

AGENDA ITEM 2-b

MINUTES OF A REGULAR MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD MONDAY, MAY 19, 2008, AT 6:00 P.M., AT 200 CANAL STREET, NEW SMYRNA BEACH, FLORIDA

Chairman Allen proceeded with an invocation and requested Commissioner Diesen to lead in the Pledge of Allegiance immediately following.

Chairman Allen then requested for a roll call to be taken with a majority of the Commissioners in attendance as follows:

Commissioner Jeanne K. Diesen
Commissioner William E. Hall (ABSENT)
Commissioner William H. Reynolds
Commissioner Oscar Zeller
Chairman Walter Allen III

Others in attendance were as follows: R. Rodi, General Manager/ CEO; L. Klinkenberg, Director of Finance; T. Beyrle, Director of System Operations & Generation; J. White, Director of Engineering; P. Perez, Director of H.R.; B. Bilinski, Controller/Budget Supervisor; E. Mahle, Public Information Manager; D. Wood, Customer Service Manager; D. Zorge, Customer Service Supervisor; D. Mallegol, Fiber/SCADA Technician; D. Simmons, Executive Asst./Recording Secretary; B. Preston, Interim U.C. Legal Counsel; Melanie Stawicki-Azam, Reporter for the NEWS JOURNAL; Bob Tolley and Steve Provost, members of the public.

(1) Agenda Changes, Additions and Deletions:

Chairman Allen then asked if there were any changes, additions or deletions to the agenda.

Mr. Rodi stated there were none. He then confirmed the sound level was adequate for those in the audience.

(2) Approval of Consent Items:

Chairman Allen stated okay with no changes, let's go on to the next item, approval of consent items.

Commissioner Diesen made a motion to approve the consent item, item 2-a. Minutes of Regular U.C. Meeting Held 4-21-08, to approve as submitted. Commissioner Reynolds seconded the motion and it passed unanimously on a roll call vote.

(3) Public Participation:

Chairman Allen then opened the floor for public participation.

There was no public participation at this time and Chairman Allen closed public participation.

(4) General Manager's Report:

Chairman Allen stated the next item is the General Manager's Report.

(4-a) Financial Status April 2008:

Ms. Klinkenberg stated for the month ending April 2008, our change in net assets is \$392,000 for the combined system and our forecast reports reflect a \$151,845 favorable balance for the month. She stated I thought I would bring up some key items that I felt were important that aren't transparent to the financials. So maybe this will give you a better understanding of the financials, they're on the financial statements they're just not a line item that you would know to pick out.

Ms. Klinkenberg stated for instance, Mr. Rodi was mentioning it earlier, the over/under recovery of fuel for the first time since June 2005 is under \$1 million, and that's a big accomplishment since it was up over \$4 million. As we continue to monitor and control our expenses, our year to date operating O&M expenses, including purchased power, is 3.3% under budget; so we're doing a very good job across the board controlling that. If you exclude fuel and purchased power, because that's the one that we don't have as much control from, we're 13.83% under budget. And when you analyze our operating margin, we're significantly less than we were last year at this time but we're still showing acceptable margins with the exception of Internet which accounts for 54% of the decrease in the total margin. She then offered to answer any questions.

Commissioner Reynolds stated I have one question. I'm happy to see the fact that we're getting really efficient on manning, and do you happen to have the figures of what we had in 2005 and 2006, just as far as total strength goes.

Ms. Klinkenberg stated I don't have those with me; I can get them for you.

Commissioner Reynolds stated well not now, but I just would like to sort of see the comparison because I know we lost a lot of folks in the telephone business so I just wanted to see discounting those, where we stand.

Mr. Rodi stated just as a reference on a follow up on that question, in 1996 the U.C. had a total of 173 employees. Our actual count right now is 171 employees.

Commissioner Reynolds stated the reason I wanted to bring that point up, some of the folks have talked about how the Utilities Commission is not managing their manpower and I think you're doing a great job. I think if they saw over those years how it's gone and where you are now, it would be complimentary to all those folks out there that are working hard, and to the management that the Utilities Commission has put into the job.

Chairman Allen then confirmed there were no further questions.

Mr. Rodi stated I would like to add another item that's coming forward. I commented before that we have been automating our systems, and an important one is our asset management module. And what that allows us to do, and what we're trying to do, is move toward a real time financial reporting system, so that we get rid of the gap and we can monitor trends better. Unfortunately, when you do that, things like depreciation comes forward more quickly instead of waiting until the

(4-a) Financial Status April 2008 (cont.):

end of the year. So we will see a number of changes occur and they'll affect our balance sheet as we go through the rest of the year. But I wanted to make you aware there are some pluses and some shock value items as we go on through the year.

Chairman Allen stated when you start doing that in the real time, don't you have some fluctuations in that, some spiking.

Mr. Rodi stated very much so, and it allows you to manage your cash flow better and also, over time, allows you to look at a projection to see if your expenditures and your revenues are going to be somewhat predictable. So there's some advantage to this especially when we become heavily involved in a conservation and efficiency effort.

