

AGENDA ITEM 3-a

MINUTES OF REGULAR MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD MONDAY, NOVEMBER 23, 2020, AT 3:00 P.M., AT 200 CANAL STREET, NEW SMYRNA BEACH, FLORIDA

(NOTE – THIS REGULAR U.C. MEETING WAS HELD ON-SITE (WITH MASKS AND SOCIAL DISTANCING) AND WITH LIMITED ON-SITE PUBLIC PARTICIPATION – VIA APPOINTMENTS)

Chairman Holcomb called the Regular Meeting of the Utilities Commission to order.

(1) Agenda Changes, Additions and Deletions:

Chairman Holcomb then asked Mr. Bunch if there were any agenda changes, additions or deletions.

Mr. Bunch stated no changes or additions today Mr. Chairman.

Chairman Holcomb stated with that being said I'd like to offer up a prayer and the pledge of allegiance, and then we'll move into public participation.

Commissioner Davenport provided an invocation and Commissioner Smith led in the pledge of allegiance.

Chairman Holcomb stated all right, thank you both.

(Listed safety message item on the agenda inadvertently skipped – will recommence at the next U.C. Meeting)

(2) Public Participation:

Chairman Holcomb then stated I'd like to offer up public participation. If there's anybody here please feel free to move to the podium and announce your address and name. After confirming there was no one in the room that wanted to participate, he then asked if there was anybody on the line?

Mrs. Simmons indicated no one except Commissioner Conrad. And she also mentioned a roll call should be taken.

Roll Call:

Chairman Holcomb then requested for a roll call to be taken. A quorum of the U.C. Commissioners were in attendance as follows:

Commissioner Richard Hawes (Absent)
Chairman Jack Holcomb
Commissioner James Smith
Commissioner Lillian Conrad (Participated Via Conference Phone)
Commissioner James Davenport

Roll Call (cont.):

Others in attendance were as follows: J. Bunch, General Manager/CEO; E. Chavez, Director, Finance/CFO; J. Couillard, Director, Engineering; B. Pitcher, Director, Central Services; T. Beyrle, Director, System Ops.; B. Keehn, Director, Information Technology; T. West, Director, Water Resources; M. Schings, Interim Director of Electric Ops.; J. Michel, Infrastructure Engineer; Laquavius Green; I.T. Intern; D. Simmons, Exec. Services Mgr./Recording Secretary; General Counsel Thomas Cloud Esquire – Gray|Robinson Attorneys at Law; and John Moss, a member of the public (on-site via appointment).

(2) Public Participation (cont.):

Chairman Holcomb confirmed there was no further public participation and then stated we're going to close that.

(3) Approval of Consent Items:

Chairman Holcomb continued, and stated we're going to bring up the consent agenda approval, does anybody want to pull any, this is the time. After confirming none of the Commissioners wanted to pull consent items for discussion, he stated with that I need a motion please.

Commissioner Smith stated so moved; specifically a motion to approve item 3-a. Minutes of Regular U.C. Meeting Held 10-26-20, approve as submitted; item 3-b. Update to Compensation Program Policy, to approve the edits to the policy as shown in the summary section of the agenda item, redline version of the policy also attached as an exhibit; item 3-c. Ratification of Supplemental Funding and Approval of Additional Funding for Outsource Utility Locates, ratify supplemental funding of \$16,000 approved by the General Manager/CEO, for completed outsourced locate services and for the approval of new supplemental funding in the amount of \$100,000, to also be applied to P.O. 00016188, for the continuation of outsourced locate services until March 2021; item 3-d. Granted and Accepted Third Party Utility Easements, ratify the acceptance of four easements granted to UCNSB, for River Deck, LLC / Sams' Family Limited Partnership LLP, Series 1 and Series 2, Starbucks / JDBS Winter Springs, LLC, Ocean Way Village, Lot 1 / Dal-Ter Properties, LLC, and Circle K / Circle K Stores, Inc., copies attached as exhibits to the item; and item 3-e. Modification and Substitution of Parties to Developer's Agreement (DA) and Joinder and Consent of Property Owner to DA as Amended, approve these items modifying the approved U.C.'s Developer's Infrastructure, Capacity and Inspection Agreement for River Deck / Sams' Family Limited Partnership, LLC (SFLP) and the Joinder and Consent to the DA as amended, and as attached to the agenda item as exhibits, and authorization for the General Manager-CEO, or his designee, to execute the documents associated with this matter.

Commissioner Davenport seconded this motion which then passed unanimously on a roll call vote.

(4) General Manager's Report:

Chairman Holcomb then stated General Manager's Report, Mr. Bunch.

(4) General Manager's Report (cont.):

Mr. Bunch stated thank you Chairman, I'd like to ask Mr. Chavez to come up and cover items a. and b., the financial status and our balanced scorecard and enterprise metrics.

(4-a) Financial Status – October 2020:

Mr. Chavez came to the podium and addressed the Commission by stating good afternoon. He proceeded with his presentation entitled October 2020 Business and Performance Results. After going to the first slide he stated this is the first month of our fiscal year, so these results are compared to October 2020 versus October 2019; so it's only one month but that 's year to date. So there's a change in net assets of half a million for October, flat revenue and flat operating expenses, so no surprises. And then lower capital contributions but the capital contributions, as we talked about, those are typically a matter of timing. Fast forward a little bit, our customer growth still continues greater than the prior October. So we don't see any changes and based on discussions with everyone it's still fairly well – the economic times keep moving positive. Capital expenditures \$600,000, \$400,000 in major projects and \$200,000 in annuals. Some of the major ones, generator replacement, Smyrna Substation which is now up and running and no issues. Annual project spend, nothing significant, our usual pole inspections and replacements, meter installations and overhead and underground extensions.

Mr. Chavez went to the next slide and stated so this is why there's a copy, the hard copy that you guys have; thanks Mrs. Simmons. So a little in electric, flat, water from a dollar basis just slightly under, and reclaimed up; but it is only one month. Purchased power is still favorable and we don't expect any significant changes, especially with the power markets and the way things are. Year to year customer growth over to the right there, electric 2%. So that's looking at the customers as of October 2020 versus October 2019.

