

AGENDA ITEM 2-a

MINUTES OF A REGULAR MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD MONDAY, JUNE 15, 2009, AT 6:00 P.M., AT 200 CANAL STREET, NEW SMYRNA BEACH, FLORIDA

Prior to opening the regular meeting, Chairman Allen proceeded with an invocation and also led the Pledge of Allegiance immediately following.

(1) Preliminary Public Hearing RE: Revisions to the Service Fees Rate Schedule:

Chairman Allen stated as we begin the meeting this evening, we're going to begin with the public hearings on three different items. The first, a preliminary public hearing of the Utilities Commission to consider Revision of Service Fees Rate Schedules. He then requested for a roll call to be taken and a majority of the Commissioners were in attendance as follows:

Chairman Walter Allen III
Commissioner Jeanne K. Diesen
Commissioner William E. Hall
Commissioner William H. Reynolds (ABSENT)
Commissioner Oscar Zeller

Others in attendance were as follows: R. Rodi, General Manager/ CEO; L. Klinkenberg, Director of Finance; T. Beyrle, Director of System Ops. & Gen.; R. Dembinsky, Senior Civil Engineer; R. Lemoine, Director of I.T.; P. Di Chiara, Director of H.R.; D. Hoover, Director of Water/Water Reclamation; M. Lynch, Materials Manager; B. Bilinski, Controller/Budget Supervisor; E. Fisher, Public Information Manager; D. Wood, Customer Service Manager; D. Zorge, Customer Service Supervisor; D. Simmons, Exec. Offices Adm. Mgr./Recording Secretary; B. Preston, Interim U.C. Legal Counsel; Richard T. Wagner, Southeastern Investment Securities - UCNSB Financial Advisor and Peter Dame, Akerman, Senterfitt & Edison, P.A. - UCNSB Bond Counsel.

Chairman Allen then requested Mr. Preston to read the notice of public hearing and proposed resolution.

Mr. Preston stated this preliminary public hearing was authorized by the Utilities Commission during their May 18, 2009, Regular U.C. Meeting, and notices appeared in the Orlando Sentinel at least ten days prior to this date. Notices were also placed on the bulletin board at the Utilities Commission office at 200 Canal Street and City Hall at 210 Sams Avenue. Proof of publication of advertisement for this hearing will become part of the minutes. He stated this is a resolution revising the service fees rate schedule established by the Utilities Commission, City of New Smyrna Beach Florida, rescinding all resolutions or portions thereof in conflict herewith, and providing for an effective date.

Chairman Allen stated okay, we're open for any comments for or opposed to the revisions to the service fees rate schedules.

Mr. Rodi stated to Chairman Allen, I have a correction I'd like to bring to the attention of the

(1) Preliminary Public Hearing RE: Revisions to the Service Fees Rate Schedule (cont.):

Commission and to the audience. On sheet number 4.4 (of Rate Schedule SF-1, Service Fees Rate Schedule), and you have a corrected copy in front of you. The last item as it relates to wastewater credit request, the language, not the amount, has been changed to include landscaping and plumbing leaks in addition to swimming pools, as trigger events. And the other qualifiers are that there must be documentation and that there's a limit. If you'd like I could read the whole paragraph so that those who don't have this can at least hear it.

Chairman Allen stated okay.

Mr. Rodi stated from the beginning, it says a customer may request a credit for the usage portion of their wastewater charges to fill or refill the swimming pool, installation of new landscaping or sod, or plumbing leak that caused excessive usage. The customer must request the credit in writing, (on a U.C. form) within 30 days of occurrence, and must provide documentation* to substantiate the request (*U.C. retains right to determine acceptable documentation). There is a limit of one credit adjustment per location type each calendar year.

Chairman Allen stated okay, any questions, comments for or opposed to the revisions to the service fees rate schedule.

Commissioner Hall indicated he had a comment and stated I have a question on revised sheet number 4.3, the trip fees. Maybe I am not reading this right, but I have a concern about that first part where we're going to charge a trip fee to a customer and the example given is the one concerning if I wanted to request a meter check because I think that there is something wrong with my meter. Then a crew comes out, or somebody comes out to check it and it turns out that there's nothing wrong with the meter, then I'm going to end up paying money for it during regular hours and a whole lot of money during after hours, that's determined by the U.C. It strikes me as that's part of our responsibility and if a customer is wrong, they're wrong, but I don't think that they should be penalized for asking us to go out and check something out. And that's the only part I have with this whole thing, I'm going to vote for it, but I'm just questioning why we're doing that.

