



J. HOLCOMB, CHAIRMAN
J. DAVENPORT, VICE CHAIR
L. CONRAD, SECY.-TREAS.
R. HAWES, ASST. SECY.-TREAS.
J. SMITH, COMMISSIONER
T. CLOUD, GENERAL COUNSEL
J. BUNCH, GENERAL MANAGER/CEO

AGENDA**
REGULAR MEETING OF THE
UTILITIES COMMISSION
CITY OF NEW SMYRNA BEACH, FLORIDA
TO BE HELD MONDAY, MARCH 22, 2021,
AT 3:00 P.M. 200 CANAL STREET, DEBERRY
ROOM, 3RD FLOOR, NEW SMYRNA BEACH, FL

RESULTS OF UC MEETING

[Pledge / Invocation / and Safety Message: "UCNSB Wetwell Safety" – Brandy Keehn]
(CHARLES "C.J." SICOWITZ, LIFT STATION MAINTENANCE MECHANIC, PRESENTED SAFETY MESSAGE SLIDES. ALSO DEMONSTRATED ASSOCIATED EQUIPMENT UTILIZED TO PERFORM JOB DUTIES)

ROLL CALL

1. **Agenda Changes, Additions and Deletions**
2. **Public Participation (Virtual Viewing & Limited On-Site w/ Appt.)**
- *3. **Approval of Consent Items (APPROVED) (ALL CONSENT ITEMS APPROVED AS SUBMITTED)**
 - 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.) (U.C. and State Requirements)
 - b. ✓ Renewal of Annual Contract for Outsourced Utility Locates, for Electric and Water Resources Departments – T. West (U.C. and State Requirements)
 - c. ✓ Assignment and Assumption of Developer's Agreement for Sarinna Lakes (PSK Sugarmill Investment, LLC and Meritage Homes of Florida) – J. Couillard (U.C. and State Requirements)
 - d. ✓ Project Approval – Preventative and Corrective Maintenance Project – Line 3 and Line 25 Subaqueous Cable Crossings – J. Couillard (U.C. and State Requirements)
4. **General Manager's Report – J. Bunch**
 - a. Financial Status – February 2021 – E. Chavez
 - b. Balanced Scorecard and Enterprise Metrics – February 2021 – E. Chavez (CFO PRESENTED AND DISCUSSED FEB. 2021 FINANCIAL & OPERATING PERFORMANCE PRESENTATION. CHANGE IN NET ASSETS REFLECT AN APPROX. \$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. FEB. 2021 FYTD CAPITAL EXPENDITURES WERE APPROX. \$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 MAJORILY DRIVEN BY ASPLUNDH TREE TRIMMING CONTRACT – FOCUSING ON WORST PERFORMING FEEDERS AND STARTING TO SEE DIRECTLY RELATED RELIABILITY IMPROVEMENTS. COMMENTED FROM AN OPERATIONAL 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 ACCOUNT RECEIVABLES RUNNING AT 97%. GM-CEO COMMENDED FINANCE TEAM ON RECOVERY FROM LAST YEAR'S PAUSE ON DISCONNECTS. CFO ADDED UC CUSTOMER SERVICE TEAM DID A GREAT JOB WORKING WITH AND HELPING CUSTOMERS BUT ALSO MAKING SURE THE UC FINANCIALS REMAINED IN GOOD ORDER. GM-CEO ALSO MENTIONED AN ITEM 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 WAS ONLY ONE OSHA INCIDENT IN WATER RESOURCES LAST YEAR. CFO CONFIRMED UC BENEFITTING FROM REALIZED REDUCTIONS IN WORKERS' COMP. PREMIUMS)



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5. Commission Counsel's Report – General Counsel

- a. ✓ Florida Statutes Chapter 112 – Section 112.3143 Voting Conflicts Compliance – Publicly Enter Chairman Holcomb's Form 8B Into Record (for action taken @ 2-22-21 Regular U.C. Mtg. - T. Cloud (**FORM 8b FILED IN RECORD**) AI 7-b.)

(GENERAL COUNSEL REPORTED ON TWO LEGISLATIVE ITEMS. 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 RE: 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 (NO OLD BUSINESS ITEMS WERE PRESENTED FOR CONSIDERATION)

7. New Business

- a. ✓ Fiscal Year 2020 Comprehensive Annual Financial Report (Audit) – E. Chavez (U.C. and State /Federal Requirements) (RONALD WHITESIDES WITH PURVIS, GRAY & CO., THE UC'S EXTERNAL INDEPENDENT AUDITORS, PROVIDED A REVIEW AND DISCUSSION REGARDING FY2020 AUDIT. WITHIN HIS COMMENTS, 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 UC'S INTERNAL POLICIES NOR TO ANY STATUTORY REQUIREMENTS. ALSO STATED UC RECEIVED AN UNMODIFIED OPINION RE: PRODUCTION OF ACCURATE FINANCIAL REPORTING INFORMATION, HIGHEST FORM OF ASSURANCE AUDITOR'S CAN PROVIDE. ENCOURAGED COMMISSIONERS TO READ THE FIRST FEW PAGES OF MANAGEMENT'S DISCUSSION AND ANALYSIS – BEST PLACE TO GET A HIGH-LEVEL OVERVIEW OF UC'S ACTIVITIES AND ACCOMPLISHMENTS DURING THE FISCAL YEAR AND THEIR AFFECT ON THE FINANCIAL STATEMENTS.