Chairman Holcomb stated that's the actual, it's not revenue, it's the number of customers.

Mr. Chavez confirmed it's the number of customers.

Chairman Holcomb continued, number of units or whatever.

Mr. Chavez stated yes, or units, so 2%, then 2.6% on water, wastewater is 3.5%. And reclaimed of course, consistent with last year, it's a big percentage but it's because it's a small number of customers. If you look at the very bottom, you'll see the volumes in usages, electric sales overall up 4%, water sales down a little bit, wastewater up, and then reclaimed sales down but that's not a surprise with all the rain that we've had.

Mr. Chavez went to the next slide and stated this is consistent with the prior fiscal year, our operating income and loss. So as of October last year, October 2019, we were at \$613,000 operating income, we're at \$411,000. So big drivers are really just a little slightly lower revenue in each of our areas, that's just a matter of the seasons. Depreciation and amortization continue to be greater than it was this time last year but that's going to continue as we add on more assets.

(4-a) Financial Status – October 2020 (cont.):

Chairman Holcomb stated but when you say \$411,000 and \$613,000 as a percentage, that's a pretty significant number when we talk about singular 1%, 2%, 3% growth gain. I mean we're 20%, and we're what, the same amount of people so why is the revenue 20%?

Mr. Chavez stated so right now with the mix, the volumes are up but it could be the mix of customers and kind of commercial versus residential, so that's what will drive. But being it's only one month in the year, I'm not too surprised. Operating income expense, that's flat, which is good, which is what we'd expect when you look at this year versus last year.

Mr. Chavez went to the next slide and stated change in net assets, so this is just the full income statement, this will be the impact of other income and other expense as well as the contributed capital. So at \$1.3 million (in 10-2019), the changes there, we're \$800,000 less but that's driven primarily by the net lower contributed capital from developments. So otherwise same drivers as the previous slide but as we indicated with the customer growth and just kind of the general economic activity, we don't expect a slowdown. Weather will be a bigger impact on the revenues than any other.

(4-b) Balanced Scorecard and Enterprise Metrics – October 2020:

Mr. Chavez went to the next slide and stated from the key performance indicators standpoint, for the month of October, no OSHA's, no motor vehicle accidents and zero third party claims; so great job to the team there. Electric Reliability, October was a difficult month. On the SAIFI side or frequency, and SAIDI, over 8,900 customer interruptions and that's really vegetation management. I know the team and such just implemented Asplundh and a number of other initiatives, so as it relates to vegetation we should have less and less issues, but this stuff will take time to catch up on, as anything. CAIDI, that's green, that's the restoration time. Water Resources green, Customer Service those metrics continue to be green, over 99% of meters are read on the first attempt. Materials Management, so we're getting the purchase orders issued in time according to the metrics.

Mr. Chavez went to the next slide and stated this one is Human Resources, I.T. and Customer Service. On the H.R. side we flipped that metric to be more of a monitor because the number of days isn't a fair representation. We'd rather hire quality and not, you know just because we hire someone quickly doesn't mean it's good. It is still, for the type of resources that we need it does take a different skill set that isn't readily available. And we want to hire quality, not quantity. On the I.T. side, those metrics continue to be green. A new one to add is on the vishing, in essence voice, so fraudulent calls. Mock calls are placed to test our folks to make sure they're not answering questions that they shouldn't. It's just another sort of, like an email test, well this is actually a voice test. On the Customer Service side, consistent with what we've seen in the last couple of months, our activities are consistent with pre-COVID. As of right now we only have a handful of customers that have payment plans and it's about four. So we're back to where we were prior to COVID. Our accounts receivables are in really good shape, cash collections continue, we just see general economic activity heading in the right direction. He then stated I'll pause there for just a second, any questions or comments?

(4-b) Balanced Scorecard and Enterprise Metrics – October 2020 (cont.):

Chairman Holcomb indicated yes, then stated and the only reason is I just went through this, the cybersecurity. It seems like every time I listen to and I go to our banks because our banks are all over the country. And they were under this stuff, maybe in Texas and California and stuff before, and it seems like every time I listen to it, they're getting better, better and better. It's like all right I listened to it, I'm good, and then you listen to the next one you're like, last month's not even over. So do you guys have something that keeps you informed from partners of all the crazy stuff? I mean it's just getting to the point where they're going to figure out how to steal their sneakers through the computer. It's just the things that they're doing and like you said the phone calls and the questions and making sure. Like again when we took the Zoom meetings where everybody went crazy because we're talking to all of our vendors, we're talking to the OEM's, that's how we were communicating. We're having internal meetings and then like a light switch, it's gone. So, it worked out, we found a solution, we worked through it but seems like I've never seen every month a new batch of ways to infiltrate our systems. And it's like they're looking for pieces now, they use to look for the whole customer, now they just want pieces and they're using the analytics to kind of form it. I just want to make sure; I was curious what we were doing because it used to be longer periods of time that we would kind of refresh ourselves. Now it seems like every 30 days I get a whole new refresher.

Mr. Chavez stated yes, and Mrs. Keehn could talk to it, but we just switched vendors too, so we've got even more unique ways; but she's pretty good with that.

Chairman Holcomb stated but is FMPA doing it, I mean that's also..

Mrs. Keehn approached the podium to address the Commission and stated what we try to do is holistic, so hitting everything. Like you said it always changes, it's always changing, that's a great way to say it. So we do work with the Department of Homeland Security, as well as the Department of Energy. They send alerts whenever there's any sort of threat that's specifically to water or electric. We partner with, they're called ISAC, so we have electric and water, there's different ones and they have some for critical infrastructure. So I'm alerted throughout the day with anything that looks suspicious or that's coming about, they warn the whole group of us. So we're aware of that and then we have things built in that we have in our software, different applications in software that say someone's getting a large amount of emails, or they're taking a large amount of data from our system, or their habits just aren't the same, based on employees' habits. So if something looks off it's going to trigger something that alerts us, hey, take a look at this; so it's like access controls. And then another thing that we're doing, we just audit things all the time and we do vulnerability scannings, we have different people come on and do those, and penetration testing. We're working with FMPA as well, they're taking a look on our IT/OT side and we're getting tools that they use, we implement those. So, it's expensive because you're always changing but it's more expensive to have something happen. So that's why we changed our cybersecurity platform to be something a little bit different, where it is role based rather than just a blanket kind of security that we send out. So the people in the field are going to have a very different threat than say people in the office. We all use Microsoft but they're really protecting critical infrastructure, the access controls, what they're coming in and out of; so we try to make everyone aware of what's going to hit them. And so as we learn more, we try to grow with it and then the big thing is communication, you have to have a network of people sharing information and so

(4-b) Balanced Scorecard and Enterprise Metrics – October 2020 (cont.):

when something does happen you learn from that. And then everyone just stays in a very close contact that is in the industry; so we work together and try to fight it as it comes.

