

AGENDA ITEM 3-a

MINUTES OF A REGULAR MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD MONDAY, MARCH 28, 2022, AT 3:00 P.M., AT 200 CANAL STREET, NEW SMYRNA BEACH, FLORIDA
(NOTE – THIS REGULAR U.C. MEETING WAS HELD ON-SITE)

PRESENTATION OF CERTIFICATE FOR COMPLETION OF APPRENTICESHIP FOR LINE MAINTAINER FROM FLORIDA DEPARTMENT OF EDUCATION TO JASON COX AND RYAN COMPTON

Chairman Davenport opened the Regular U.C. Meeting and stated first of all we have a presentation of a certification for completion of apprenticeship for linemen from Florida Department of Education to Jason Cox and Ryan Compton (not in attendance). If you all will come forward and help me on how we're going to do this presentation; thank you.

Mr. Steele (Director, Electric Operations) stated he would like to say a couple of words.

Chairman Davenport stated please, thank you.

Mr. Steele came to the podium to address the Commission and stated so this is a very special day for us, you know as these gentlemen and ladies go through their apprenticeship, it's a four-year program to go from an apprentice to a line worker. Which includes 8,000 hours of training, which is a lot of training, a lot of time, not only for them but for their families as well. You know their families are very supportive though this process. But one thing I'd like to note is our apprenticeship program is certified by the State of Florida Department of Education, so this diploma for Jason Cox certifies him as completing his apprenticeship, certified by the Florida Department of Education which is recognized throughout the country. So he's recognized as a journeyman anywhere in the United States. And we look forward to years of service from Jason, he's a local guy and it's good to see people make it through the program, become linemen and stay here with us through their entire careers.

Chairman Davenport stated Jason Cox, if you'll come up please, that says so much what you just said there, sir – 8,000 hours and what you do for this community. I thought the other night when it went out at 1:30 in the morning, getting called out of bed, that's the first person I thought of was you. So from the bottom of my heart, and all of us up here, thank you and congratulations. Added you can get the award.

Mr. Steele shook Mr. Cox's hand and congratulated him on this accomplishment.

After applause Ms. Fisher took a picture of Jason Cox with his certificate, and Mr. Steele with Chairman Davenport (photo later posted on U.C.'s website and copy provided to employee).

Mrs. Simmons then confirmed Mr. Rich Popp (FMPA) was on the phone and could hear the meeting – participating off-site via conference phone.

Chairman Davenport stated to Mr. Cox, we want you to just stay with us and retire with us, okay? They're going to be coming around knocking on your door trying to get you to shift gears somewhere. You may make \$5 more an hour but you won't live in a city like this, you know that so don't forget it all right? Thank you.

Pledge and Invocation:

Chairman Davenport stated okay next please, we're going to have the Pledge of Allegiance and an Invocation.

Commissioner Hawes led in the Pledge of Allegiance and Commissioner Conrad provided the invocation.

Safety Message by John DeFries and Matt Murray – TRENCH SAFETY:

Chairman Davenport requested roll call but then stated excuse me, let me back up here, we have a safety message. Commented about to mess up here wasn't I, wouldn't be the first or last time, trust me. John DeFries and Matt Murray on Trench Safety; thank you.

Mr. Scott Heil then addressed the Commission and stated Matt Murray was not here, was investigating a water main break, so he asked me to stand in for him.

Chairman Davenport stated perfect.

Mr. Heil continued, Mr. DeFries is going to go over a few slides in the beginning and I'll end up with a couple at the end.

Mr. DeFries commenced the presentation and stated I wanted to show you why trench safety is so important. If you look at the scale, tells from 2003 to 2020, if you look at the deaths, it's a pretty serious thing, a lot of people die; that's why it's important.

Mr. DeFries went to the next slide and stated so OSHA trenching standards require protective systems. And when I got here, I looked at our systems and thought we might want to make it better. After moving closer to the mic, he added so we started looking at it, Matt Murray got involved, Scott Heil got involved and we all started looking and working, trying to figure out a better way of doing some of this. So what we did was we went and started looking at trench boxes. There's a national emphasis program that looks at this because there's so many deaths in this, so we want to protect our people, make our people feel safe so they'll want to stay and work for us, right.

Mr. DeFries went to the next slide and stated so the employees got together, we have a Safety Committee, but we also have an ad hoc committee that puts together trenching safety, excavation safety I believe is what we call it. And that committee, we got together and made a policy, we got together and looked at different companies, looked at trench boxes. We drove to a local company here and looked at them and they helped us a whole lot finding different boxes and things. We did pre-job analyses, we did an excavation checklist, you're going to get to see that in just a minute. We also did safety equipment, we started looking at our safety equipment, wanted to make sure that we had what we needed for our people.

Mr. DeFries went to the next slide and stated so here's the checklist we've got, and the people are filling these out when they open up a trench. If they've got to go deeper than five feet then they've got to fill this out and go through the checklist and make sure everything's okay. Went to the next slide and stated then we started looking at boxes and we settled on a box

Safety Message by John DeFries and Matt Murray – TRENCH SAFETY (cont.):

called “Build a Box”. It’s fast, easy to assemble, it has flexibility so we can make it different, in the trenches, so it fits the situation. It can be transported easily to the job site and it keeps our employees safe. Continued to the next two slides and stated so these pictures, I really love them, it shows the guys, they were out in training, working with them. The company that we bought the box from in Orlando came in and taught our people how to put them together, showed them, and here they are playing with them. So I want you to look real closely at this picture, you’ll see a guy, he’s giving me this, it’s hard to see but he’s doing this (shaka sign) when he was in the box, he hit the box, he hit his heart and pointed at me. Which means John, this box makes me feel safe, thank you; so it kind of made my day as a safety guy. Stated so “Safety Brings You Home” (U.C. safety slogan) Do you have any questions?

Commissioner Hawes stated I do, just out of curiosity, you have something like a ditch digger that digs a hole and then, is this assembled in or do you drop it in?

Mr. DeFries stated whenever you get your trench the size you want it, you build it above the ground the way you want it and then it gets set in place.

Commissioner Hawes stated right, well, I think this is really important to go through this kind of stuff. Most of us, well I shouldn’t say most, at least myself, I didn’t work in a job where safety was a big issue, security might have been but not safety. So to keep us on top of this kind of stuff I think is real important and I’m glad you’re looking at this and doing this, and I really appreciate the pictures of well, because you kind of show what this is.

Mr. DeFries stated I do too.

Chairman Davenport stated am I missing something here, but both sides in these pictures, the “Build a Box” in use, but I don’t see sides on the ends.

Mr. DeFries stated well, from the ends they don’t have to have them because the trenches collapse, from the sides most likely, so that’s made so that they can drag it along as they dig it.

Chairman Davenport stated okay and added isn’t it sad though what just recently happened about 90 days ago in Orlando.

Mr. DeFries stated yes.

Chairman Davenport continued, the young man building the Interstate over there, thirty-three years old.

Mr. DeFries stated it’s very sad.

Chairman Davenport stated did they not have, I mean I’m digressing here, I’ll research it myself, thank you.

Safety Message by John DeFries and Matt Murray – TRENCH SAFETY (cont.):

Mr. DeFries commented trying to get information early is hard, usually it takes a little while before you can get information on those.

Chairman Davenport then stated you've got something to say, anybody?

Commissioner Kelly stated no, I think it's great.

Commissioner Conrad commented its amazing.

Mr. DeFries then stated any other questions?

Commissioner Smith stated what do you do when you encounter water with one?

Mr. DeFries stated well, it depends, there are situations when we have to back up and get away from it. It actually looks like its boiling, where air is coming up in, that means water is pressurized underneath. And they've been trained, we had an excavation class and we did training on that. But for most of the time when you work in New Smyrna Beach, you're going to find water when you get lower than two feet; so it depends on the situation and what it looks like.

Mr. Heil stated well, we'll wellpoint, part of their job, we'll look at the job, evaluate the depth of it or whatever and put a wellpoint pump out there and wellpoint, dry the hole up before digging. Or put a wellpoint pump in while we encounter, while we're digging, throw a pump in there and throw some rock in and pump it out.