Chairman Allen added and that also gives you history as you go forward.

Mr. Rodi stated very much.

Chairman Allen stated so when you see spiking from the past you can almost look ahead and have a good projection of where you're going to be at.

Mr. Rodi added it's a long way to get to that point though.

Chairman Allen stated seven years from now.

Mr. Rodi stated I hope sooner.

(5) Commission Counsel's Report:

Mr. Preston stated I have no report.

(6) Committee Meeting Reports

Chairman Allen then confirmed there were no committee meeting reports.

(7) Old Business

(7-a) Consideration of U.C.'s Budget for FY2009:

Mr. Rodi stated we had the workshop intentionally so that there would be some opportunity to hear the presentation that Mr. Bilinski made, to see some of the information, and then have some time to think about it over the weekend. So I thought it appropriate if you had any questions, that I would just open the floor to questions at this point.

Commissioner Diesen commented she had asked all of hers the other day.

Commissioner Reynolds stated Ms. Simmons was kind enough to catch me up on the workshop.

(7-a) Consideration of U.C.'s Budget for FY2009 (cont.):

Mr. Rodi stated again in summary, what I would like to repeat is for the base rates in electric, water and wastewater, this budget reflects holding those rates steady. However, with regard to the electric side of the house, the fuel and purchased power, we're watching that carefully and that's continuing to escalate. Right before the meeting I looked at the Henry Hub price and it's slightly over \$11 per million. Just to give some reference, at the time we started the budget just a few months ago, the price was slightly under \$7.50 per million, so it like gasoline is rapidly escalating now. In the energy business, depending upon the contracts of our providers, that may flow through more quickly or less quickly, so we're watching that as best we can. Other areas for the coming years, again just to repeat, street lighting rates we're looking at that. We're also looking at reuse rates for purposes of matching better our expenses with the value that's in reuse water. We are going to look at specialized services depending upon what those may be, just a review again. And there's one other but I'm not recalling it at the moment (pole attachment fees for cable). He stated the idea again is to be very specific in our targeting but also in the budget year 2009, we will be looking and studying conservation rates that would be applicable in the year 2010. So I just wanted to repeat those items.

Commissioner Diesen asked how are we on reuse water.

Mr. Rodi stated I think for the last month we have been conserving our allocation, with the weather it's been, I guess, 40 days since there's been any significant amount of rain. We have been alternating supplies to some of the larger users, we've reduced the operating pressures during the day when people aren't supposed to be watering and their sprinkler heads won't pop up. So it's an indirect way of trying to manage that use, but we're running right on the edge and that's with regard to having that new 13 acre reuse pond, which as you know, had been the old borrow pit; so we made good use of it.

Commissioner Diesen stated I noticed in that information that you sent out today that St. Johns is looking at going to watering one day a week in the cool months.

Mr. Rodi stated for those of you who aren't aware, there's some proposed regulations that the St. Johns River Water Management District will be holding public hearings on. That during the winter period, there will be allowed one day of week of watering. Areas such as golf courses, agricultural, and others previously not covered will be covered, so that's a pretty dramatic step. St. Johns referenced both the South Florida Water Management District and Swiftmud (Southwest Florida Water Management District) which is adjacent to South Florida, also considering similar approaches as they're proposing. So I'm sure we'll hear a lot more and read a lot more about that.

Commissioner Reynolds asked Mr. Rodi, when you said you're reducing pressure, is there a time of day that you do that.

Mr. Rodi stated we generally do that during the morning hours like 10:00 a.m., you're not suppose to water then.

Commissioner Reynolds stated 10:00 to 4:00, that kind of time.

Mr. Rodi answered yes.

(7-a) Consideration of U.C.'s Budget for FY2009 (cont.):

Commissioner Reynolds stated the second question, I must compliment on the street lights, they're so bright around my house I'm conserving a lot of electricity, I don't have to turn on any lights. He asked if they needed to be that bright.

Mr. Rodi stated I think the City has specified the wattages of those. He added it's interesting as the evolution has occurred but originally street lighting was proposed by utilities to keep their night load up. Currently that's not so much of an issue and if we look at all of the other uses for power, lighting is important but I think we'll see more in the way of new lighting systems to even replace the most current kinds of bulbs that are there and will use a lot less energy. Just like a lot of the other changes that we're seeing, it should be better.

Chairman Allen then asked if there was a motion to approve and adopt the proposed estimated budget.

Commissioner Reynolds made a motion to approve and adopt the proposed Budget Estimate for Fiscal Year Ending September 30, 2009, pending City Commission approval, and authorized staff to forward same to the City Commission for their approval. Commissioner Diesen seconded the motion and it passed unanimously on a roll call vote.

(8) New Business

Chairman Allen also confirmed there were no new business items to consider at this time

(9) Possible Other Business – Time for Commissioners:

Commissioner Reynolds stated I just wanted to compliment the staff for a really terrific budget document. It's clear, concise, well put together.