Chairman Holcomb stated so plenty of resources. The person that was doing one of the banks, he said the only group of people that wasn't affected by COVID was the fraudsters.

Mrs. Keehn stated they actually used it, yes.

Chairman Holcomb stated right, it was a very interesting statement but a very accurate one. So I was just, in the last four to five months its every meeting is a different meeting with a new - they did what?

Mrs. Keehn stated yes, it keeps changing.

Mr. Bunch stated to Mrs. Keehn, in follow up to that question could I also ask you to address what we've done with regards to critical system and server backups and how that vulnerability has been exploited in the municipalities and the cities that have been held hostage for ransom.

Mrs. Keehn stated yes, so the ransomware is a big one that people get and what happens is, usually it's an email; and that's why we phish our employees. But someone will click on a link that they shouldn't and then they let something in. And that something is called a Crypto Locker that's going to lock down your system. So you can't get to any of your backups, to your files and that's where people are paying these huge amounts of money because they can't get to their files. They're also locking a lot of their backups so they can't get to their backups nor can they get to their files, so you're shut down. Say for you, directed to Chairman Holcomb, you can't get to anything for what you do as your business, what are you going to do. Are you going to pay it if you can't get backups? How much does it cost to rebuild? So what we've done is built in some resiliency where we don't just do one type of backup. We have them in different locations and then on different servers and in the cloud. So we have almost a four-tier system that we're working towards so that if one were to happen to crypto-lock our servers here we have it somewhere else, also in a data storage location. We try to keep things very resilient and have a business continuity plan for the worst-case scenario.

Chairman Holcomb stated and it seems like we're always changing too because we can't, if you stay complacent or stay consistent with what you're doing, that's how they're figuring you out. It's constantly moving your chess pieces. So I'm glad to hear that, we had our meeting the other day and just reviewing it, and I was blown away with the new stuff.

Mrs. Keehn stated yes, and that's where the City, and Volusia County and the hospital, we're trying to get it but it's difficult because everyone's so busy and with COVID, has put a lot of pressure on places with just what we have to do now. But that's why we're trying to get together with the Department of Homeland Security and then the college where they're helping us do that DECIDE. And that's something that's going to be for our whole community where we do a cyber attack that would affect our entire community and how do we respond and act together. So we're going to have a live exercise that we're working

(4-b) Balanced Scorecard and Enterprise Metrics – October 2020 (cont.):

towards as a community in January and we're going to have the college attack and see how we all respond and react so that we can work together. And then the hope is that every year we do this together as a community.

Chairman Holcomb interjected learn from it.

Mrs. Keehn continued, and then you know with us being a utility, we provide the electric and water so there's a cascading effect that's going to impact the entire community, so what does that look like. We're trying to find out and work together but it's something new that's kind of going through the industry.

Mr. Bunch stated there's the folks that Mrs. Keehn is working with have Department of Homeland Security funding and they've also done this with the Department of Defense, NSA, CIA. So we're getting hopefully the best and the brightest advising us. And again this is, the cyber attack will be simulated, it will be a drill, this is a drill only. But it will give the community a chance to say if this was to happen how do we respond as a group. So the City Manager's worked with us in providing folks, the hospital, the County; pretty good participation.

Chairman Holcomb stated I mean it's just encouraging because like I said it's impressive to where we've, and I'm going to say in a short period of time, 12 to 18 months from where we started to where we're at now it's just mind boggling. But I appreciate the update and happy to hear that, so thanks.

Mr. Chavez stated I knew she could say it ten times better than I can.

Chairman Holcomb jokingly commented none of us were looking to you for the answer.

(4-a) Financial Status – October 2020 (cont.):

Mr. Chavez then continued to the last slide and stated just some updates on current items. So on the rate study, they're substantially on their way. We've made really good progress. We've discussed internally some of the results and kind of proposing next steps but there is still a lot to consider in the sense of go forward. The expected completion date is Q1, but we're making really good progress. Next steps of course, prepare recommendations, reports, public hearings; that's probably going to be just as lengthy to get through, you know, and strategizing. But we are making progress and I mean no issues in that regard. Fiscal year 2020 audit, the field work was just completed, no substantial findings or issues. Overall very complimentary from the auditors and in our documentation and in our processes; so overall good result. Now we'll just be starting to work on the finalizing the audit and the CAFR; so that will be the next step. AT&T pole attachment contract, so once again that's in your package, that will be later on to discuss, in not that long. But in essence we'll get it approved today and then it goes to the City for two additional, for two hearings, but we don't expect any issues. And we've got the contract as well as the operational items that we're working very closely with AT&T to ensure that we have a good relationship. And then the last item, Edgewater asset transaction, that was complete, the transition happened in October, no issues there. We got the funds and then we will process the asset retirements in November; but

(4-a) Financial Status – October 2020 (cont.):

really no issues there, just to give you an update. Unless there's any other questions that's the end of my report.

Chairman Holcomb stated so the asset retirement, because you're talking about the assets earlier, I was curious on that. It's kind of like a number that keeps growing but never, there's never a reduction or it's like you still have the easements, you still have some of the infrastructure, but you can only depreciate an asset so long. So sooner or later its going to fall off the accounting books but we still own it as an asset. So it's kind of like, how is that evaluation done, you know?

Mr. Chavez stated so what happens is the assets, to your point once they're fully depreciated the value does technically go to zero, but it's a mix of you have the assets. Let's say it's \$1,000, well then you have the accumulated depreciation of \$800, so net asset value is \$200. What we're going to be having is, since we're adding more assets, we're going to be adding more assets faster than things come off.