Mr. DeFries then asked, have you ever seen that? It's like a bunch of little plastic pipes going down, sucks the water out.

Commissioner Smith stated oh yes, I'm familiar. I've been watching that project on the North Causeway, they've been out well pointing that for weeks, I think.

Mr. Heil stated right.

Mr. DeFries stated they have to do it constantly or it just floods the hole.

Commissioner Smith stated right.

Mr. DeFries then reiterated, any other questions?

Chairman Davenport stated thank you very much.

Mr. DeFries also stated thank you.

Chairman Davenport then added Mr. Bunch, I do want to say since you've orchestrated this where we have updates on safety and you bring it before the meetings, since you've started doing this it's certainly been very informative and it's appreciated by us up here, so at

Safety Message by John DeFries and Matt Murray – TRENCH SAFETY (cont.):

sometimes we don't know, but you can say remember that. It's really from the electrical lines, the snaps, the quick hooks, to the trench; so thank you very much for incorporating that.

Mr. Bunch stated thank you, I also want to mention Mr. DeFries just passed about a year with us, so he joined us last February and he is a true safety professional, came to us with experience in the water and electric industry. Kind of unusual that we were able to find somebody with his experience but he's making a big impact for us.

Chairman Davenport stated thank you Mr. DeFries, appreciate you sir.

Mr. Bunch then commented to Mr. DeFries somehow, I've got your phone I think, could you stop over here.

Chairman Davenport stated okay, moving along, thank you again.

Roll Call:

Chairman Davenport then stated Mrs. Simmons, can we get the roll call please ma'am.

A roll call was taken, all of the U.C. Commissioners were in attendance as follows:

Commissioner Lawrence Kelly, Jr.
Commissioner James Smith
Commissioner Lillian Conrad
Chairman James Davenport
Commissioner Richard Hawes

Others in attendance were as follows: J. Bunch, General Manager/CEO; E. Chavez, Director, Finance/ CFO; J. Couillard, Director, Engineering; T. Beyrle; Director, System Operations; V. Steele, Director, Electric Operations; B. Keehn, Director, Information Technology; S. Heil, Interim Water Resources Director; John McMurray, Director, Strategic Programs; M. Spellers, Sr. Help Desk Technician; E. Fisher, Community Relations Coordinator; D. Simmons, Exec. Mgr./ Recording Secretary; General Counsel Thomas Cloud Esquire – Gray| Robinson Attorneys at Law; Ronald Whitesides, CPA, Partner, Purvis Gray, Gloria Reyes, FMPA Asst. Treas./ Investments and Rich Popp, FMPA Director Audit/Risk Mgmt. (on conf. phone) and John Moss, Lisa Martin, members of public in attendance on site.

(1) Agenda Changes, Additions and Deletions:

Chairman Davenport stated okay, we're all here. Number one item on the agenda please, any agenda changes, additions or deletions?

Mr. Bunch stated no sir.

Chairman Davenport stated thank you.

(2) Public Participation:

Chairman Davenport then stated number two item on the agenda, any public participation here or on the phone?

There was no public participation at this time.

Chairman Davenport stated okay, we'll close that.

(3) Approval of Consent Items:

Chairman Davenport stated number three agenda item, approval of our consent items, anybody want to pull anything? Commissioner Smith?

Commissioner Smith stated no sir.

Chairman Davenport confirmed all good, no one wanted to pull any consent items to discuss.

Commissioner Conrad then stated I make a motion that we accept the approval of the consent items; specifically a motion to approve item 3-a. Minutes of U.C. Meetings (3) – approve the annotated minutes of the U.C.'s Modernization Strategy Update Workshop held 2-10-22, the Special U.C. Meeting held 2-28-22, and the Regular U.C. Meeting held 2-28-22 as submitted; item 3-b. Purchase of One IMS A-758 Lime Slaker System for the Water Treatment Plant (Glencoe), approve award of a single source purchase of this item to Integrity Municipal Systems, LLC, in the amount of \$150,000.00, funded under W.O. No. 22-UW220, and authorize the GM-CEO or his designee to execute all documents associated with this purchase; item 3-c. Award of ITB No. 08-22 – WRF Bio-Solids Processing and Disposal, approve award of ITB No. 08-22 – WRF Bio-solids Processing and Disposal to Revinu, Inc. for an annual amount of \$450,000.00 (\$0.15 per gallon for 3,000,000 gallons) and authorize the GM-CEO or his designee to execute the documents associated with this award; item 3-d. Ratification of Award – ITB No. 04-22 – 5th Street Bridge Utility Relocation Project, ratify the award of ITB No. 04-22 to Young's Communication, LLC, in the total amount of \$465,973.00. Previous overall project authorization, referenced in the summary of the agenda item is ongoing for GM-CEO or designee to execute documentation for this matter; item 3-e. Project Approval – Water Reclamation Facility (WRF) Master Plan, approve the WRF Master Plan Project in the total overall amount of \$410,000.00, including the work to be assigned to CPH, Inc., in the amount of \$385,440.00, and authorize the GM-CEO or his designee to execute all documents associated with this matter; item 3-f. Ratification of Emergency Repair – South Riverside Drive 12" Water Main Repair and Single Sourcing to Young's Communication, LLC, in the amount of \$102,857.00, and authorization for the General Manager-CEO or his designee to execute all items associated with the emergency repair; item 3-g. Approval of Change Order No. 1 – Barracuda Bridge Utility Replacement (Young's Communication, LLC) and an Increase in Overall Project Budget, approve C.O. No. 1 to Young's Communication, LLC in an amount of \$203,193.50, inclusive of an additional 30 calendar days to the contract schedule and approval of a \$203,200.00 budget increase for a total overall Barracuda Bridge Project budget of \$3,198,200.00. Previous overall project authorization, referenced in summary of the agenda item is ongoing for GM-CEO or his

(3) Approval of Consent Items (cont.):

designee to execute all documentation for this matter; and item 3-h. Proclamation Declaring April 2022 Water Conservation Month, approve proclamation attached to the agenda item designating the month of April 2022 as Water Conservation Month (upon approval proclamation will be reported to FSAWWA and added to the statewide list).

Commissioner Kelly stated second.

Chairman Davenport stated okay, call the roll Mrs. Simmons please ma'am.

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

(4) General Manager's Report:

Chairman Davenport stated okay, item number four on the agenda here, General Manager's Report, Mr. Bunch please, thank you.

Mr. Bunch stated okay, could I have Mr. Chavez come up and give us the monthly financial report.

(4-a) Financial Status – February 2022:

Mr. Chavez came to the podium and stated good afternoon everybody. So before I kick it off, I just wanted to state Gloria Reyes is here from FMPA. So she has been instrumental, she and Rich Popp, who I believe is on the phone, instrumental with us, helping us with the investments of the U.C.'s funds in a very secure, conservative manner but earning more than what we've been historically with Bank of America. And mind you, you know traditional banks, that the interest rates, just the interest rate environment is very low, so just wanted to point out this is our first report on that.

Mr. Chavez then went to the first slide of his presentation for the February 2022 Financial Performance and stated February year to date results, we have a change in net assets of about \$2.3 million. There is a half a million mark-to-market adjustment that we'll talk about later on in the presentation, but that's related to the investments that we're doing with FMPA. So our overall performance is driven by the increased revenue, the usage/volumes and the rates. Increased capital contributions and then lower operating expenses offset by, we do have slightly lower electric consumption and that's really driven by the weather, and increased purchased power. Year over year electric consumption is lower by about 4% and then the purchased power, what we're seeing is its still high, but it does fluctuate. It does fluctuate with the markets and you know we, Mr. Beyrle and myself, we project and forecast but in essence it is subject to the market, but we're doing the best we can with what we've got but it is a non-controllable expense for the most part. So that's \$64.94 (per MWh) versus \$51.88 a year prior.

