

[ANNOTATED VERSION\*]

[\*NEAR VERBATIM VERSION POSTED ON UCNSB WEBSITE – UCNSB.ORG]

MINUTES OF A REGULAR MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD MONDAY, MARCH 22, 2021, 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)***

Vice Chairman Davenport called the Regular Meeting of the Utilities Commission to order and stated Chairman Holcomb will be out today, so Vice Chair. here I am and I'll try to do the best I can. Also commented will need all the guidance and help we can get up here, thank you. I'll ask Commissioner Conrad please if you will say the prayer. Commissioner Conrad provided the invocation and then the Pledge of Allegiance followed.

(1) Agenda Changes, Additions and Deletions:

There were no agenda changes, additions or deletions.

(2) Public Participation:

There was no public participation.

Roll Call: A majority of the U.C. Commissioners were in attendance as follows:

Vice Chairman James Davenport  
Commissioner Richard Hawes  
Chairman Jack Holcomb (ABSENT)  
Commissioner James Smith  
Commissioner Lillian Conrad

Others in attendance were as follows: J. Bunch, General Manager/CEO; E. Chavez, Director, Finance/ CFO; J. Couillard, Director, Engineering; T. Beyrle, Director, System Ops.; B. Keehn, Director, Information Technology; T. West, Director, Water Resources; M. Schings, Interim Director of Electric Ops.; E. Fisher, Community Relations | Public Information Officer; Laquavius Green; Help Desk Technician; M. Spellers, Sr. Help Desk Technician; D. Simmons, Exec. Services Mgr./ Recording Secretary; General Counsel Thomas Cloud Esquire – Gray|Robinson Attorneys at Law; Ronald Whitesides and Kevin Smith, Purvis, Gray & Co. (UCNSB's External Independent Auditors); and John Moss, a member of the public (on-site via appointment).

Safety Message: UCNSB Wetwell Safety – Brandy Keehn:

Mrs. Keehn introduced, and Mr. Sicowitz presented, the safety message regarding UCNSB Wetwell Safety. Mr. Sicowitz presented and discussed the safety message slides (powerpoint) and also demonstrated associated equipment utilized to perform the job duties.

All in attendance expressed appreciation for the information, equipment demonstration, and meaningful presentation by Mr. Sicowitz.

(3) Approval of Consent Items:

No consent items were pulled for discussion.

Commission Action:

Commissioner Smith stated I'll move for approval; specifically a motion to approve item 3-a. Minutes of Final Public Hearings (Nos. 1 & 2) and Regular U.C. Meeting Held 2-22-21 (*Annotated Version – held on-site w/limited public via appts.*), approve as submitted; item 3-b. Renewal of Annual Contract for Outsourced Utility Locates, for Electric and Water Resources Departments, approve renewal of the Venegroup Services Inc., Purchase Order No. 00016188 in the amount of \$225,000 from March 2021 to March 2022, and with original bid option remaining of two additional one-year periods upon mutual agreement; item 3-c. Assignment and Assumption of Developer's Agreement for Sarinna Lakes, approve the Assumption of contract between PSK Sugarmill Investment, LLC and Meritage Homes of Florida and authorize the General Manager/CEO or his designee to execute the documents associated with this matter; and item 3-d. Project Approval – Preventative and Corrective Maintenance Project – Line 3 and Line 25 Subaqueous Cable Crossings, approve this Project in the total amount of \$175,000 and authorize the General Manager/CEO or his designee to execute the documents associated with this matter.

Commissioners Hawes and Conrad simultaneously seconded the motion.