Chairman Holcomb stated so, well, there's assets we're going to build, then there's granted assets that I build and grant to you.

Mr. Chavez stated correct.

Chairman Holcomb stated so clarity in all of those, you know, when you're looking at this big asset balance sheet, they're categorized so that we can understand what we actually own.

Mr. Chavez stated and that is to the lowest level. All of this stuff rolls up under either of the various groups.

Chairman Holcomb stated yes, I get it, I get it but dumb it down so that people like me can read it; thanks.

Mr. Bunch also thanked Mr. Chavez for his presentation.

(4-c) Presentation – Utility Rates Comparison:

Mr. Bunch then stated the next presentation is very short and I'm going to give it, but in Commission's discussions here we've talked I'll say anecdotally about when rate increases have occurred most recently in our history. And as Mr. Chavez mentioned we'll be winding down a study in Q-1 but I thought it was good to have our folks go back, pull some action data, when resolutions were passed, what were the most recent increases, when did they occur, about how much they were; sort of as an educational, informative presentation. The next slide feeds into that, so as our Mission states, as a vital community partner to the greater New Smyrna Beach area, we operate to maintain infrastructure that provides essential reliable services and strive to maintain and build upon the confidence we earn as a trusted water resources and energy advisor. So I think this is part of that, let's have a discussion about from whence we've come with rates and as we wind down the rate study and recommendations are made there, you'll connect the dots in terms of where we came from and the why.

(4-c) Presentation – Utility Rates Comparison (cont.):

Mr. Bunch went to the next slide and stated the recent history of our electric and water rates, and for the purpose of this discussion I'm talking strictly residential electric and residential water. Those are the by far and large the vast majority of our accounts and also the majority of our revenue, so I'm going to focus only on those rates and also just some observations; so based on that and then the path forward.

Mr. Bunch went to the next slide, slide 4 and stated so eight years ago, in 2012 wastewater and reclaimed water rates were adjusted by about 12% when you look at the average bill and that's the 5,000 gallon customer bill. We don't actually meter wastewater, you pay for water, you have a wastewater account, you get billed for the same gallonage. Those were passed in 2012 through Resolutions 06-12 and 07-12, and it was about 12% at that point in time. And then prior to that in 2006 we adjusted, and I'll start at the bottom, we adjusted electric, water and wastewater for all classes of customers. But I'll start with water, and on the water side this was an interesting one, we actually reduced potable water slightly and then increased the wastewater component. And the net to the average 5,000 gallon combined billed customer was about 7.3%. That particular item was passed on Resolutions 08-06 and 09-06. And then at the same time, because there are more electric rate schedules, associated with Resolutions 02-06 thru 06-06, electric rates were increased. And at that point in time it was about 6%, 6.1% on your average 1,000 kWh residential customer bill. The chart on the left is an interesting graphic. So if you go back to '06 and look at cumulative inflation since that same time, cumulative inflation is 29.1% over that 14 year period. So in a time where, and that's not really bad inflation, that's a little over 2% plus or minus a year, obviously you have some years where it's more and some where it's less. But we've only very modestly and only during those times noticed we've increased either the residential water, wastewater or electric during that time. Okay, so that's interesting to note but then you'd say well, how do our rates compare to those around us.

Mr. Bunch went to the next slide, number five, and stated New Smyrna Beach is the lighter blue bar, third from the bottom. And what you're going to note is that tight cluster at the bottom, the difference between us, Ormond Beach and Port Orange. And this was part of our rate resolution done by Raftelis, financial consultants last year. They went out, did a pretty broad comparison of us compared to other area utilities. The bottom three are only separated by 50 cents on a \$50 bill so you could argue that us, Ormond Beach and Port Orange are all at the bottom. And then pretty quickly as you go from Daytona on up, rates jump pretty quickly. You only need to go to Edgewater and see that for our \$50 bill theirs is \$86.16, the City of Deltona, that's \$105, Daytona Beach, it's at \$78, so on and so forth. So we are really at the bottom of water and wastewater rates for this 4,000 gallon customer bill in the residential space. And that goes pretty much across the board but again the vast majority of our customers are residential as is our source of revenue as well.

Chairman Holcomb stated let me ask you a question on that because it's a big number and if you read any social media or newspaper or whatever, obviously Edgewater had an increase and there was a lot of hostility towards that. And I think, my question sitting here is what's the driver that says, what puts us in the position that takes us from \$50 to say \$75 or \$80 or \$100? What takes us and makes us adjust because other than a need we wouldn't raise rates and if someone did a study, they wouldn't tell us oh, by the way you guys look like you just need more money. What's going to drive that, what's going to make us go, when the studies

(4-c) Presentation – Utility Rates Comparison (cont.):

come back, that would be the difference between a Deltona, Edgewater, or city of Port Orange; what causes those issues?

Mr. Bunch stated so we're on a cost per customer basis is really what drives it and for the most part of our water plant is pretty mature, it's been here a long time, particularly our regional plants – the WRF and Glencoe, both on the sewer processing and the water production side. So we haven't had to invest significant amounts of recent capital into the plant, and at the same time in the last ten years or more we've enjoyed a pretty healthy level of growth. So that numerator and denominator, we haven't increased the numerator a whole lot and we've continued to increase the number of customers that utilize that infrastructure.

Chairman Holcomb stated so that growth between, and the reason I'm asking is the mechanism, is the driver the user, the person that gets the gallons. So the chart that follows this, was it 2008 or 2006, I guess. So what was the population because I think when I moved here there was 20,000 people in 2000. I think that's what it was, and what are we at now, 24,000, 25,000 or 26,000. What are we serving, 25,000?

Mr. Bunch stated I think it's more than that, our number of customer meter accounts is about 27,000 plus for water or 29,000 plus for water. The population is a good deal more than that, so 2, 2.5 people per home.

Mr. Cloud stated the other thing I would just point out on those top three, Deltona paid \$76 million for the water and sewer system to Florida Water. That acquisition cost is in that dollar. And Orange City, maybe not to the same degree, but also acquired a bunch of private utilities back in the late 80's. So that's the difference, we're not likely to do that.

