

*[ANNOTATED VERSION\*]*

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

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

The Director of Electric Operations explained the Apprenticeship Program for a Line Maintainer. Indicated it was a four-year program and included 8,000 hours of training. Quite an accomplishment for the employee and their families that support them. This program is certified by the Florida Department of Education and is recognized throughout the United States.

Mr. Jason Cox was in attendance at this meeting and received his certificate in person. The Director of Electric Operations and UCNSB Chairman presented same. After applause, Mrs. Fisher took a picture of the certificate presentation which was posted on UCNSB's website and also provided to this employee. (Ryan Compton was not in attendance at the meeting.)

Pledge and Invocation:

Chairman Davenport directed to move forward with 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

Mr. DeFries, the Manager of Safety and Risk and Mr. Heil, Interim Director of Water Resources, provided a presentation which included statistics of trench-collapse deaths during 2003-2020 and trench/excavation standards, details regarding current U.C. safety practices for the management of trench safety and the purchase of new equipment – “Build a Box”. Also included photos of U.C. Water Resources employees testing and utilizing this piece of equipment.

Various U.C. Commissioners commended the General Manager-CEO and staff for these ongoing safety messages provided prior to each Regular U.C. Meeting.

Roll Call:

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

Roll Call (cont.):

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:

There were no agenda changes, additions or deletions.

(2) Public Participation:

There was no public participation at this time.

(3) Approval of Consent Items:

Chairman Davenport confirmed none of the Commissioners wished to pull any consent items for discussion.

Commission Action:

Commissioner Conrad 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 – 5<sup>th</sup> 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.

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

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 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 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 the summary of the agenda item is ongoing for GM-CEO or 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 to add to the statewide list).

Commissioner Kelly stated second.

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

(4) General Manager’s Report:

Mr. Bunch indicated Mr. Chavez would be coming to the podium to present the monthly financial report.

(4-a) Financial Status – February 2022:

Mr. Chavez presented the February 2022 Financial Performance and stated the fiscal year to date reflected a change in net assets of approximately \$2.3 million, including a half million Mark to Market (MTM) adjustment. Driven by increased revenues, capital contributions, lower operating expenses offset by lower electric consumption and increased purchased power. Noted the MTM adjustment was non-cash and is a required accounting entry to record the Utilities Commission’s investments at fair market value. The year over year electric consumption was lower by 4%, driven by mild weather. February fiscal year to date capital expenditures were approximately \$8.7 million, \$4.9 million in major projects and \$3.8 million in annual projects. Fiscal year to date operating income at \$0.5 million, \$3.6 million greater than February 2021. The current fuel and purchased power credit adjustment clause (FPPCAC) is a credit of \$3.98 per 1,000 kilowatt hours. The reserve or over-recovery FPPCAC balance is now lower than \$4.9 million. There was an increase in revenue due to the reducing balance but will now need a FPPCAC adjustment as the target balance is \$5 million. Currently planning to request a FPPCAC adjustment revision at the April 25, 2022 Regular U.C. Meeting. February 2022 capital contributions at \$1.5 million, \$600,000 higher than the

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

prior year. Fiscal year 2022 income before capital contributions at \$200,000. Last year was at a \$3.5 million loss, so this is a \$3.7 million year over year improvement.

Mr. Chavez then provided an update on the U.C. investments utilizing FMPA as the U.C.'s agent. The U.C. has now invested \$10 million in Florida PRIME and \$30 million in nine different high-quality investment products, in accordance with the U.C.'s approved investment policy. The total investment earnings fiscal year to date was \$24,600, compared to \$10,400 in February 2021. Current estimated annual interest earnings are approximately \$250,000. Two representatives from FMPA, were available to support further detail on investment program, Ms. Gloria Reyes, in attendance, and Mr. Rich Popp, participating via conference phone.

Mr. Chavez also briefly discussed the key performance indicators (KPI's), which are in good shape, and added making progress on the electric reliability metrics and improvements.

Mr. Bunch provided some additional clarify regarding the electric metrics – CAIDI, SAIFI, and SAIDI. Also explained and stated the targets\* which are expected to be reached over the next couple of years (\*number of minutes for an outage for the average customer, under 60 minutes, and with a frequency of outages to under one per year).

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

Mr. Bunch indicated that Ms. Couillard and Mr. Steele were going to talk about an assessment done recently and actions that will be taken over the next month, in between now and the next meeting.

Ms. Couillard and Mr. Steele then provided a presentation entitled "Transmission Line Material Condition, Root Cause Analysis and Corrective Measures". Recent transmission line outages were discussed, with the first outages in November 2021 caused by static wire failures. After that outage investigation, performed via drones and crew patrols, it was determined dissimilar metals used during installation of the transmission line caused galvanic corrosion, likely a 1990's material selection in the field. The planned correction was to replace approximately one mile of static wire and connectors. Materials were ordered and job was planned to be completed in April 2022. Subsequent transmission outages occurred during March 2022, and this outage investigation discovered again systemic galvanic corrosion and loosened bolted connections. Additional corrective maintenance activities are needed, the replacement of an additional three and a half miles of static wire and connectors. Now ordering additional materials and will include concrete pole caps and wire for replacement at each substation. Target completion of the additional work is June 2022, prior to storm season. Will be moving forward with the initial planned corrective action (approx. one mile) on a General Manager-CEO emergency approval basis. Ratification for the initial repairs plus total costs for both corrective actions to be provided for Commission approval at the April 25, 2022 Regular U.C. Meeting.