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

(4) General Manager's Report:

(4-a) Financial Status – February 2021:

AND

(4-b) Balanced Scorecard and Enterprise Metrics – February 2021:

Mr. Chavez (CFO) presented and discussed February 2021 Financial and Operating Performance presentation. Stated change in net assets reflect an approximate \$0.9 million loss – due to lower capital contributions, increased operating expenses, with anticipated higher debt expense, but offset by increased revenue – driven by higher electric and reclaimed water volumes and continued purchased power favorability. February 2021 FYTD capital expenditures were approximately \$5.6 million - \$3.6 million in major projects and \$2.0 million in annual projects. Operating loss is a little higher than previous year at \$1.5 million compared to \$1.1 million. In addition to the above stated drivers, operating expense increase majorly driven by Asplundh Tree Trimming contract – focusing on worst performing feeders and starting to see directly related reliability improvements. Commented from an operational

(4-a) Financial Status – February 2021:

AND

(4-b) Balanced Scorecard and Enterprise Metrics – February 2021 (cont.):

perspective the U.C. is heading in the right direction with known drivers and realizing reliability improvements. During discussion of metrics, stated SAIFI (frequency of outages) was 0.65 reflecting an 18% reduction from previous fiscal year to date. If trends continue SAIFI is expected to meet yearly target (FYE 1.43). Mentioned accounts receivable running at 97%. GM-CEO commended finance team on recovery from last year's pause on disconnects. CFO added U.C. customer service team did a great job working with and helping customers but also making sure the U.C. financials remained in good order. GM-CEO also mentioned an item on the G.M. Report, the receipt of the FMEA 2020 safety award. In electric, no occupational illnesses or injuries for the entire year resulting in a perfect achievement award. Mentioned there was only one OSHA incident in water resources last year. CFO confirmed U.C. benefitting from realized reductions in workers' comp. premiums.

(5) Commission Counsel's Report – General Counsel:(5-a) Florida Statutes Chapter 112 – Section 112.3143 Voting Conflicts Compliance – Publicly Enter Chairman Holcomb's Form 8B into Record (for 1-25-21 Preliminary Public Hearing):

Mr. Cloud stated item a. was just a notice item. Commissioner Holcomb's Form 8B, declaration of a voting conflict that took place during the Regular U.C. Meeting held on 2-22-21, agenda item 7-b., was attached to the agenda item and publicly entered into the record at today's U.C. Meeting. No action by the Commission required.

U.C. General Counsel then reported on two legislative items. A Gray Robinson attorney, Dean Cannon, was hired to lobby on behalf of the U.C. during this legislative session. A house bill, along with a companion senate bill, is proceeding through to begin to regulate pole attachment fees in Florida, right now municipal utilities are exempt under federal law. Mr. Cannon was providing testimony to a subcommittee later this day and providing an alternative bill for consideration, in lieu of existing one produced by cable industry. The other item was regarding the settlement of a massive FDEP rule challenge proceeding which would have cut up to 40% of water allocations for five counties in central Florida. Consumer rates were estimated to increase three times their normal amount if this rule had been approved as written and was also expected to subsequently extend to the rest of the state. FDEP rule is being substantially rewritten and associated risk removed.

(6) Old Business:

There were no old business items to consider at this time.

(7) New Business:(7-a) Fiscal Year 2020 Comprehensive Annual Financial Report (Audit):

Mr. Ronald Whitesides, with Purvis, Gray & Co., the U.C.'s external independent auditors, addressed the Commission and provided a review and discussion regarding the FY2020 audit.

(7-a) Fiscal Year 2020 Comprehensive Annual Financial Report (Audit) (cont.):

Within his comments, Mr. Whitesides indicated from an auditor perspective this organization has embarked on a number of initiatives that clearly focus on the long-term viability of the system while making sure of prudent investments of ratepayers' funds. Reported this was a clean audit – no significant deficiencies in controls, such as non-adherence to the U.C.'s internal policies nor to any statutory requirements. Also stated the U.C. received an unmodified opinion regarding the production of accurate financial reporting information, highest form of assurance auditors can provide. Encouraged the Commissioners to read the first few pages of the Management's Discussion and Analysis – best place to get a high-level overview of the U.C.'s activities and accomplishments during the fiscal year and their effect on the financial statements.