ON STATEMENT OF REVENUES AND EXPENSES FOR FY2020, REVENUES DECLINED FROM THE PRIOR YEAR, FROM \$60.7 MILLIOIN 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.



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7-a. ✓ Fiscal Year 2020 Comprehensive Annual Financial Report (Audit) (CONT.)

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, UC 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 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. AUDITOR STATED PROBABLY AS LOW AS UC 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. AUDITOR 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.

ALL LETTERS AND NOTES FROM THE AUDITORS WERE CLEAN – NO CONTROL NOR COMPLIANCE ISSUES. ALSO SUMMARIZED THE GOVERNANCE COMMUNICATION LETTER. DISCUSSED ACCOUNTING ESTIMATES, NO DIFFICULTIES IN CONDUCTING AUDIT AND UC FINANCE TEAM DOING A VERY GOOD JOB. FINAL ITEMS COVERED WERE RECOMMENDATIONS IN GOVERNANCE LETTER CONTINUING ITEMS FROM 2018 AUDIT ARE AWAITING COMPLETION OF THE RATE STUDY: THE FUEL COST RECOVERY POLICY, SUFFICIENCY OF RATES, AND FUEL COST TREATMENT OF ST. LUCIE UNIT NO. 2 (NUCLEAR) PARTICIPATION.

DISCUSSION ENSUED RE: CURRENT RESERVE LEVELS. CFO INDICATED SPECIFIC TO UTILITY BUSINESS RESERVES, INDUSTRY BEST PRACTICE IS MINIMUM 90 DAYS IN OPERATING EXPENSES. AND ADDED UC STAFF ACTIVELY INCORPORATED ALL OF THE AUDITORS' RECOMMENDATIONS INTO THE ONGOING RATE STUDY.

- b. ✓ Amended/Revised Purchasing Policies and Procedures Manual (Proposed U.C. Resolution No. 2021-04) – E. Chavez (*U.C. and State Requirements*) **(APPROVED – UPDATED MANUAL TO ALLOW ELECTRONIC RECEIPT OF BID REPLIES AND EXPANDED SOLE SOURCE PROCEDURE TO INCLUDE ADVERTISEMENT OF INTENT TO USE SOLE SOURCE. U.C. RES. NO. 2021-04 APPROVED AND EFFECTIVE IMMEDIATELY)**
- c. ✓ Agreement for Banking Services – Bank of America, N.A. (leveraging City of Orlando's RFP No. 20-0276) – E. Chavez (*U.C. and State/Federal Requirements*) **(APPROVED – BANKING AGREEMENT WITH BANK OF AMERICA - THREE YEAR PERIOD AT EST. ANNUAL COST OF \$30,000)**



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8. Possible Other Business - Time for Commissioners

(COMMS. HAWES MENTIONED HIS ATTENDANCE AT THE NEW BUSINESS WORKSHOP HOSTED BY U.C. ENGINEERING HELD ON 3-19-21. STATED DEVELOPERS APPRECIATED THE INFORMATIONAL MEETING, WAS VERY IMPORTANT TO HOLD AND WENT VERY WELL; ALSO THANKED UC STAFF FOR THEIR ASSOCIATED EFFORTS FOR THIS MEETING. COMMS. DAVENPORT CONCURRED, ALSO ATTENDED AND STATED WORKSHOP WAS WELL DONE WITH A LOT OF PEOPLE IN THE ROOM AND LISTENING. ALSO MENTIONED PUBLIC HAVE BEEN COMMENDING UC OPERATIONS TO HIM AND MANY ARE WATCHING THE UC'S FACEBOOK; TRANSPARENCY, THE BEST WAY)

✓ **A Check Mark Indicates Items Which Commission Approval Has Been Requested On This Agenda**
Please Note -- Most Discussion Items Will Not Have Documentation, Will Be Listed On Agenda Only

- * **Consent items to be approved as recommended or accepted as appropriate without further comments unless discussion is requested by Commissioner.**
- ** **Pursuant to Section 286.0105 of the Florida Statutes, if an individual decides to appeal any decision made by the Utilities Commission, City of New Smyrna Beach, Florida, with respect to any matter considered at a meeting or a hearing, that individual will need a record of the proceedings, and will need to ensure that a verbatim record of the proceedings is made. The transcription of such a verbatim will be provided an individual at a cost to be determined by the Utilities Commission in accordance with the full cost to reproduce such transcriptions and copies.**
- ** **In accordance with the American with Disabilities Act, persons needing special accommodations to participate in this proceeding should contact the individual or agency sending this notice as soon as possible but no later than two days prior to the proceeding at the address given on the notice.**