Mr. Bunch stated and again, back to my earlier comment, the WRF, the sewage treatment and wastewater facility was put into service 1997 or 1998. Glencoe water treatment plant was put in service in the late 70's. So these are pretty old plants, not a lot of debt associated with those.

Chairman Holcomb stated right, but again it's like you always like to see it coming and especially in this industry. I think in the next 20 years, you know in my industry I'm looking out between five and ten, but this industry is a lot farther and because obviously yes, it works a lot longer. So I guess the biggest thing is the shock of the, you know, when the rate gets adjusted and then the chaos that ensues afterwards. So you just want to kind of tap the brakes and be a little bit in front of that. If we ever get to the point where we need the investment, that we're very clear and transparent. Here's the why and here's where we're at, because that for me I think is, you know you notify the City and obviously you know when the study comes out and then where do the dollars go, and why am I paying it. And it's hard because they're only going to pay attention one time because they get their bill and when it goes up is usually when they're going to pay attention. So we've got to find a way to kind of dumb it down for the average Joe or Jack to figure it out and understand it. And again, we have a prime example sitting right below us, that there's a lot of hostility in that rate, that water rate in Edgewater. So I just want to be, I get we can tell the folks this is why we need to do it but let them know it's coming versus just...

(4-c) Presentation – Utility Rates Comparison (cont.):

Mr. Bunch stated yes, and we're actually not in bad shape so even when we, and I've seen some preliminary numbers, but even when we get there we're talking very likely modest increase, particularly relative to the numbers you see only a little north of us. So the other thing I think, the folks that were recently transferred to Edgewater were vocalizing or complaining about was in 2000 New Smyrna Beach stopped charging 25% surcharge for people outside of the city limits. And that was part of an interlocal agreement as I learned talking to Mr. Cloud with Volusia County, us and the City and it was recognizing the growth we were likely to continue to see out west and then as we picked up county's, down in the south end of the beach area, the unincorporated areas of the County. I think that was a good decision at the time and it kind of gets you out of the argument of forcing people to annex to get the utility rates. At the same time Edgewater, and I don't know if the 25% surcharge is included in that \$86 bill or not, but they've opted to charge the 25% surcharge for those people that were on the assets that we sold to them because that's outside of the incorporated city limits. So my guess is they're actually looking at a bill closer to \$100 compared to our \$50 bill. But that was a temporary agreement made in the 90's, only until Edgewater could extend the assets to that area. Unfortunately it drug out and now as they've transferred for water service, they're seeing a very big jump in rates as opposed to you know minor amounts north of us. The good news is we're at the bottom of the pack.

Chairman Holcomb stated that's the best part of what you told me.

Mr. Bunch continued, and that's a good place to be. Okay, so shift gears a little bit, electric is on the next slide, and then I've got two slides for electric. This one is a little busy but FMEA is Florida Municipal Electric Association and they do a monthly snapshot of bill comparisons. And this is right off their website, the most recent one was September because there's a two-month lag in producing these. We are the yellow highlighted bar and once again similar to the water we're very near the bottom. This one however is a little trickier to figure out where exactly we are in the order, and I think it's four or five. So rather than make everybody cross eyed let's go to the next slide. So, our average electric customer for residential.

Commissioner Smith stated Mr. Bunch, can I ask a question on that one before we jump over?

Mr. Bunch stated yes.

Commissioner Smith stated I know what an IOU means to me, this is something I'm not going to be paid, what does IOU stand for?

Mr. Bunch stated it's an investor owned utility, so when you hear that think Florida Power & Light, Duke Energy, TECO.

Commissioner Smith stated so a much higher average?

Mr. Bunch stated yes, but FPL is pretty low cost, and if you'll hold that question, I'll demonstrate it more easily on the next slide. So go to the next slide Mrs. Simmons, the next slide rank orders low to high for the 1,200 kWh electric bill which is more or less our average electric customer for residential, that same grouping. And the yellow highlighted utilities are the IOU's, so Tampa Electric is actually on the low end, FP&L our brethren that circles us is

(4-c) Presentation – Utility Rates Comparison (cont.):

about 7% higher than us. So we're about \$114, they're about \$121 or \$122, but then Duke is about a 40% premium over us and Duke is the second largest investor owned utility in the state. So again, like water, we're in a really good comparative grouping and I would say in our case, the folks that our customers would likely compare us to anybody else it would most likely be FP&L because they're closest to us. So once again we're very favorable from a cost for electric rates. Any questions on that, did that help answer your question?

Commissioner Smith stated yes, thank you.

Chairman Holcomb stated mine's on the 1,000 to 1,200 kWh, when I was searching rates when I first started getting on this, I was like, why do some use the 1,000 and some use the 12. It's like you pick your lowest number where you perform the best and that's the number you promote.

Mr. Bunch stated well I actually think, I was told our average residential customer was closer to 12.

Chairman Holcomb stated and so that 1,200 or the number you got of the households we serve what percentage do you think that is, because when you say that I guess I'm curious what that...

Mr. Bunch asked do any of the Directors have that, I don't have it at my fingertips, but it would either be Mr. Beyrle or Mrs. Pitcher. He then reiterated the question, what is our average residential electric customer consumption on a monthly basis?

Mr. Beyrle approached the podium and stated the average is closer to 1,000.

Mr. Bunch stated okay, do you know the exact number?

Chairman Holcomb stated that explains it, I mean it comes down to usage and you're trying to batch it to where, and I've always just seen the two numbers and tried to figure out. You're just putting one user into one batch and another user in another batch; is that right?

Mr. Beyrle stated our average residential customer is under a thousand a little bit. I think 1,200 is used because that's more of a benchmark for all utilities.

Chairman Holcomb stated that makes sense.

Mr. Beyrle added and a thousand is a nice even number.

Chairman Holcomb stated got it, all right that makes sense, I appreciate that because I just never knew.