Mr. Rodi stated are you referring to the meter lock charge designation.

Commissioner Hall stated no, trip fees.

Commissioner Diesen stated trip fees, it's on 4.3.

Commissioner Hall stated three fourths the way down the page.

Mrs. Simmons stated in the middle, I've got two 4.3's because of language (strike thru), so it's the middle page, sorry.

Mr. Rodi asked Ms. Klinkenberg to address this as he was still trying to find the reference.

(1) Preliminary Public Hearing RE: Revisions to the Service Fees Rate Schedule (cont.):

Ms. Klinkenberg stated we're increasing the amount on that from \$25 to \$35, that's always been a policy that we've had. We do go out and check the meters, and if it is our problem then we do not charge the customer anything. If there's not a problem, that's when they get the charge, because the truck had to leave, they had to stop their regular duties and go out and perform this check. She stated the \$150 fee really wouldn't come into play because a customer is not going to call here at 7:00 p.m. at night and say that their meter has a problem. It's just that all of our after-hour fees were upped because it requires a lineman or different trucks to come in and take care of something after hours.

Commissioner Hall stated we do pay time-and-a-half right.

Ms. Klinkenberg stated yes.

Chairman Allen added for after-hours.

Commissioner Hall stated have we had any complaints about the \$25 dollar fee.

Ms. Klinkenberg stated generally no.

Commissioner Hall commented that's either a yes or a no question.

Ms. Klinkenberg stated occasionally a customer will complain about it, but we do let them know in advance that yes, we'll come out and check your meter, and if there is a problem there will be absolutely no fee and we'll take care of it. But if it turns out not to be a problem with the meter, then there will be a charge, and they understand that.

Commissioner Hall stated give me a rational for raising it ten dollars.

Ms. Klinkenberg stated because the cost of everything has increased, the last time these rates were put in place...

Commissioner Hall interjected fair enough.

Mr. Rodi stated I found the reference, and I have a little bit more to add. He stated generally what prompts this kind of request is a dispute over a high bill, and oftentimes a customer will say, well the meter's got to be wrong because I really don't have three refrigerators, I only have two. And so you get into that kind of a dialog and generally the way to settle that is for someone to say we can have the meter tested for you but, and that's where the caveat comes in, if the meter tests fine you're going to have to pay for the trip rather than everyone else paying for the trip. If it doesn't test fine then we'll "eat" that charge. So that's how it normally happens, and then added thank you to Ms. Klinkenberg.

(1) Preliminary Public Hearing RE: Revisions to the Service Fees Rate Schedule (cont.):

Commissioner Hall then stated he had one other question on the same page, the meter tampering and all those things that a few customers do that are obviously wrong, do we feel that the penalty is high enough.

Mr. Rodi stated I think what happens is you'll see in some of the other provisions that the cost for meter tampering, because usually it's an unauthorized use, has gone up too, so it's trying not to distinguish between the reason for the trip, it's just trying to pay for the trip.

Commissioner Hall stated okay.

Commissioner Diesen stated I'm questioning the cut-in, cut-out fee, after-hours, emergency only, determined by the U.C. That's kind of opened for discussion if it's determined by the U.C, it would seem to me if it's a cut-in, cut-out fee, after hours, emergency only, that's it, and what's to be determined.

Mr. Rodi stated I think it depends upon when that happens, it's just like an emergency call, there are some periods when we may have to call someone out and they're on a double time entitlement, where another time it may be time-and-a-half, so depending upon the circumstances I believe that's the interpretation about our determination.

Commissioner Diesen stated so it's a maximum of \$150 then.

Mr. Rodi stated it will be \$150 unless we feel that it's a double time period or there's some extraneous amount. And understand please also that a customer can challenge the billing and we can point out the double time entitlements and those costs too; this is not an arbitrary amount.

Commissioner Diesen stated it kind of begs the question why they don't have to pay when they have a false call on fire doesn't it.

Mr. Rodi stated well yes, the city is going after that too.

Commissioner Zeller then asked how often is the meter bad.

Mr. Rodi stated very seldom, my guess is, and this is only a guess, like .0001. And generally what happens with the meters, the older meters, since they have a mechanical jewel that they ride in, when that jewel starts to wear, the actual rotation of the disc slows down. So when they don't read correctly, there's usually a benefit to the customer, they slow down. Occasionally, every now and then, one will run fast, and the electronic meters for the most part, just fail outright. So, and then you're into looking at what the capacity register shows in them.