Mr. Chavez continued, so the \$0.5 million mark-to-market is really an accounting entry to record the U.C.'s assets or investments at the fair market value. So it's a non-cash item, and

(4-a) Financial Status – February 2022 (cont.):

we expect to hold these conservative assets to their maturity and then there's a stated coupon rate, and those are what we get either periodically or at the end, but we do get those. The 2022 capital expenditures, we're at \$8.7 million, \$4.9 million in major and \$3.8 million in annual projects. On the major projects side the reclaimed pond, a number of folks there were at the pond to see the expanding of the pond; it was a pretty cool picture to see. There will be a forthcoming video that Mrs. Fisher and the U.C.'s videographer will be putting together as part of an overall water modernization video or effort. Annual project spend included the gravity sewer lining and rehabilitation, and of course the new business electric and water installations. So we're still seeing continued year over year customer growth which hasn't slowed down. I'll pause there.

Mr. Chavez then went to the next slide and stated so this is operating income and loss. You'll see from last year's February year to date we were at a \$3.1 million loss. We're now at about a half million change or positive operating income, which is the most controllable. So we have the increased revenues, the first bar there, slightly offset by some lower electric. Depreciation not much of a change. We do have the net purchased power which is just the function of we do have higher purchased power, but we do have the credit that we're giving our customers currently that is offsetting that because it is an increase to revenue for us. And then you have an other expense decrease. So all in all we're definitely heading in the right direction and it's a function of setting us up, as we've discussed previously, with the long-term reliability and resiliency of the system. Building up of the rates in a conservative manner, best for the long term viability of the system and best for our customers. What we will do, we will just, with the changing of the purchased power prices and such, we will be re-evaluating and revisiting the purchased power adjustment. Right now it's a credit of about \$3.98 per 1,000 kWh, so what we will be doing is looking at that and adjusting it if we need to do it, at next month's Commission meeting.

Mr. Chavez went to the next slide and stated this is the, in essence, at the very bottom line from a change in net assets which includes capital contributions, the mark-to-market and a few other items. So we were at a \$2.5 million loss last year, to now a \$2.3 million change in net assets. When you look at the income before capital contributions and before mark-to-market, we are literally \$200,000 positive versus a \$3.5 million loss at this time last year. So definitely heading in the right direction and in a thoughtful manner, that's a \$3.7 million year over year improvement. Commented that's about it on this slide, next slide please.

Commissioner Kelly stated Mr. Chavez, what drives that number so much, why that...

Mr. Chavez stated what it is right now is when we did the rate study and such, that's the biggest driver between that and the change in consumption. So we had the rates and the change in consumption, because on the path we were on before we were, you know in essence, losing a significant amount.

Commissioner Kelly stated right.

Mr. Chavez continued, we just didn't, we couldn't operate at that for a longer term from the

(4-a) Financial Status – February 2022 (cont.):

very fact that we need to build up cash to continue to support this system. You know when we met with Fitch two years ago, a year and a half ago, Fitch took, they saw that we could not continue in the manner that we were doing of operating at a loss. So what we had presented to them is look, we have solid financials, we have a Commission dedicated to the long term reliability and resiliency of the system. So we're going to do the bond financing, and continue of course upon the positive rate. They saw what we saw in the sense of very, a good balance sheet, strong balance sheet. I think with the rate increase that puts us to set up the right reserves for the long term viability; so that's really the biggest change.

Mr. Chavez then went to the next slide and stated so what we've done, and this was with assistance from FMPA, Ms. Gloria Reyes and Mr. Rich Popp. What we did was we took \$40 million and invested it in \$10 million within Florida PRIME and \$30 million in nine different high-quality investments. So that was to earn additional interest because right now at a bank there is just really no ability to earn any more. What we wanted to do was to get something highly conservative, consistent with our investment policy, but at the same time earning slightly higher yield on that money. So on the \$10 million, what we've earned, we're 0.028%, but that's still two basis points higher than the full year 2021 average yield for Bank of America – 0.012%. So I'll give you a funny story, when Bank of America would send us the statements, they would literally round it to zero, would be our yield on the account. So through February year to date on the \$10 million, we're at \$2,800, which I know doesn't sound like much but it's definitely a far cry from what we were earning previously. We'll be at about \$16,500 on the \$10 million.

Mr. Chavez continued, now on the \$30 million and the nine high-quality investments, commercial paper, U.S. Treasury notes, government agencies and private placements. So very high-quality instruments, similar that, FMPA - Ms. Reyes, Mr. Popp and their team invests in. So they have the resources and access to the Bloomberg terminals to really evaluate these investments and its really paying off. So in the sense there, 0.72%, that's 71 basis points higher than the Bank of America yield of 0.012%. The investments earning through February year to date, just on the \$30 million was \$16,700, the total FY22 earnings just on that \$30 million will be \$200,000. So if you look at a total February 2022 year to date, \$24,600 versus February 2021, similar, it's \$10,400. Of course there's nothing earning right now, that is earning a considerable amount of yield, but this is definitely the best that we can do being conservative but still earning substantially more than we did the prior year.

Commissioner Kelly stated I think that's a great job, I mean the amount of that yield, and it's very conservative and safe. From our positions or yours, you would not want to be unsafe, you know what I mean, especially in the market, but this is really good.

Mr. Chavez stated exactly, and our investment policy, we're – I'm required, they're required, to have conservative investments.

Chairman Davenport stated and one more thing, our fiduciary responsibility, period.

Mr. Chavez stated yes, yes, that's exactly right.

(4-a) Financial Status – February 2022 (cont.):

Chairman Davenport added, conservative.

Commissioner Hawes stated so is it \$40 million in total then or is it, or am I..?

Mr. Chavez stated no, it's \$40 million in total, \$10 million in Florida PRIME and \$30 million in those nine investments.

Commissioner Hawes stated yes, so you'll have to check my math, but I think it's like \$4,000 a basis point, so that adds up quick.

Mr. Chavez stated it does.

Commissioner Hawes stated the other thing is if in fact the Federal Reserve does raise interest rates here, this is a prime time to do this.

Mr. Chavez stated yes, added no it is because in Florida PRIME, they'll move, it will go up and Bank of America will go up, but Florida PRIME would be better than Bank of America.

Mr. Bunch stated to Mr. Chavez, what's your thoughts on the year end projection for the total, you cite some rates there.

Mr. Chavez stated yes, so year-end projection on the total would probably be about \$250,000.

Mr. Bunch stated so a pretty significant increase over last year and thanks to Gloria Reyes and Rich Popp. For those that don't remember all of the details and I know you probably do, but FMPA is the fiduciary, has fiduciary responsibilities for us and they're managing the custodial accounts; so they can't make withdrawals.

Mr. Chavez stated right.

Mr. Bunch continued, so between Gloria Reyes' team and Mr. Chavez, they approve all of the investments and it looks like it's paying off well. And I once again want to thank Gloria Reyes, and I think Rich Popp is on the phone, for working with Mr. Chavez on this because this is what they do full time on behalf of all of FMPA's investments and we're more or less just leveraging the talent and approach that they have to benefit our organization. So thank you Ms. Reyes, and thanks Mr. Chavez and Mr. Popp.

Mr. Chavez then went to the next slide and stated okay, so this is just to go into a little more detail, I won't be going into this going forward but this is just to give you a feel for, just to make sure you're understanding everything that's on the change in net assets. So with the investments, the high-quality securities on the \$30 million, GASB or the Governmental Accounting Standards Board, as well as FASB (Financial Accounting Standards Board) requires a Mark-to-Market (MTM) which means it just, you record the liquidated value at the end of each month. But for us it is a non-cash item because our expectation, unless there's a change in the underlying security ratings, our expectation is to hold these to maturity, we have them up to two years. Ms. Reyes and I are in constant contact on this information as the

(4-a) Financial Status – February 2022 (cont.):

dividends, as the payments come out. We will then invest those but you know working with Ms. Reyes and Mr. Popp and their team to make sure that we're up to speed on everything that's going on. Each month FMPA provides us the respective, in essence the accounting entries to book for these investments. We get the statements, we have access to view all this, so it's just a really good partnership leveraging their experience and tools. Just at the bottom, the interest rates from these investments will be recorded in the non-operating income section. So assuming everything goes according to plan our interest earnings will be higher than they were the prior year, and we'll continue focusing on that.