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

Mr. Cloud advised the Commissioners that a mediation on the Hypower case has been scheduled for May, and advice concerning litigation strategy and expenses is needed. He will confirm the Utilities Commission is named as a party on a current proceeding and then a Closed Executive Session could be held in late April. Also suggested an hour earlier start time of the Regular U.C. Meeting. If not a party, then individual meetings will be held in accordance with the Sunshine Law. But one way or the other will provide a chance to talk to Commissioners some time in the latter part of April regarding the litigation strategy and expenses. Then stated, 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.

Commission Action:

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 this public meeting discussion is needed regarding litigation strategy and expenses.)

Commissioner Hawes seconded the motion.

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

(6) Old Business:

There were no old business items to consider.

(7) New Business:

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

Mr. Bunch stated for New Business, we have the Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR) and Mr. Ron Whitesides with Purvis and Gray was in attendance to present this audit.

Mr. Whitesides provided a review and discussion regarding the Utilities Commission's Fiscal Year 2021 ACFR. Indicated this was the culmination of the audit process, to deliver this report for Commission acceptance. Added this was the fourth consecutive year Purvis, Gray & Company has served as the U.C.'s external independent auditors. Commented the U.C. team does a very good job of providing accurate financial information and has the right types of controls and processes in place so this governing body, customers and bond issuers can rely on this financial data.

Mr. Whitesides then displayed the FY2021 ACFR and discussed that this was an unmodified opinion, the highest level of assurance an auditor can render. Also discussed the Management

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

Discussion and Analysis (MDA) letter, that this provided the “why’s” of some of the operating results and added this was reviewed by the auditors and is accurate. Then proceeded to cover selected portions of the financial statements. Stated on the fiscal year income statement, revenues were up \$3.79 million, electric just under \$3 million, water \$300,000, and reclaimed \$500,000. Expenses increased \$3.1 million, with the majority - \$2.9 million, in power costs. There was improvement in non-operating items, a net loss of \$1.5 million income before contributed capital compared to \$2.5 million the prior year. This includes depreciation of \$9 million, a non-cash expense and was prior to the rate adjustments. Current assets increased from \$25 million to \$33 million.

Mr. Whitesides continued and explained in 2021 the U.C. switched gears to utilizing bond funds for construction projects, to allow replenishment of Renewal & Replacement (R&R) Funds for construction projects, to allow replenishment of the R&R Funds. This reserve should build at a rate of about \$6 million per year if not expended. There was an \$18 million decrease in restricted non-current assets, the \$15 million bond funds are being expended and the remainder was mainly refunds of Developer Infrastructure Fees. Total assets at \$214 million compared to \$200 million the prior year. There are increases as items are constructed but noted these are also being depreciated. Non-current liabilities declined from \$99 million to \$93 million. The U.C.’s net pension liability decreased from \$2.7 million to \$700,000. The Florida Retirement System (FRS) had an excellent annual rate of return this past year. Long-term obligations decreased from \$79 million to \$77 million, the pay-down of debt on the bonds. Unrestricted equity/net position increased from \$6 million to \$12.8 million due to the planned use of bond proceeds in 2021 in lieu of R&R Funds for capital construction.

Mr. Chavez responded to an inquiry from Chairman Davenport regarding the U.C.’s target for the R&R Funds reserve – 90 days. Also indicated the reserve was currently at approximately 34 days.

Mr. Whitesides also provided the U.C. Commissioners with a paper copy each of the “Communication with those Charged with Governance”. A required communication and additionally provided some highlights of same.

After responses to Commissioners’ inquiries and various discussions regarding the ACFR results, Chairman Davenport confirmed there were no further questions.

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

Commission Action:

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.

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

Commission Action (cont.):

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

Mr. Bunch provided a quick summary of the deliberate financial strategy over the last three years and steps taken. Pointed out that currently the U.C. was at \$16 per customer account and last year was in the red or negative per customer account. There has been a good overall trajectory over that period of time and 30 plus days of cash on hand now was a pretty healthy place to be at this point. Definitely heading in the right direction and next year will show more of the same.

(8) Possible Other Business – Time for Commissioners:

Commissioner Kelly commended the safety messages at the monthly meetings. Also the great progress with improvements and the management of expenses.

Commissioner Smith indicated after discussion with Mr. Bunch, U.C. staff will be providing a list of items raised at the Joint City/U.C. Workshop, held on February 24, 2022, at the next Regular U.C. Meeting (April 25, 2022). Commissioners will then have the opportunity to comment on how to follow up on those items. Commented this may be a best time relationship-wise to come up with some good ideas to work together on with the City.

Commissioner Hawes echoed the previous comments and commended the Audit and Management Discussion and Analysis. Commented that the U.C. seemed to be hitting on all cylinders for improvements. Added that this report and presentation also assisted with understanding the U.C.’s accounting and cash flow pipes.

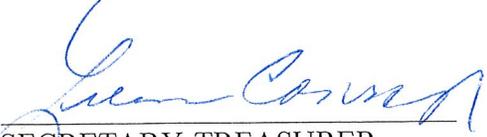
Chairman Davenport reiterated a few prior comments on the high costs associated with gopher tortoise relocations. Also expressed appreciation for the current U.C. Commissioners and staff for the successful investment efforts. Concurred with working with the City on mutual goals and encouraged all to keep it going in this positive direction.

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

APPROVED:

ATTEST:

  
CHAIRMAN

  
SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their April 25, 2022 meeting.