Mr. Whitesides continued and stated on the statement of revenues and expenses for FY2020, revenues declined from the prior year, from \$60.7 million down to \$59.5 million – primarily due to cost reductions in St. Lucie and FPL power agreements and also due to two-month hiatus of fuel cost adjustment due to COVID pandemic. These were decreases in revenue because these are pass through items to the customers. More volume/usage in sales but by reducing costs this drove down the revenue number – down about \$1.3 million from prior year. Expenses in total, pretty much flat - \$60.4 million in 2019 up to \$20.8 million in 2020. Power reduction decreases and administrative/ general increase of \$1.5 million, mainly for various studies and consulting type projects initiated or completed during FY2020 to support the long-term financial and operational planning and also depreciation - \$7.7 million in 2019 up to \$8.9 million in 2020, a \$1.2 million increase. Depreciation is a non-cash expense, mainly electric contribution in aid of construction (CIAC) - \$7.4 million in 2020, those assets are then depreciated.

Mr. Whitesides continued, operating income or cash position was a \$1.4 million loss as opposed to \$300,000 income in prior year. Depicts operating charges not covering long-term costs to replace infrastructure. Rate study in progress, will need operating income to cover the costs of plant for long-term viability. Big jump in interest and bond issuance costs, from \$80 million of debt issued FY2020 – about half one-time bond issuance costs and remainder due to volume of debt outstanding. After factoring CIAC back in, U.C. has \$4.8 million excess for the change in net position for the year. Total assets increased from \$247 million to \$312 million – bond proceeds in restrictive cash and investments. Current assets, in actuality, decreased from \$33 million to \$25 million – restricted funds not considered current and available for operations. Operating funds during last two years being utilized to invest in capital infrastructure pending availability of bond funds to take their place. On the liability side, investment in utility equity increased from \$170 million to \$185 million. Discretionary renewal and replacement funds have decreased from \$13 million to \$6 million. Stated this was probably as low as U.C. should be in unrestricted operating funds. General guideline, minimum of two months operating funds and coastal utility system probably should have more. Over-recovered fuel costs, used to reduce any short-term volatility in costs of power to customers, now at an increased level of \$6.7 million, better than \$2 million level a few years ago. Stated all in all believes this depicts plan in action to invest in infrastructure and the funds have been borrowed, are available for use over the next several years of infrastructure investment.

(7-a) Fiscal Year 2020 Comprehensive Annual Financial Report (Audit) (cont.):

All letters and notes from the auditors were clean – no control nor compliance issues. Mr. Whitesides also summarized the governance communication letter. Discussed accounting estimates, no difficulties in conducting audit and U.C. finance team doing a very good job. Final items covered were recommendations in this letter, continuing items from 2018 audit, are awaiting completion of the rate study: fuel cost recovery policy, sufficiency of rates, and fuel cost treatment of St. Lucie Unit No. 2 (nuclear) participation. Discussion ensued regarding current reserve levels. Mr. Chavez indicated specific to utility business reserves, industry best practice is minimum 90 days in operating expenses, and added the U.C. staff actively incorporated all of the auditors' recommendations into the ongoing rate study.

Commission Action:

Vice Chairman Davenport stated we need a formal motion to accept the audit.

Commissioner Conrad stated I'll make that motion; specifically a motion to accept/receive the Comprehensive Annual Financial Report (Audit) for Fiscal Year Ended September 30, 2020.

Commissioner Hawes seconded the motion.

Vice Chairman Davenport requested Mrs. Simmons to call the roll, and then following, Commissioner Conrad's motion passed unanimously on a roll call vote.

(7-b) Amended/Revised Purchasing Policies and Procedures Manual (Proposed U.C. Resolution No. 2021-04):

Vice Chairman Davenport then stated okay, back to b., amended revised purchasing manual.