Commissioner Hawes stated and the second line there, where you're talking about the adjustment to the income statement, is that the half million you were talking about?

Mr. Chavez stated yes, that's exactly it, and we put it purposely underneath the capital contributions because we didn't want to muddy up the above financials. And then went to the next slide and stated, we always talk about these each month but on the KPI standpoint, good shape. There has been a lot of significant progress as it relates to electric reliability and we're continually looking at the numbers. Then proceeded a couple of slides further and stated safety and risk, no OSHA incidents for February. On the electric reliability, this is the one that's really key, some of these ERIP's, our electric reliability improvements, in essence the additional best practice application of sectionalizing reclosers, TripSavers; so just additional tools, a lot of it mechanical but nothing smart items or smart actions to in essence reduce the frequency and duration of these outages that were occurring. You know, one other, a new, not a new concept but an enhancement to what we're doing is operational procedures to reduce SAIFI and CAIDI or frequency and duration using isolate and restore, so this way then you can isolate the customers and then restore the sections. So in essence the ones that are not impacted keep those on and just isolate the area that's impacted; it helps with the overall frequency and duration.

Commissioner Hawes stated so just, this is a weird question, but I was kind of looking at the math, so is CAIDI times SAIFI? So if it was, and I don't know if this is how it's done, $.5 \times .5$ would equal SAIFI at $.25$; in other words my question is does it drive that one down then.

Mr. Chavez stated yes, but by doing these measures and the way we look at how we restore customers during outages, our goal is to drive the numbers down.

Mr. Bunch stated if you think about it, the way I like to summarize it Commissioner, is CAIDI is the duration that it takes us to restore an outage. SAIFI, with the "f" is the frequency of outages and SAIDI is more or less the customer experience. It's the product of the frequency to how long it lasts. So that's the number that the customer experiences and typically SAIFI, or SAIDI rather is going to be let's say 50 minutes to 120 minutes over the period of a year. That's a number of minutes of an outage that the average customer could expect to see. Our target over this program is to get that to under 60 minutes and the frequency under one. Which would mean the duration also has to be under 60 minutes. So those are the three things we want to accomplish over the next couple of years.

(4-a) Financial Status – February 2022 (cont.):

Mr. Chavez went to the next slide and stated Customer Service - still green. Had a slightly higher on the uncollectible revenue as a percentage of billed revenue but it was driven by, I mean we're talking very small numbers, but just some, two customers that had some charge offs which we typically for larger amounts but we're talking literally \$1,800. So overall good progress on what the Customer Service team does. On the I.T. side, the metrics are green and that organizational overall risk score, that is particularly critical, especially now as we have some of these global risk factors as it relates to, you know, you hear it on the news, related to Russian cybersecurity hacks, whatever it may be. So we still have a very good attention to making sure that we're trying to prevent those as much as possible. Unless there's any other questions, that's everything I have.

Mr. Bunch then stated thank you Mr. Chavez, appreciate it.

(4-b) Presentation – Transmission Line Outages – Static Wire:

Mr. Bunch then stated if I could ask Julie Couillard and Vernon Steele to come to the podium. They're going to talk to us about an assessment they've done recently and some things that we're going to be doing, action we'll be taking over the next month, so in between now and the next meeting. Thank you, Ms. Couillard.

Ms. Couillard stated sure, so we've been up here talking about distribution outages quite a bit and we're working a plan to knock those down. She then proceeded to present a presentation entitled "Transmission Line Material Condition, Root Cause Analysis and Corrective Measures". We have also experienced three in the last, since November, three serious transmission outages. So there was one in November, the substation that was impacted was Field Street and we had about 14,000 customers out of service with that incident. Turns out it was a static wire down, we had a high wind event and Mr. Steele is going to talk about what we've been doing in the meantime, and then mid-March we had two. When that strange storm came through, high winds, middle of the night, we had two outages. One affected Airport and one affected Field St. again, and that was around 20,000 customers. So we're going to talk about what we've done since November and what our plans are going forward.

Mr. Steele came to the podium then and stated okay, so after the November 11th high wind storm event, when we had the transmission static wire come down on the Airport to Smyrna transmission line in three different places, we noticed that there was a, looked like a common failure mode. You know we saw some corrosion on the static wire and started to investigate. And so we put the drone in the air, took a close look at the line, you'll see some pictures in a moment. Also did ground patrols with our folks as well as Pike our contractor, you know put multiple sets of eyes on this situation. And we did discover that there was corrosion due to dissimilar metals on the static wire, the static wire is a steel cable, the ground wire is a copper covered steel, two dissimilar metals, and the connector in between was brass or bronze; so dissimilar metals create corrosion.

Mr. Steele went to the next slide and stated so here, just quickly, about galvanic corrosion, you have dissimilar metals with a common electrolyte in between, you know one of the metals is going to corrode much faster than the other. So and that's what we had, we had the

(4-b) Presentation – Transmission Line Outages – Static Wire (cont.):

wrong connector between that copper and steel, causing the steel to corrode. Then went to the next slide and stated so we put a plan in place, a corrective action to replace the one mile of static along the line that was impacted by the November failure, so the plan was to, next month to replace this one mile section, get rid of the corroded static and put new up.

Mr. Steele went to the next slide and stated then we had March 12th and 13th, two transmission outages, one was again the Airport to Smyrna Beach transmission line, very similar failure mode. And then we also had the Field Street Substation static, protective static wire come down as well.

Chairman Davenport stated Mr. Steele, if I could we, something caught my attention here, if we could back up to that previous slide, I think it was corrective action. Then, I find it interesting it says here arrange for gopher tortoise survey and relocation. Would you, I sit on the FIND board, it drives me crazy at the cost the taxpayers are paying of what we're doing and the problems for that. Just can you expand on that for me, right here in this particular instance?

Mr. Steele stated yes, so to replace, you know to do work on this line we have to access it with giant bucket trucks and things like that. Well, you know in order to get a good route we have to relocate gopher tortoises there in the way, we can't encroach within 25 feet of an active tortoise hole. So if we have to go that route to get to the poles and wires and things, we have to relocate that tortoise, we can't just you know...

Chairman Davenport interjected and that's our responsibility?

Mr. Steele stated that is correct.

Chairman Davenport stated and we've got to relocate them.

Mr. Steele stated yes.

Chairman Davenport stated and we're figuring the cost with Florida Inland Navigational District is running as high as \$8,000 or \$10,000 to remove these turtles.

Mr. Steele stated yes, or more.

Chairman Davenport added, to find them a place to live, makes me crazy. I just, I had to bring that up because I'll bring that up at our next meeting right here.

Mr. Steele then stated the gopher tortoise is not an endangered species, it's a protected species, but there's certain regulations around how close we can work and things like that. So part of the permitting process is relocation, as well as wetlands, if we work in a wetland there's certain regulatory compliance we have to follow.

Chairman Davenport stated thank you.

(4-b) Presentation – Transmission Line Outages – Static Wire (cont.):

Commissioner Smith stated can I ask a question on, on these corrosion issues do you ever use like sacrificial anodes to try to deter corrosion on these places.

Mr. Steele stated usually for underground, grounding wires, we will, we use a cathodic protection. But for connections exposed to the air, you just use a metal in between that's compatible to the two.

Commissioner Smith stated to keep the dissimilar metal issue from occurring?

Mr. Steele stated correct, we do it every day. You'll have copper wire on the line and a service to your house is aluminum. We have a known metal, an all-aluminum connector in between that stops that corrosion process.

Mr. Bunch stated so to that point Mr. Steele, talk about how we think that happened and whether or not this would happen today for one of our current jobs.