Commissioner Zeller stated thank you.

Chairman Allen asked if there were any other questions or comments on the service fees. He then

(1) Preliminary Public Hearing RE: Revisions to the Service Fees Rate Schedule (cont.):

stated okay, with no other questions or comments, I close this preliminary public hearing, number one. This preliminary public hearing closed at 6:11 p.m.

(2) Preliminary Public Hearing RE: Revisions to the Residential Underground Services Lateral Requirements and Policy:

Chairman Allen opened the second preliminary public hearing and requested roll call to be taken. A majority of the Commissioners were in attendance, as well as the same persons, listed and shown above in the first preliminary public hearing.

Chairman Allen then requested Mr. Preston to read the notice of public hearing and proposed resolution.

Mr. Preston stated this preliminary public hearing was authorized by the Utilities Commission during their May 18, 2009, Regular U.C. Meeting and notices appeared in the Orlando Sentinel at least ten days prior to this date. Notices were also placed on the bulletin board at the Utilities Commission office at 200 Canal Street and City Hall at 210 Sams Avenue. Proof of publication of advertisement for this hearing will become a part of the minutes. He stated this is a resolution revising requirements and policy for underground services laterals serving existing and new residential customers for the Utilities Commission, City of New Smyrna Beach, Florida, rescinding all resolutions or portions thereof in conflict herewith, and providing for an effective date.

Chairman Allen then stated we are open for any comments for or opposed to the resolution for residential underground service lateral requirements and policies; any questions or comments. There being no public participation, Chairman Allen closed this second preliminary public hearing. This hearing closed at 6:13 p.m.

(3) Public Hearing RE: The Continuation of the Provision of Communications Services (Internet – Dial Up, Wireless, and Fiber) by the Utilities Commission:

Chairman Allen stated now we go to the third item, a public hearing to consider the continuation of providing communication services, Internet - dial up, wireless, and fiber, by the Utilities Commission. He then requested for a roll call to be taken and a majority if the Commissioners were in attendance, as well as the same persons, listed and shown above in the first preliminary public hearing.

Chairman Allen then requested Mr. Preston to read the notice of public hearing and proposed resolution.

Mr. Preston stated this public hearing was authorized by the Utilities Commission during their May 18, 2009, Regular U.C. Meeting and notices appeared in the Orlando Sentinel at least ten days prior to this date. Notices were also placed on the bulletin board at the Utilities Commission office at 200 Canal Street and City Hall at 210 Sams Avenue. Proof of publication of advertisement for this hearing will become a part of the minutes. He stated this is a resolution declaring the Utilities Commission's action by a majority vote regarding continuation of the provision of communication services - Internet (dial up, wireless and fiber) by the Utilities Commission, City of New Smyrna

(3) Preliminary Public Hearing RE: The Continuation of the Provision of Communications Services (Internet – Dial Up, Wireless, and Fiber) by the Utilities Commission (cont.):

Beach, Florida, rescinding all resolutions or portions thereof in conflict herewith, and providing for an effective date.

Chairman Allen then stated we are open for any comments, for or opposed to the continuation of providing communication services.

Mr. Rodi stated to Chairman Allen he had a slight correction, which the Commissioners had in front of them. And this is on the first page, the third whereas, we are adding some definition to the end of the four year period. So, basically after the phrase beginning with, “within 60 days following”, we are adding the phrase, “the end of a four year period, four years after June 2, 2005”. So that was attempting to define better that we have gone past that four year period and this hearing is within that 60 day period following the enactment of the legislation.

Chairman Allen stated okay, thank you, and then asked if there were any comments.

Commissioner Diesen stated we’re going to discuss this later right.

Chairman Allen stated right, yes.

Chairman Allen stated seeing no comments for or opposed in this public hearing as far as providing communications services, I’ll close this public hearing. The public hearing closed at 6:16 p.m.

Regular U.C. Meeting:

Chairman Allen then opened the regular U.C. meeting with roll call. The same UC Commissioners and persons were in attendance as shown previously in the opening of the first preliminary public hearing.

(1) Agenda Changes, Additions and Deletions:

Chairman Allen then asked if there were any agenda changes, additions or deletions.

Mr. Rodi stated no.

(2) Approval of Consent Items:

Chairman Allen stated okay, as we move on to the approval of the consent items, do we have a motion to approve the consent items.