Mr. Chavez stated okay, this will be quick, so as we're looking at how we do business we're actually then incorporating best practices. So one of the things that we are going to leverage is allowing electronic bids which is done by our peers and especially now with COVID. There's an electronic piece of software that will help organize the bids, it will in essence move away from having folks to come here, we open the bid up and we can do it all electronically. So we wanted to make sure the Purchasing Manual has that, and as other best practices come into play, we'll also update it. But this was one we discussed with Mr. Cloud and Ms. Lynch and the purchasing group. It's a good thing to do and it gives us more flexibility and functionality. He then offered to answer any questions.

Commission Action:

Commissioner Conrad then stated a motion to adopt resolution 2021-04; specifically a motion to approve U.C. Resolution No. 2021-04 and formally adopt the updated Purchasing Policies and Procedures Manual as submitted, with revisions detailed in the summary section of the agenda item, and to become effective immediately upon passage.

Vice Chairman Davenport stated that's the motion, got a second?

Commissioner Hawes stated second.

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

(7-c) Agreement for Banking Services – Bank of America, N.A. (Leveraged City of Orlando’s RFP No. 20-0276):

Vice Chairman Davenport then stated c., agreement for bank services from Bank of America.

Mr. Chavez came back to the podium and stated okay, so on this one, we have two major portions of our banking fees or arrangements. We have our traditional banking, which is with Bank of America, they process all of our direct deposits, all the checks, everything that you would think of with your normal checking account, that’s what this is. On pricing, Commissioner Conrad and I had a conversation earlier today, its within budget. Actually the pricing just on the banking portion is better than budget because the rates per use are slightly lower. The second part of the banking fees that we have that isn’t part of this, it’s the credit card transaction fees, in essence the merchant processing. So what we’ve noticed, and this is outside the Bank of America, now that we’ve closed the lobby, we’ve definitely noticed that our credit card transaction use is up. But once again we see the credit card transaction fees as a cost of doing business, we’re at 97% of our accounts receivable being current, so for us it’s about getting the money in and processing as quickly as possible. But we need your approval today on the Bank of America banking services portion.

Commission Action:

Commissioner Conrad stated depository; do you want me to make that motion too? Okay, maybe I know how to do it this time, I’ll make a motion to adopt, is it adopting this agreement, this agreement No. 20-0276 (City of Orlando’s RFP no.).

Vice Chairman Davenport stated all right, got a motion, second?

Commissioner Hawes stated second.

Mr. Cloud stated there’s a separate agreement, so we are approving a motion to adopt the agreement that’s before you.

Commissioner Conrad’s motion subsequently clarified, specifically: adopting or approving an award of an Agreement for Government Banking Services with Bank of America, N.A. (leveraging City of Orlando’s RFP No. 20-0276) for a three-year period at an estimated cost of \$30,000 and authorize the GM/CEO or his designee to execute the Banking Services Agreement.

Vice Chairman Davenport stated okay, we’ve got that motion and we’ve got a second.

Commissioner Conrad’s clarified motion then passed unanimously on a roll call vote.

(8) Possible Other Business – Time for Commissioners:

Vice Chairman Davenport stated okay, next, number 8., time for us to talk.

Commissioner Hawes and Vice Chairman Davenport mentioned their attendance at and briefly discussed the Workshop meeting with local developers held on March 19, 2021, hosted by the U.C.’s Engineering Department. Stated developers appreciated the informational meeting, was very important to hold and went very well; also thanked the U.C.

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

staff for their associated efforts for this meeting. Comms. Davenport stated the workshop was well done with a lot of people in the room and listening. Also mentioned public have been commending U.C. operations to him and many are watching the U.C.'s Facebook postings.

Vice Chairman Davenport then stated if there's nothing else, I'm calling this meeting adjourned; thank you.

There being no further business to come before the Commission, the Regular U.C. Meeting closed at 4:32 p.m.

APPROVED:

ATTEST:

  
\_\_\_\_\_  
CHAIRMAN

  
\_\_\_\_\_  
SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their April 26, 2021 meeting.