Mr. Steele stated so when they put the, when they built the line back in the 1990's, you know they pulled the steel wire, which is fine, and they had the copper ground wire, which is fine, and then for whatever reason they chose the wrong connector you know to put in between them which caused the corrosion situation. So whether Engineering, you know if that connector was specified by Engineering or we just found a box back in the storeroom back in the 90's, the wrong connector got put up there on every single connection. So we were kind of hoping it was an isolated condition but, not to steal my thunder, but we did, as the March event happened, we realized doing drone patrols that every single connection is the same. On the Airport line, correct, we also patrolled the Field St. line which is right next to it, ten times the age, the static looks brand new because they used the proper connector.

Mr. Steele then stated so I think we're at slide seven? Yes, so after the March failures, again we fired up the drones, did the visual assessments and confirmed that again on this section of line that failed, north of the original section, the same condition exists. So we did drone patrols, found all the same conditions. Went to the next slide and stated so here's just some photos, on the left you can see the copper ground wire connected to the static wire. On the right it's hard to see but that connector has slid, and you can see its just rusted metal, it's just severely deteriorated. Similar on the two bottom pictures, you know those connections are so loose they're just sliding back and forth from the vibration of the line.

Chairman Davenport stated and that's what caused these outages?

Mr. Steele stated yes, that's compromised the strength of the wire, you get a tree limb hit it, wind blowing, the wire just breaks, comes down into the line and that's what causes the outage.

Mr. Bunch stated so an obvious question why haven't, why hasn't it been discovered before through other inspections that the U.C.'s done?

(4-b) Presentation – Transmission Line Outages – Static Wire (cont.):

Mr. Steele stated a couple of reasons, previous years we weren't that religious about our, you know patrols, condition assessments. Also the static is a non-current carrying line, so thermography, some of the things we've been doing would not show it because the connections won't heat up because there's no current going through. So it's just a situation sitting there waiting to occur. And with that, I'll turn it back over to Ms. Couillard to see what we're going to do about it.

Ms. Couillard stated so, now that we've discovered the rest of Airport is compromised, our plan is to replace the entire static on the Airport line. Which means its another three and half miles, we're going to keep going with the first mile because we have all the equipment and materials. We're looking for materials now, I have a gopher tortoise survey underway, we're ordering materials, also we're adding another little thing which is called a pole cap. So these are concrete poles and at the top they start to crack, so we're going to put a cap up there just as a second safety. And then Mr. Steele is working with some transmission line contractors to get them to quote it and schedule it for us. For the first mile, Mr. Bunch gave us emergency response approval to move forward for the materials, long-lead materials, we're trying to get out in front of and then you will see all this information next month in the consent agenda. And we're targeting before the summer heat of June 2022.

Ms. Couillard went to the next slide, stated and then on Field Street we are going to go to each substation and replace all the static wires in the station, just as a safety precaution and we're going to change where they're connected so there's not a strain pulling on them. And then we are also reviewing all the relay operations to make sure that they operated correctly and that if they did not, we'll make changes to that. And ultimately, I think we're going to look at upgrading some of our relay systems as well. Then stated that's it, any questions?

Chairman Davenport stated any questions anybody, Commissioners?

Commissioner Kelly stated so on the 3.5 miles, a mile of that is under like an emergency?

Ms. Couillard stated actually the total line is like 4.5 miles.

Commissioner Kelly stated that's going to have to be bid out and budgeted or is that in the budget, or an emergency budget, or?

Ms. Couillard stated that's actually, you'll see it as ratification, it's part of our emergency budget. So we'll take that money and we already have them scheduled and in a couple of weeks they're going to come out and do that section, so we're moving quickly.

Mr. Bunch stated so will that be a total for both, the total 4.5 miles next month?

Ms. Couillard stated yes, we'll put them together. Then added that way you can see the total impact.

Mr. Bunch then stated okay, thanks Ms. Couillard, thanks Mr. Steele, nice work. That's it for the General Manager's Report Chairman.

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

Chairman Davenport thanked Mr. Bunch and then stated agenda number five, Commission Counsel's Report please, Mr. Cloud.

Mr. Cloud stated yes sir, just briefly two things. First there is a mediation scheduled for the Hypower case in May and I would like to request sometime the same day as our next monthly meeting, that we have an Executive Session regarding that matter so that I can advise you on an upcoming mediation. And so if we can schedule that for our next meeting and provide the proper notices, I think that would be appropriate. Now we are not actually listed as a party to that proceeding and so I will work with Mrs. Simmons to make sure that there is either a proceeding that we have been named as a party or that I find a way to meet with you individually so that we don't violate the Sunshine Law on this. But I wanted to take advantage of this time to put it to, you know, bring this to your attention in a meeting because under the Statute you have to do that in order to schedule a meeting. But one way or the other we will provide a chance to talk to you some time in the latter part of April regarding the litigation strategy and expenses. So that would be item one. And I think all you need for that is a motion to authorize Mrs. Simmons and I to work together to schedule either an Executive Session or individual meetings all in accordance with the Sunshine Statute on the Hypower case.

Chairman Davenport stated okay, then let's move forward on that issue.

Commissioner Smith stated so moved; specifically a motion authorizing General Counsel – Mr. Cloud and Mrs. Simmons to schedule either an Executive Session or individual meetings in accordance with the Florida Sunshine Statute on the Hypower case. (In accordance with Florida Statute, General Counsel announced at a public meeting discussion is needed regarding litigation strategy and expenses.)

Commissioner Hawes seconded the motion.

Chairman Davenport stated okay, thank you Mr. Cloud. Want to call the roll Mrs. Simmons please.

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

Mr. Cloud stated and the last item I just wanted to mention to you all that by now you should have received an invite for April 7th. One of my partners back in 2008, Robert Harding, he was heavily involved in the real estate market, he had a number of clients that were suing each other. He looked at the situation and decided that they literally needed to smoke a peace pipe so he put together a party that was called, at the time was called Bourbon and Cigars. And he gathered all these people together at the height of the recession and got them into a room and they resolved a whole bunch of those lawsuits. So when he came with our firm he started the tradition, we now call it Bourbon and Bubbles, and he goes out and finds small craft distillers. And we hold it in a place called The Veranda in Thornton Park. It's right in downtown Orlando, it's sort of a campus of older homes that have been turned into Bed & Breakfasts. And it's going to be at 5:30 on April 7th, I just wanted to make sure to mention that to you, we would love for ya'll to come if you can. And that's it, that's all I had Mr. Chairman.

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

Chairman Davenport stated thank you very much.

(6) Old Business:

Chairman Davenport stated okay, moving along, item number six, any Old Business, Commissioners?

There were no old business items to consider.

(7) New Business:

Chairman Davenport stated okay, moving along number seven, any New Business?

(7-a) Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR – Audit):

Mr. Bunch stated yes sir, for New Business we have the Fiscal Year 2021 Annual Comprehensive Financial Report, and we have Ron Whitesides with Purvis and Gray with us this afternoon. And I'm going to turn it over to Mr. Whitesides and I believe between Mr. Whitesides and Mrs. Simmons they figured out how we're going to get the slides coordinated here.

Mr. Whitesides addressed the Commission from the podium and stated good afternoon, good to see you all again.

Chairman Davenport stated thank you.

Mr. Whitesides stated for the record, Ron Whitesides, I'm a Partner at Purvis Gray and Company, we're you're outside, independent auditors. And I'm here tonight as the culmination of the audit process to deliver this report for your acceptance. Your year end is September so we're six months past that date so when we do look at some of these numbers, we're going to go back in time a little bit, a look at some historical items. We could probably get this audit done and delivered to you in January or so but we have to wait on the Florida Retirement System. They don't release certain data, actuary supports, and other information until mid-January. So once we get that we can actually finish the production of the financial statements and some adjustments we had to make. So in a minute I'm going to walk over there and drive the screen this year to look at some of the numbers. I know when I'm speaking from the podium sometimes it's a struggle to figure out what I'm talking at and listening to me and find the page and all that at the same time so we'll give this a try and see if, you can let me know if it's easier to follow along or not. But before we do that, I'd just like to say that the audit went very well, this is our fourth year as your auditors. Have gone better every year, not that they ever went poorly, the team does a very good job giving you accurate financial information, having the right types of controls and processes in place, that you as the governing body and customers can rely and bond issuers can rely on the financial data. Some recommendations we've made in the past, the significant ones, with completion of the rate study and some of the items that were addressed in that have been addressed. So in this year's report you won't see recommended additional actions, those have been addressed and we

(7-a) Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR – Audit) (cont.):

didn't uncover anything new this year to report to you. So again, all in all a very good audit result. Now I'll walk over here so I can drive this overhead.

