million so there is about a $14 million swing there on how fast this gets done and that is why he thinks everyone is trying to keep it moving. The agreements have been struck and these are just documentation of what we want to do and what FMPA wants to do. It is the Board's decision, but it seems like based on the discussion with FMPA earlier, this is a very good thing for FMPA and the individual members. Mr. Koblegard said he did watch the meeting last night and he agrees with John. The City Attorney made the statement to the affect there are ways to interpret the Charter and the Bond Covenants. He disagrees with him on that and said the Charter is very clear and the Bond Covenants are very clear, they do not allow the Utility Authority to give funds to the City Commission for City projects. They have to be related

to utility type projects, it is very clear in the bonds and in the Charter. Not that we do not want to help, but our hands are tied in many respects as far as what the City Commission may think we can do, but that does not mean we cannot get back together at staff level and work on a way to accomplish some of this. There are other ways to look at it, but he thinks the desire to give the City up to $12 million is not feasible from the laws we have to follow. If anyone has any questions, Mr. Koblegard said he would be happy to try to help them on the FMPA agreements and what he just said his view of what the Charter and Bond Covenants provide for.

Mr. Perri said he thinks it is pretty clear on the Bond Covenants and from the letter from Bob Miller. He said it is rate payers' money, period, and that money should be used for utility purposes and that is what the Bond Covenants say and he believes somewhere in our Charter it suggest the same thing.

Attorney Koblegard said the first paragraph.

Mr. Perri said we loaned the City money one time and if they need the money that bad and if we have any extra money, he would not object to loaning it to them just like we did before. He said the way it was proposed to give them $12.5 million and you do not get any payback for five years, it does not seem like a very good deal to him. The City of Port St. Lucie, St. Lucie County, and the City of Fort Pierce have a dismal track record on real estate investments and he does not think they ought to be in the real estate business. He especially does not think they should be in the real estate business with rate payer's money.

Ms. Cavalcanti said she would be very concerned about a default so to speak on bonds that we are out of line with our covenants and therefore we have violated our Bond Covenants and causing a real problem with it.

Mr. Bey said he thinks it is important we get a clear communication with the City in terms of what our desire is in terms of wanting to work with the City, but the fact that our hands are tied. He thinks this thing could be spun in a way to make us look as if we are not wanting to play ball. Reading through this memo that Mr. Mimms sent out, it actually says in the event we were able to give them the $12 million, it would not negatively affect the operation or cause rates to be increased, which is actually not true. Mr. Bey said we need to make sure we communicate that and understand that as we process through this.

There being no further business, the meeting was adjourned.

ATTEST: _____
SECRETARY

_____
CHAIRMAN