Mr. Bunch then continued by stating so what's the history of rate increases, and this is again the most recent that we could find. He went to the next slide and stated it's a little bit of a repeat but again 2012 we adjusted water (sic wastewater) and reclaimed. I will find its interesting to note SAIC was the consultant that did the rate study and they recommended

(4-c) Presentation – Utility Rates Comparison (cont.):

increases for water and electric and we opted at that time and I went back and read the Commission meeting notes, not to increase costs. It was believed at the time we could offset the need by deferring capital projects. Fourteen years ago water and wastewater were increased as well as electric, 7.5% or so for the water and then 6.1% for the electric. And then again, cumulative inflation since 2006 has been about 29%. One thing I did notice that was interesting, we haven't increased any of the customer billing charges since 2006 and that is really driven by your cost of doing business. So like your annual budget you would expect it as you're doing rate increases you might have seen some increases in those. There were times where the consultants made recommendations to increase that charge and we just didn't. I don't know all the rationale behind it, but I just thought it was interesting to note. And then lastly slide nine observation, as I mentioned in 2012 the Commission on rate increases opted not to increase residential water and residential electric. I don't know but hindsight says that's kind of on the tail end of the recession. Florida was twice as deep and twice as long as a lot of the other areas of the country, we were probably still coming out and there might have just been some hesitancy to increase rates at that point in time. There have been ongoing efforts to manage the operating expenses so truly just like your businesses a dollar saved on the operating expense side is either not having to increase rates or in the case of your private businesses, the more dollar, more profit. So those were good things, but I will say the deferral of capital expenditures isn't, so the way that you finance capital and you only pay it back a little bit at a time over each year, it's really not as effective and doesn't have the long term impacts as your managing of O&M costs. So what I observed was the budget was held until 2015 and then in 2016 you saw a pretty pronounced increase in the capital expenditures. And talking with Mr. Chavez, our Director of Finance, and looking at prior audits and the end of year financials, the way we've paid for this is not doing the capital upgrades, and the cash we used to pay down the costs were out of two places, the Renewal and Replacement funds. So as we were expending capital, because we weren't building that up, we depleted it, and also out of our cash and cash equivalents on hand. So in 2016 we had \$29.1 million cash on hand and that included a one-time settlement for the decommissioning of the Crystal Springs (sic River) nuclear plant number three (CR-3) to the tune of \$10 million. So we went from \$29 million in 2016 down to \$16 million this year and had we not had that additional \$10 million it would have been a lower number on the backside. So in 2016 we would have had probably \$6 million cash on hand.

Mr. Bunch continued, so as we look at future rates it will include a strategy to balance the use of capital while also building and maintaining target levels of an R&R Fund, the reserve of renewal and replacement, as well as cash on hand. Our rate consultants have spreadsheets, working with Mr. Chavez and team on that, kind of are able to look at that on an annual basis, have target levels established that we would also discuss in the Commission meetings with all of you. And as Mr. Chavez said the study results should be here January, February 2021 and we'll have conversations about it. But the preliminary look I've seen is the wheels aren't falling off the wagon, its way better that we're looking at this proactively now than waiting until a point in time where we're not in good financial shape. Had we been in bad financial shape when we went to market for the bond financing this year, we wouldn't have got the good rates that we did. But this is a chance to make sure we've got a good long term strategy for rates. You don't wait until you're in the red and have to be somebody like one of the municipalities we were talking about with a big increase. Preliminary analysis is really small increases and it's good that we're doing it now rather than kicking that can down the road.

(4-c) Presentation – Utility Rates Comparison (cont.):

Chairman Holcomb stated it's nice to see it coming too. That's the hard part is the clarity and the transparency in what we see you know like in the ten year capital improvement plan, what we plan to do with the property out west, how we plan to expand. I think that transparency and where the dollars and investment are going to come from. And again just trying to learn this through the four or five years that I've been participating, it's you know from a person coming from the outside, everything works in my business and I know my things are buttoned up, are nice and neat and what to look for when you come and look for them. But in somebody else's world, you're like lost and then you don't exactly want to raise your hand and tell everybody I don't know where it's at either. So like for me going forward is I never want anybody to have shock of what we do, they'll know where the..., you know again, our goal here is, we've stated it many times, you know we have a vision. But for me it's the best water, the best electric and best wastewater and make sure that we have a sustainable plan for the next 75 to 100 years. I think that's just been the consistent message from start to finish and to be able to survive good years, bad years, recessions, non-recession years and become effective. I think we can save money internally too by managing operationally, faster, more efficient, using better technology; all of those things we've talked about at many of the meetings, prior to this one obviously. And I think that's an unrecognized dollar, I mean it's when you learn how to do things cheaper, you learn how to do things faster, you learn how to get more productivity, when you borrow money at what we just borrowed it at, you know you don't get those chances a lot. So those can't leave the plan, you know when we're presenting what we're doing and people just see the increase, they need to see the labor that went into before we say hey, we're going to raise your rate. And I don't know what the outcome of this report is, I've yet to see it, but if it is, these are also the things we've done before when we spent your money. To let you know that we're trying to do everything we can in-house before we go out of house for the balance of the dollars. And I think that's just the one thing for us, for me, I'd like to convey and have people have confidence in us to know that we did that first, which I do because I've been a part of it and we've had many conversations on it and we're going to strive. Because I think if you don't make that investment in your system, you don't make that investment in your technology, you don't make that investment in your people, you're going to pay later. You might save the day but the bill's going to come. So that's for me I want to make sure that as we move forward and we deal with these issues that it's very clear and easy and transparent to read for someone that's not involved with it to be able to pick it up and go that makes sense to me. That's what I'd hope for.

Mr. Bunch stated and I think the other thing the team is doing is they're really developing plans that address the long-term sustainability of the assets on our maintenance programs and our capital investment. It's all about making sure that we've got that sustainability that you spoke to Chairman of 50 years, 100 years down the road. We've got a really long term view of the demands for both electric and water on the system. So again, this was more informative, we've had discussions up here, well anecdotally I think water was last increase in this year or that year. We went back, we pulled the resolutions, we looked at the amounts, the rates changes. And to my surprise it was quite a long time ago and even then, they were relatively modest. In the meantime we're starting from a position that with the new bond financing in place and looking at rates, we've got an opportunity to build a good plan for the long haul.