Mr. Whitesides walked to the table and commenced to display and discuss various pages of the Annual Comprehensive Financial Report (ACFR). He stated I'll start out with the Auditor's Opinion Letter. We have here Management's Discussion and Analysis that follows the opinion letter, I'll get to that in just a second. But here's the opinion, so it is an unmodified opinion, that is what you want, that is the highest...

Chairman Davenport asked what page are you on there so we can just.., help me out here.

Mr. Whitesides stated its numbered page one but it's probably, Arabic page one, it's probably 20 pages into the book. Now were in the book on this right now.

Chairman Davenport stated okay, got you, thank you.

Mr. Whitesides continued and stated so an unmodified opinion, that's the highest level of assurance an auditor can render. It basically means that in our opinion the financial statements are fairly stated and presented in accordance with the appropriate accounting principals under governmental accounting standards which the Utilities Commission follows. What follows the opinion is Management's Discussion and Analysis. So this is a good place if you're going to read any of the financial statements this is a good place to do it. And again where I'm at is numbered page four in the book. Commented see this is not working like it's supposed to, I'm creating more confusion than eliminating it.

Commissioner Hawes stated well, we're catching up, that's okay.

Mr. Whitesides continued, the MDA, Management's Discussion and Analysis, again a good place to read some of the changes that occurred this year. So it goes into the why's of some of the operating results, management prepares this, we don't audit it, we do review it, it is accurate, and gives you a lot of information on the results for the year. After the MDA we get to the actual financial statements, and to start, this is page 17, it's the income statement for the year. So what you'll see, and I'll have to use my book, it has some notes in it, what you'll see is revenues for the year are up from \$59.4 million to \$63.2 million, that's an increase of \$3.79 million. Most of that is related to electric, of course electric is the lion's share of the revenues. Electric was up just under \$3 million, water was up about \$300,000, and reclaimed (includes wastewater) about \$500,000. All revenues are up based on volume as compared to the prior year and electric sales are up about 2%, about 2.5% in kilowatt hours, but of course a lot of the increase is driven by the cost of power itself. And so when we get into the expense section, which in total expenses are also up, from \$60.8 million to \$63.9 million, that's an increase of \$3.1 million and \$2.9 million of that is right here in the power cost line. So again, costs per kilowatt hour was up about 8% over the prior year and kilowatt hours sold is up about 2.5% over the prior year. So those are driving really the big changes in the income statement for this year.

(7-a) Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR – Audit) (cont.):

Mr. Whitesides continued and stated, we have certain non-operating items as well. In total you'll see that non-operating income or expense, in this case all of them added together is a net expense of \$1.1 million in the prior year down to \$800,000 this year, so an improvement in non-operating items. You'll see interest income was down, just heard Mr. Chavez talk about the new investment model utilizing FMPA, but this is prior to implementation of that so you know most of the investment securities their return is based on just a variable rate of interest payment and those rates were about as low as they could go in 2021, so we see a decline in investment earnings. Other income, lots of things flow into this number, you see its up about \$400,000, the biggest mover there was the settlement of the AT&T pole rental rates, so that's about \$200,000 of that increase. And you see we have a full year of interest costs now, that's the main expense item in this section, is interest on the long-term debt. So the new construction bonds outstanding, that's a full year's load of interest.

Mr. Whitesides continued and stated, so the income before contributed capital this year is a net loss of \$1.5 million compared to \$2.5 million in the prior year. It is important to remember that number does include depreciation, right, a non-cash expense. So there's \$9 million of depreciation in that number, so it's not a cash loss, but its also not a long-term sustainable event either. And remember this is all prior to the rate study, rate adjustments going into place. Okay, so this is part of why that needed to be done, so that this will go from being a loss to being at least break even or an income over time that makes it sustainable. So we'll see where that leaves us on the balance sheet, which is pages 14 and 15, corrected to pages 15 and 16, I'm sorry. So on page 15, these were the assets of the Utilities Commission at September 30th, current assets, generally cash and receivables and investments increased from \$25 million to \$33 million. And you see the change is here, in the internally designated asset line item, that is the discretionary Renewal and Replacement Funds. So what has happened is in 2021 we have switched gears to construction projects being funded out of bond proceeds, which we'll see a decrease in bond cash in a moment and allowing the replenishment of the Renewal and Replacement Funds. Which will build at a rate of about \$6 million a year if they're not expended. So that's exactly what we're seeing here, about a \$6 million increase in internally designated Renewal and Replacement dollars, here is the bond cash, these restricted items. This is bond and other restricted cash which includes the water and wastewater capacity fees, and the developer infrastructure funds which have been being refunded. So you see about an \$18 million decrease, \$15 million of that was bond funds being expended. Most of the rest is the refund of the developer infrastructure fees. And you see a conversion of cash to assets, so total assets in the prior year were about \$200 million, this year they're at \$214 million. So again as the assets are constructed, we see these items increasing and of course they're being depreciated at the same time.

Mr. Whitesides continued and stated on the liability side of the ledger there's little change in current liabilities. Those are payables, accrued costs, current year debt service payments. And in the non-current liabilities we do see a decline for approximately \$99 million to \$93 million. Big movers there are the meter, you see meter and developer deposits, the developer deposits are being refunded so that decreased from \$5.5 million to \$4 million. We see a \$2 million decrease in the net pension liability, so early on I mentioned we have to wait for the Florida Retirement System to get the pension data. Florida Retirement System had a fantastic rate of return year, so the net pension liability of the Utilities Commission has decreased, from

(7-a) Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR – Audit) (cont.):

\$2.7 million to \$700,000. And that could flip around next year depending on investment performance but that's what's happening there. And then you see the long-term obligations, decreasing from \$79 million to \$77 million, that's the pay down of the long-term debt on the bonds. The difference in this last section on the bottom of the page between the assets and the liabilities is equity. The most important number here is this last item, unrestricted equity, so you can see it increased from \$6 million last year to \$12.8 million this year. Again what's happening here is we're spending bond funds to do capital projects, so we're accumulating the discretionary Renewal and Replacement Funds. Which are discretionary, you can use them for renewal and replacement, or you can use them for something else if need be. So you see that unrestricted net position, which is generally speaking funds available for any purpose of the Utilities Commission building, and that was too low a number, \$6 million for utility construction.

Commissioner Hawes stated I'm sorry, so is the net position when you say the equity, is that comparable to that, am I looking at that the right way?

Mr. Whitesides stated yes, net position is just a governmental accounting term for equity.

Commissioner Hawes stated okay, got you.

Mr. Whitesides stated now the majority of it is disbursed side, right, \$184 million is invested in capital assets, that's all the infrastructure less the outstanding debt used to construct it. So that's where the bulk of your assets are is in the ground in the air infrastructure but of course that's not spendable. It actually includes debt that has to be repaid from other sources. And you have certain monies that are restricted, so a \$1.4 million under debt covenants, so that's a sinking fund for your bonds and \$15 million for renewal and replacement service capacity, that's water and wastewater capacity fees (known as capital connection fees). So this is, this last item what it says most important to me is these unrestricted funds are available for anything that you need it to be used for. And as I was saying \$6 million is probably too low, although it was part of the plan. All right, so the plan, I've been here four years and the plan has been the last three of these to use renewal and replacement funds for your capital infrastructure until the bond proceeds were online. And then this year, then switch over to that and replenish it and that's, you're seeing that plan in action here, that's what's happening. Okay, so that's the numbers, I'm going to talk about a couple of other things but any questions on the numbers?