Commissioner Zeller stated I was reading through the periodicals that you send me and there's a couple of meetings that are coming up. I've wondered in the past, some of the Commissioners have attended, and do we have any plans for someone on the Commission to go to the one in southwest Florida.

Mr. Rodi stated the FMEA Annual Conference, yes, Mr. Beyrle generally goes to that. In the past different Commissioners have chosen to go and Mrs. Simmons can make the arrangements for you.

Chairman Allen stated to Commissioner Zeller, if you're interested in going, welcome to it.

Commissioner Zeller commented he might learn something.

Chairman Allen added you always learn something.

Mr. Rodi stated I just wanted to make a comment, at the workshop I was asked to comment about the R&D projects. Even since then I was requested to provide a Letter of Interest for one of the R&D Project companies and that is a good sign because those are used to help obtain investors. So I will put that together and I'll have Counselor Preston review it. This is a non-committal approach,

(9) Possible Other Business – Time for Commissioners (cont.):

just indicating an interest to move forward with this particular company. But there's a lot to do between this Letter of Interest and a project that will be brought before this Commission and for public scrutiny.

Chairman Allen stated he would like to share a couple of things here at this time. We need to remember June 19th is our joint meeting, at 6:00 p.m., with the City here, so put that on your calendars. And then also one of the other things we so often we hear, hurricane season's around the corner, and somewhere, whether it's on our website, some type of publication, or even mentioning it in a public meeting, we should let folks know that we are always ready. Probably one of the things that somewhat disturbs me as a citizen and having been around here for a few years, is the general public needs to be ready. One of the things I see that we lack in is we expect our governmental agencies, public safety to respond immediately. As the 2004 storms came through, as we've seen hurricanes, the general public needs to be forewarned that they need to prepare for three days. Because many times, if you have a devastating storm, you know it's going to be 24 to 30 hours just trying to get a pathway laid through. It takes time to walk through and have a plan for restoration if you have major lines down. So you go through that process, and somewhere we need to, as the citizens of this community, realize there's a responsibility on our part. Somewhere, I think that action to make that known, needs to come from our agencies, like us and the City.

Mr. Rodi stated I don't know if Ms. Mahle knows the publication date for the hurricane guides, and added this year it will be done by the News Journal.

Ms. Mahle addressed the Commission and stated I won't take much time, but it is on June 7th that we're having our annual hurricane guide published. We've partnered with the City and the News Journal this year and it will be published in the June 7th edition. We anticipated, with the assistance of the Fire Department, and we utilized some FEMA information on flooding and tornados, wildfires and other things our City has specifically experienced, as well as some heat related dangers. And then, Chairman Allen along the lines of what you mentioned, these (small booklet) are downstairs in the lobby. We've ordered 500 of these and they're ready for customers and anyone who's interested. It's a week by week or as often as you want to do it, checklist of things to assemble for yourself, to get yourself and your family ready. So we're trying to educate but I think maybe the lull in the last four years has, as you said, sort of given people some complacency. We will, come June 1st, put a lot more information out there as far as on the website. If anybody's interested please take a handful of these, we made them small purposely so they can go in a purse or something, and people can take them with them to go to the grocery store or Wal-Mart or wherever.

Chairman Allen stated he appreciated that update. He stated the reason I mentioned that is because so often our staffing takes a beating many times, whether it's through the news media or just general because we're ready all the time. That truck comes in, in the afternoon, and it's restocked in its supplies. It's got a level of stock that it carries on it, as you don't know when something's coming through in the middle of the night, so you have to respond to it, and that needs to be known.

Mr. Rodi stated just from an operating perspective in the electrical part of the business, I know they've been very busy changing poles that were rotted, due to pole inspections, and we're heavily involved in the storm hardening program. We've added quite a number of new poles in the leads for long spans, and the truck stock is supplied. We have new inventory methods where we're using


(9) Possible Other Business – Time for Commissioners (cont.):

backup locations for storing additional poles, transformers, wire, connectors, in much larger volumes. So we're part of a pool there which also gave us a price break. I know for the water part, staff has gone through and they've checked all of the generators for those stations, the portable generators. We've been replacing pumps and measuring flows. So everyone has been very busy getting ready to be in as good a shape as we can be with our system.

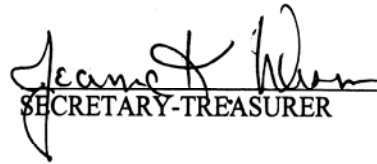
Chairman Allen confirmed there were no further comments and asked if there was a motion to adjourn.

There being no further business to come before the Commission, Commissioner Reynolds made a motion to adjourn and Commissioner Zeller seconded the motion. Chairman Allen closed the regular U.C. meeting at 6:22 p.m.

APPROVED:


CHAIRMAN

ATTEST:


SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their June 16, 2008 meeting.