(4-c) Presentation – Utility Rates Comparison (cont.):

Chairman Holcomb stated just clarity with it so that it's there. I was very happy to see with the letter that Mrs. Simmons had, with the folks from Sugar Mill how the process went, which we reached out to the HOA. It's the communication part of this is what I'm referring to, is that we notified the HOA, told them what was coming, we're reinvesting in their area because we recognize there's issues, so we're upgrading the system. And I don't think it just made it from the HOA to the tenant or the person that lives in the house. But I thought the way that that letter was answered, the communication that went back out and obviously the feedback from the customer. We've identified your area, the systems coordinating, working together, I think the communication was great and I loved the being proactive, reaching out to the HOA. Because that's really the only way we could go, we can't go knock you know 18,000 doors, or all the ones in Sugar Mill. So for me I had confidence that we were making that effort to communicate, say hey listen we're going to reinvest in your system, there's going to some issues, this is why, we're working on making it better and again, that's the pain of growing or fixing old products. So like I said I was really encouraged when Mrs. Simmons sent me the correspondence back where Mrs. Hale reached out to the customer and Ms. Couillard, your team. That kind of communication is, for me anyways, just makes life a lot easier to explain to the customer. Like aren't you happy we're redoing your area and investing in your area and upgrading; so that was encouraging. So the communications is where I keep going back to on all of this, I just want to make sure we're clear there. Thanks, sorry to be so long winded.

Mr. Bunch stated thank you, so that's all I have for the General Manager's Report. Was then starting to go to the item under old business but then stated I'm sorry, we have the General Counsel's Report, we'll go to Mr. Cloud.

(5) Commission Counsel's Report – General Counsel:

Mr. Cloud stated well I don't really have anything to report which is a good thing, nobody's trying to sue you right now, other than those who already have. On the other part of this rate study, we are close internally to presenting the solution to bringing a program to its logical conclusion and then continuing on into the future. But other than that there's really nothing to report.

Chairman Holcomb stated and I appreciate your comment on the, I think it was Deltona, on the acquisition and that rate. You know answering that, the history of seeing all those transactions helped.

Mr. Cloud stated when you borrow \$100 million, which is what Deltona did, \$76 million of which was just the acquisition costs and you're going to end up with you know a chunk in your rates. That you see it down in Port Charlotte when they acquired GDU for \$110 million. It's a generational penalty that is inflicted through having to borrow money for a big acquisition. And this utility has not had to do that, and Mr. Bunch is right, our capital cost, we've got some mature facilities that have been well maintained on the water and sewer side, that is unusual. And when you couple that with owning the electric utility in your service area, you know that's a pretty good reason why our rates are where they are.

(5) Commission Counsel's Report – General Counsel (cont.):

Mr. Bunch stated yes, when we look at, when we collect our R&R Funds and our Revenue, that then goes into one pot, so that makes funds available for both sides of the business to Mr. Cloud's point. There really is an advantage that if you're a water utility and you're paired with the electric, that you're enjoying some of the profits of the sister business.

Chairman Holcomb commented if you run it right. I think there's a difference because you're competing, when you said investor-owned operations, that's the one thing we don't have is the investor, we don't pay dividends. So if I'm investing, I'm going to want a return.

Mr. Bunch stated so our customers are the beneficiaries of that.

Chairman Holcomb continued, you know that's the bump in the bar, that's the guy looking for his check that's investing.

Mr. Cloud stated I think that it goes back to who regulates us and that is the voters of the City of New Smyrna Beach. And while they may not hold stock, nevertheless that's who we answer to ultimately through the City. And if you look at utilities like us, you see lower rates, you see lower rates across the board – Lakeland, and Ft. Pierce, and Tallahassee. It's this combination that is very desirable.

Chairman Holcomb stated and like I said, as we've seen in the last year or two, it's information and we've got to be, the information we've got to put out there for the people that feel comfortable receiving it, have value in seeing it and have trust in reading it. And that's, in today's world, when you're trying to figure out what the heck is going on, it's tough to achieve all three things that I just referred to. So that's why from where we sit, I want it to be clear and concise, and be able to if they have questions have a means or a way to answer it. Because again, I've met with all of you and I've never sat down and it's always been about the good of the community so, but you wouldn't think that if you were on the outside looking in if we bought this or changed this, it's a whole different story. So I just really want us to focus on with you guys with communication and clarity. So I appreciate it and thanks for helping me out with that. Then directed to Mr. Cloud, so you have nothing for us.

Mr. Cloud stated no.

Chairman Holcomb stated all right, old business.

(6) Old Business:

(6-a) FY2021 Strategic Goals – Formal Commission Approval:

Mr. Bunch stated we distributed the strategic goals for 2021 in last month's agenda package, and we asked that if the Commission could, to review that and if there were any questions feel free to come back. Otherwise we would ask for approval at this meeting, so I'll put that back to you Chairman.

Chairman Holcomb stated I'll open up the floor for any discussion. Does anybody have any they want to talk about. There being none, he stated then I need a motion to approve it.

(6-a) FY2021 Strategic Goals – Formal Commission Approval (cont.):

Commissioner Smith stated so moved; specifically a motion to approve the UCNSB FY2021 Strategic Goals attached to the agenda item and as submitted.

Commissioner Davenport stated second.

Chairman Holcomb then requested Mrs. Simmons to call the roll.

Commissioner Smith's motion ultimately passed unanimously on a roll call vote.

Initially Commissioner Conrad, who was participating via conference phone, was not audible on this vote. Mrs. Simmons indicated her number was still showing on the phone, still an active call, but no response.

After a period of time, Chairman Holcomb commented there's always a first.

Mr. Bunch inquired so what do we do?

Mr. Cloud indicated you have a majority vote, you can proceed forward and determine her vote later. There's an argument that you can't vote unless we're under the waiver of the in-person quorum, so I think you're free to proceed.

Chairman Holcomb stated okay.

Mr. Bunch then stated okay, then lastly, we have Mr. Chavez...

Commissioner Davenport then interjected I don't think I voted.

Mr. Bunch stated oh, I'm sorry.

Chairman Holcomb confirmed and stated that's right.

Commissioner Davenport commented I am paying attention everybody, just not talking.

Mrs. Simmons then concluded the roll call vote with Commissioner Davenport stating yes.