Chairman Davenport stated what was our goal, we had a goal. I remember our meeting on finances that we were really low, and I think it's the \$6 million unrestricted, what was our goal to get it up to?

Mr. Whitesides stated I don't know what the target number is.

Mr. Chavez stated so what we committed to Fitch when we had our.., we committed to 90 days. So right now when you look at our, when we look at in essence the \$13 million, the funds available for U.C. use, we're about 34 days, so we're heading in that right direction in that regard. So as we continue to build up the funds, because we're using the bond proceeds

(7-a) Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR – Audit) (cont.):

for capital; see before we were “eating”. We were collecting cash and then immediately going out the door to pay not only expenses but all the capital. Now what we’re doing is all the bond proceeds are paying for 100% of capital until we use the \$65 million, so that’s where we’re building up. So our target is 90 days, right now we’re at like 34 days.

Chairman Davenport stated that’s what I was referring to.

Mr. Chavez stated yes.

Chairman Davenport stated okay.

Mr. Chavez added so we’re heading there and that’s, this is part of the plan that we committed to ourselves and to the rating agencies. So I’ve had, I just had a meeting with them or at least provided them some information and you know my preface to them was, hey, wait until 2022 when you see the rates come into play, it will be a much better financial story. But to Mr. Whitesides’ point, you know 2020 was eh, 2021 better, 2022 will be better. And when we say that, that’s really building up that reserve because we need to have that reserve.

Chairman Davenport stated that’s what I was totally referring to, Mr. Chavez thank you.

Commissioner Hawes stated is that also, is that for example when Ms. Couillard and Mr. Steele were talking about the transmission line, is that where that hits, meaning this is kind of outside the...

Mr. Chavez stated yes, so what happens is when we do the capital projects that will more than likely, that will be a capital project, so those, it will be paid through, by the bond funds. So you know when we finished up the audit this year, you know we worked closely with Mr. Whitesides and his team to say okay, here’s our support in the sense of okay here’s how it all reconciles out. Does that address it?

Commissioner Hawes stated yes it does.

Mr. Whitesides stated all right, last thing I’ll cover with you, there should be a separate letter that each of you has, this is simply required communications. So when an auditor completes an audit and reports to the governing board, there’s certain things that audit standards require. We communicate with you, we do it in this letter, I’ll run over a few of the highlights quickly here. First of all we haven’t adopted any new accounting policies, so we haven’t changed existing accounting policies, so there were no new standards that we implemented this year that affected the Utilities Commission’s accounting records. Second section deals with estimates, there are estimates in these financial statements, it’s not all historical fact. So we estimate the useful lives of assets, so we’ve been depreciating that line, you’re going to have to take down earlier right, so that is an estimate of how long those will last and the rate which we depreciate them. Collectability of receivables isn’t a big issue here, but we do estimate and book a reserve for that. And then the big items are actuarial studies of the net pension liability of the legacy pension plan for Florida Retirement System and other post-employment or OPEB obligations. So you hire actuaries that do analyses of those and provide the

(7-a) Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR – Audit) (cont.):

information that we include in the audit. There's another section that deals with financial statement disclosures, we're supposed to advise you of what we think the most significant disclosures are, in my opinion they are notes 3, 11 and 15 which deal with your funds on hand, the restrictions on them if any, the transactions with the City of New Smyrna as a related entity, and note 15 which talks about your purchased power agreements. So none of your disclosures are unusual or anything like that but those would be the ones that are the most significant to me. And then the last couple of items here just deal with did we have any significant difficulties in conducting the audit. We did not, management has been great to work with, we had no issues in this year's audit, they were well prepared, we didn't post any significant adjustments to your financial statements, so we're not uncovering you know latent errors in the financial reporting process or anything of that nature; so we had no difficulties. And I'd like to take this opportunity to thank Mr. Bunch, Mr. Chavez, and Mrs. Merchant, and the rest of the team, they've been great to work with and they're truly a first-class group of people; so thank you all. And that concludes my presentation, happy to answer, if there's any other questions.

Commissioner Hawes stated I kind of have a question and I'm most embarrassed to ask this but as I was kind of going through this yesterday, I got a little hung up on page 74, and what I was looking at, it's sort of the ten year changes in net position over the last ten years. And I know we can't answer some of these things going back but I kind of did the math quick and I think I came up with it that in ten years we increased our operating revenues by roughly 15% and our expenses were up by 24%. Now there was some unusual stuff that went on and I've got to say, I don't know what our customer change has been in that period of time but it seems to me that we have done an awful lot without a lot of change. And I don't know if that's accurate but that was kind of the summation that I had on that and do I have that close to right or?

Mr. Chavez stated so when you say that, so yes, I mean we've had, we've spent a lot of the capital, we spent the cash, we bring it in we spend it on capital. So I think what's covered us is we've had consistent growth over the last ten years. Now you do have the 2008 period, which would have been a slow down but these folks versus budget, our folks versus budget, as far as an expense basis, it's been very, they've consistently beat the budget. In addition we've challenged the budget and they still managed to beat the budget. So there has been to your point, there has been a lot accomplished with the resources on hand and we continue that challenge to make sure that folks, you know to the lowest level of expenses to make sure things are running as efficiently and as productively as possible in that regard.

Commissioner Hawes stated yes, because like I said, and the way that it struck me, and I'm asking more than I'm telling, but I don't know what our customer base was in 2012, but if it was 25,000, 26,000 in the ballpark, its 30,000 today. So you think about that maybe coupled with maybe some price increases and fluctuations, it just seems like it's a really remarkable story. And I kind of got hung up on this page for that reason and I thought I'm going to ask and see if what I looked at is actually factual.

Mr. Chavez stated and to your point, the rates, we haven't changed rates, we haven't had a rate increase I believe, I was, the numbers get, but it's been...

(7-a) Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR – Audit) (cont.):

Mr. Bunch stated the electric and potable water hadn't changed since 2004 until this prior September and the wastewater and reclaimed I think changes slightly in 2012 or 2013, sometime in that time frame.

Mr. Chavez stated yes, because the recommendations at the last rate study were to increase and it was purposely, the decision was to not increase. Now to Mr. Whitesides point when you look at that unrestricted bottom there, yes that's what happens when you don't have the funds. Expenses, let's face it, expenses go up every year, but if your rates don't change but your expenses continue to grow, you're going to collect, burn, you're going to consume cash. Does that address?

Mr. Whitesides I would just add, observe that in the municipal utility arena which you're very akin to you know, adjacent to, there's a common sort of theme of revenue adjustment reluctance. And so revenues as you see in that long term trend are flat, of course costs increase every year and that's what I see when I look at those numbers is those costs, and it gets to a point where all right we have to adjust the rates because costs just go up. And that's, I think you look back ten years, that's what I see, costs are escalating as they should, as you expect every year, revenues stayed flat.

Commissioner Hawes stated yes, and then added that was it, thank you.

Mr. Bunch stated okay, we'll give the Chairman a moment to get back. Are there any other questions for Mr. Whitesides or Mr. Chavez?

Commissioner Smith stated the Commission employees are all covered under FRS?

Mr. Bunch stated no, and I don't know the exact year but sometime around '96 or '98 the Commission transitioned from FRS to the form of retirement we have today, which is pay as you go percent of salary per year that gets put into a 401A account. So over time the number of people and the dollars associated with that FRS liability declined, but as Mr. Whitesides mentioned year to year depending on the return on Florida's investments it will impact how much we have to contribute.

Commissioner Smith stated so that's going down, the FRS, because through attrition.

Mr. Bunch stated over time it will, correct, by virtue of, at some point, we only have... Mr. Chavez do you know how many people we have paying into that today as active in retirees?

Mr. Chavez stated we have I believe less than 15 employees.

Commissioner Smith stated that are under FRS.

Mr. Chavez stated yes, and as they leave or retire it just, and we have an actuarial, as Mr. Whitesides indicated, we have an actuarial study done every year, so over time that liability will continue to decrease, assuming you know all that's being equal that should go down as the number of employees go down.

(7-a) Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR – Audit) (cont.):

Mr. Whitesides stated the liability as it exists now is mostly tied to your retirees since there's not many current active participants in the plan.

Chairman Davenport stated well I can say this, it's reassuring to know after sitting here the number of years I have that personally as a businessman, we're all in the town and we as Commissioners are responsible, I feel 150% Mr. Chavez, you and Mr. Bunch and everyone else, really good about the money; that's what's important. I like to hear we're up to 34 days too. So good report, any other questions from anybody?

Mr. Bunch stated I think we need a motion to approve.

Commissioners Hawes and Conrad simultaneously stated motion to approve; specifically a motion to receive the Audit for Fiscal Year Ended September 30, 2021.

Commissioner Kelly stated second.

Chairman Davenport stated okay we have a motion to approve, let's see who did that.

Mr. Bunch stated Commissioner Conrad and Commissioner Kelly.

Chairman Davenport stated Mrs. Simmons, call the roll please.

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

Chairman Davenport then stated great job, thank you Mr. Whitesides, appreciate it.

Mr. Whitesides stated very good and on behalf of Purvis Gray again, thank you very much. It has been a pleasure working with the Utilities Commission and your team here.

Chairman Davenport stated thank you.

Mr. Bunch stated I just want to make a quick comment if I could Chairman, so three years ago we started on a journey and it was very deliberate. We developed the Vision and Modernization plans and at that time we had a conversation about rates and the bonds. So at that time we decided to hold off on doing the rate study until we finished the modernization plan and went out and borrowed. And at that point in time we said okay now we know what the foreseeable future looks like, let's do the rate study which was about a year and a half ago. And Mr. Chavez with PRMG / Raftelis conducted that, we revised the rates in October and although the audit didn't speak to it, page 8 of our monthly report really shows you the quick and simple easy to understand how we're doing it. It shows you our profitability per account and on an average level we're almost to \$16 per customer account. Going back to last year we were in the red per account and so when Mr. Chavez met with Fitch and Moody's on Wall Street two years ago and they identified that, he assured them that sometime in the next twelve months we would be taking steps to make a modest increase in rates, and we did. So back in October, October 1st, put the new rates in place and as the monthly report tells it's a good story at this point and its, I think, I don't want to speak for Mr. Chavez, but I think he's,

(7-a) Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR – Audit) (cont.):

the teams landing right where he thought we would be financially and just a good overall trajectory over the last three years.

Chairman Davenport stated \$16 per account, with our 30,000 is \$480,000, half a million?

Mr. Bunch stated roughly, yes, there's differences between the water, wastewater and the electric numbers of accounts, but round numbers yes.

Chairman Davenport stated that's better than the red, I like that.

Commissioner Hawes stated and it appears we're sort of turning an accounting corner now, a cash flow accounting corner, is that?

Mr. Chavez stated yes, that is true.

Mr. Bunch stated so, just thought I'd add that note and I'm sure when Mr. Whitesides comes back next year and speaks to how we did in a year it will show more of the same. But it's heading in the right direction, as you mentioned the cash on hand, while it's not 90 days, it's heading in that direction and 30 plus days is a pretty healthy place to be at this point.

Chairman Davenport stated thanks to you and other management leaders, thank you. Okay, any other New Business?

(8) Possible Other Business – Time for Commissioners:

There being none, Chairman Davenport then stated item number eight – Possible other Business, Time for our Commissioners. Commissioner Conrad do you have anything?

Commissioner Conrad stated no, I do not, but thank you.

Chairman Davenport stated thank you, Commissioner Kelly?

Commissioner Kelly stated I think it's great on the safety thing that Mr. Bunch and team, you know it's one of those things in our shops, we get away from it and it's being part of this, a monthly meeting on that. And you know I wasn't here last year, but it just seems great progress you guys have made with improvements. I don't know what we were doing before, and I don't want to hurt anybody feelings but just from a business aspect. And even the revenue expense thing, not everybody's even got the numbers that we have with expenses because expenses have gone through the roof compared to revenue in a lot of instances. I just think it's a great job and like I said the safety thing, it's great to keep that out in front, long term it saves companies a lot of money; so thank you.

Mr. Bunch stated John DeFries does a great job. That's an interesting role, you don't want people feeling like the policeman showing up and arresting you. He has a nice way of interjecting himself on the job site, identifying opportunities for improvement, making the guys almost own it themselves, and as a result they welcome him on the job site. And that's a

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

big important thing, I've actually seen it and he's got the respect of the guys. So he manages them, encourages them, coaches them up and leaves the job site without feeling they've been scrutinized or whatever.

Commissioner Kelly stated really outstanding.

Chairman Davenport stated okay, confirmed nothing further, then stated Commissioner Smith?

Commissioner Smith stated as always, I have something.

Chairman Davenport stated we welcome it.

Commissioner Smith stated at the last meeting and if you look in the minutes, I mentioned following up on our meeting with the City Commission, the items that were raised. And in talking with Mr. Bunch we're going to have that on next month's agenda and I believe that we have some opportunities working with the Commission to get some really good things done. And I think this is probably one of the best times relationship-wise between the two that we can come up with some good ideas and work with them. So I look forward to next month and staff is going to provide us with a list of items that were raised, and we'll have the opportunity to comment on how we would like to follow up on those items.

Chairman Davenport stated thank you, then Commissioner Hawes?

Commissioner Hawes stated well, I'm probably echoing some comments, but you know to me the audit and the management discussion and analysis is sort of a capstone event for the last fiscal year, I guess. And if we just kind of look at where we're at, could be the safety issue, could be infrastructure issue, could be the reserve issue, could be pick a topic, and we just seem to be hitting on all of these cylinders. And it's a great thing to feel and it really helps I think Mr. Chavez from at least my standpoint to kind of go through a little bit of the accounting and cash flow pipes and make sure we understand this a little better – that helps with this. Thank you.

Chairman Davenport stated thank you, and well, I observed today, it just catches my attention, representing all of Volusia County with the FIND board, is the amount of money that we spend on removing gopher turtles. And these gopher turtles, I mean it's like when we pump, we're going to dredge the inlet. I was out on the boat the other day, so many boats, and it's closing together again. But when we dredge the inlet, we'll put it on the island or wherever, but those turtles show up everywhere. I mean we cut our own grass, we can't cut our grass without moving turtles again. So I can't wait to bring this one up, so here we are. But I do like the idea of our investments, just looking at the last few years, what you just said today, at the end of the day it's a quarter of a million dollars in one year. In one year that we, this board, and you and us did, and that is huge for this community. Just think we've been doing that the last couple of years, it would have been.., that's what we're here for and I appreciate it. And I appreciate all of the input that everybody gives, but that's a lot of money at the end of the day and thank you Mr. Chavez and Mr. Bunch, appreciate it, and everybody else.

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

Sitting here and working with everybody is such a pleasure you know. You sit here, and the previous, I like to say we all, the chemistry is good, the synergy is good, and again what you just said Commissioner Smith, working with the City and the goals that we have here, and they have. I've never seen it go down the same street, so let's just keep this going, the direction it's going, because it's very, very positive in a lot of ways. So with that being said I'll call...

Commissioner Smith stated Mr. Chairman, just one comment.

Chairman Davenport stated yes sir.

Commissioner Smith about the gopher tortoises, from a long-time resident of New Smyrna, when I was a kid we would capture gopher tortoises and my neighbor ate them; so times have changed for the gopher tortoises.

Chairman Davenport commented that might be an opportunity in the future if they keep going the way they are. All right, I'll call this meeting adjourned; thank you.

There being no further business to come before the Commission, the Regular U.C. Meeting closed at 4:22 p.m.

{NOTE – Effective at the U.C.'s 3-22-21 Regular U.C. Meeting, commencing with the minutes for Two Final Public Hearings and Regular U.C. Meeting Held 2-22-21, the Commission will start approving annotated minutes within the agenda package.}

These detailed, near verbatim minutes will still be prepared for reference, electronic searches, and will additionally be posted on the U.C.'s website – ucnsb.org.}