Mr. Bunch then reiterated I'm sorry Commissioner Davenport, thank you for holding us to the task.

Chairman Holcomb also stated I appreciate the help over there, okay.

(7) New Business:

(7-a) Joint Pole Use Agreement Between UCNSB and AT&T Florida:

Mr. Bunch stated the last item, under New Business, is the joint pole use agreement, and Mr. Chavez, could I ask you to come up and help us.

(6-a) FY2021 Strategic Goals – Formal Commission Approval (cont.):

Commissioner Conrad then stated can you hear me now?

Everyone in the room stated yes.

Commissioner Conrad stated okay, I vote yes.

Mrs. Simmons stated thank you.

(7-a) Joint Pole Use Agreement Between UCNSB and AT&T Florida (cont.):

Mr. Chavez then addressed the Commission and stated we've talked about it briefly in previous Commission meetings. This is the AT&T pole attachment agreement that in essence, we've been operating without one since probably 2008, 2007, somewhere around there. So we have established really good relationships now, Ms. Couillard, Mr. Schings, all the Directors, well in Electric, Engineering and Finance. So the operational measures are in place, we are scheduled for a five, in essence the rate that we've established is for five years, and then every five years we then do a rate negotiation, but the key is that we're in talks constantly. So we've got on Mr. Schings' staff, Ms. Carver is taking care of the notifications that are required and then if she has questions, she has a counterpart on the AT&T side. So it's just a 180 from what we had way back when, so there is, you know, we pick up the phone and resolve issues. This contract will be the finality of, it's a long term contract, the key is that the T's and C's are what we both needed, wanted and agreed to, and then we have that five year opener for the rate. So really would like your approval, but if you've got any questions definitely ask. It does need to go to the City, and there'll be two hearings as the next step. He then added, and the rate is \$33.25.

Chairman Holcomb stated okay, any questions?

After confirming there were none, Commissioner Smith made a motion to approve; specifically a motion to approve the Joint Pole Use Agreement Between Utilities Commission, City of New Smyrna Beach, Florida and Bellsouth Telecommunications, LLC, dba AT&T Florida, as attached to the agenda item and submitted, authorization for the General Manager-CEO, or his designee, to execute upon approval, and said agreement to become effective upon approval by the City of New Smyrna Beach.

Commissioner Davenport seconded the motion.

Commissioner Smith's motion then passed unanimously on a roll call vote.

Mr. Chavez thanked the Commission and Mr. Bunch thanked Mr. Chavez.

(8) Possible Other Business – Time for Commissioners:

Chairman Holcomb then stated comments by Commissioners? Commissioner Davenport, I'll let you go first.

Commissioner Davenport stated I don't have any; good meeting, thank you.

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

Commissioner Smith stated just that I'm very impressed on how this Commission is looking in the big picture in the long term. One of the things that I did years ago, I took a course in Las Vegas, it was a long course and it ended up being much more expensive than I projected. But that aside, it was a course called municipal engineering fundamentals, that are not engineers, by the University of Wisconsin College of Engineering; it was a very informative. And I understand from the prior discussion about big capital improvement projects, but one of the things that I didn't know, one of those things you don't know you don't know, was there's a certain life span on these underground utilities. And I don't know, is there a plan or process to say this area here is going to need to be dug up and replaced at some point in time, because that's going to be a major capital expense. And I can remember when I was working in Palm Beach County, in the City of West Palm Beach, back in the late 80's and early 90's, still had a wooden water main in downtown West Palm Beach; if you can believe that. But is that something that is a part of this looking at the rate increase?

Mr. Bunch stated it is, but also historically we haven't had programs in place to proactively identify things through inspections and then put them in a queue for replacement, we're moving in that direction. So as we speak now, Mr. West is developing an annual program based on, so we have 106 lift stations, if their life expectancy is "x" years, you're replacing say four a year, you've got to have a budget in place to do that. What we've done historically is sort of identify them in bits and pieces. The same with say Sugar Mill cable replacement, we're going to plan on replacing "x" miles of cable per year and "y" miles of old terracotta ducts, sewer rather. So we're moving in that direction and this year if it's not in the current budget, and there's some that are there, between Engineering and for Electric and Water we're trying to put all those remaining programs in place. So we have some in place now but we're looking to have the rest of them in place by next year, and that will be part of your annual budget.

Chairman Holcomb stated and that will be done in those quadrants. The other part of this too is they're quadranting the responsibility, I guess would be the right way to look at it. And for me when I started to understand it was like jet engines. So when you fly private, in your rate is engine replacement and I never knew that. So those engines only last so long, so when they bill you, in that rate I saw this line and said why am I buying new engines. So he goes with every engine there's a replacement process, they don't redo it. And I thought that was interesting to know there was a line item charge actually in it. So again, we didn't have that, we just had a bunch of assets, and added they are not me, but they're kind of organizing it and then finding out from worst to first, what needs our attention.

Mr. Bunch stated yes, so somewhere in the strategic goals we mentioned establishing priorities in corrective maintenance programs as one of those goals and that's kind of the remainder of it that we'll need to be working on this year.

Commissioner Smith stated thank you.

Chairman Holcomb then asked Commissioner Conrad, do you have anything to add?

Commissioner Conrad stated I have no comments, I wish you all a Happy Thanksgiving, a blessed Thanksgiving and please stay safe.

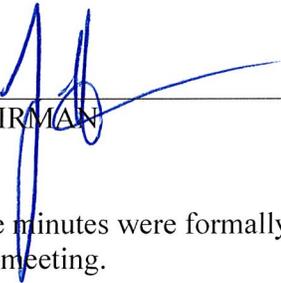
(8) Possible Other Business – Time for Commissioners (cont.):

Chairman Holcomb stated thank you and then added one final note, I saw the old CEO, Mr. Mitchum. Came in the dealership the other day and he looked like he was enjoying retirement pretty good. He was very thin and had a lot of fishing stories, and a lot of sun, so if you were all worried about him, he's doing pretty good. So with that, we're going to adjourn.

There being no further business to come before the Commission, the Regular U.C. Meeting closed at 4:02 p.m.

APPROVED:

ATTEST:



CHAIRMAN



SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their December 17, _____
2020 meeting.