Commissioner Diesen made a motion to approve the consent items: item 2-a. Minutes of Regular UC Meeting Held 5-18-09, approved as submitted; item 2-b. Soft Starts for Motors – Glencoe Water Treatment Plant Improvements and Smith Street Pump Station and 20” Low Pressure Transmission Main Project, a motion to approve and accept the proposal from R.C. Beach and Associates, Inc., in the amount of \$90,097 for the soft starts for the motors associated with this project and to authorize the General Manager/CEO to execute any documents associated with this approval to accomplish same; item 2-c. Memorandum of Understanding (Commercial), Developers

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

Agreement and Addendum – Village Square, a motion to approve*the Memorandum of Understanding (MOU), Developers Agreement and Addendum for Village Square and authorize the General Manager/CEO to execute these documents. (*Approval was contingent upon no material changes by Developer’s counsel); item 2-d. Developer’s Agreement and Addendum – Colonial Bank, a motion to approve* the Memorandum of Understanding (MOU), Developers Agreement and Addendum for Village Square, and authorize the General Manager/CEO to execute these documents. (*Approval was contingent upon previous approval of the Village Square MOU, Developer’s Agreement and Addendum); item 2-e. Revised Transmission Service Agreement for CR3 – Progress Energy Florida/Florida Power Corporation (FPC), a motion to approve* the revised transmission service agreement (Firm Point-To-Point) between Progress Energy Florida / Florida Power Corporation (FPC) and the Utilities Commission for Crystal River Unit 3. (*Proper name of entity to be determined, all other respects approved.) Commissioner Hall seconded the motion and it passed unanimously on a roll call vote.

(3) Public Participation:

Chairman Allen then opened the floor for public participation. There being none, Chairman Allen then closed public participation.

(4) R. Rodi - General Manager’s Report:

Chairman Allen stated the next item is the General Manager’s Report.

(4-a) Financial Status May 2009

Ms. Klinkenberg stated good evening, the financial statements for the month of May reflect favorable balances. I don’t know if you’ve noticed but in prior months we generally budget a negative balance and then we catch up, usually from June, so it’s usually kind of in the negative until June. We’re already in the positive in May, so that’s a positive sign. We have an actual balance this month for May of \$115,267 for the combined system. And this month for our over-recovery of fuel costs it was a positive \$126,000 which brings our under-recovered fuel balance to just under \$3 million dollars. And for all of you that may not know, we upgraded to Great Plains 10.0 over the weekend, as of about 6:00 p.m. tonight everything seems to be functioning absolutely fine. We are on the latest version of Great Plains currently and we’re in good shape. She then offered to answer any questions.

Chairman Allen confirmed there were no further questions on the financials.

(4-b) Accept Update – “A Year in Review”:

Chairman Allen then went on to the next item and stated it was item 4-b. Accept Update – “A Year End Review”, and added Mr. Rodi had emailed this out to us.

Mr. Rodi stated he was just looking for a simple motion of acceptance.

Commissioner Diesen made a motion to accept the update – “A Year in Review”* (*Listing of U.C. accomplishments for the period July 2008 to June 15, 2009, compiled by the General Manager/CEO). Commissioner Zeller seconded it.

(4-b) Accept Update – “A Year in Review” (cont.):

Chairman Allen stated we have a motion to accept the update and a second, and asked if there were any comments. There being none, he commented we keep progressing and moving forward, so it's a great thing, good things happening,

Chairman Allen then confirmed there were no further questions and requested a vote to be taken. Commissioner Diesen's prior motion passed unanimously on a roll call vote.

(5) Commission Counsel's Report:

Chairman Allen asked Mr. Preston if there was any report.

Mr. Preston stated he had no report.

(6) Old Business:

(6-a) Decision Regarding Continuation of the Provision of the U.C.'s Communications Service (Internet – Dial Up, Wireless, Fiber) – Proposed UC Resolution No. 4-09:

Chairman Allen stated as we move on to old business, we come to a decision regarding continuation of the provision of the U.C.'s communication services and the proposed U.C.'s Resolution numbered 4-09; Mr. Lemoine.

Mr. Lemoine stated yes, good evening, and added we went kind of quick through those first few items. What I did was I put together a plan to present to you and give you a picture of where we are currently and what our forecast would be in the future as it pertains to our internet services. And as you know, the internet services have been provided to the community for a number of years, and we needed to come here tonight to talk about where we're at.

Mr. Lemoine stated we have gotten quite a few emails and telephone calls. Certainly Commissioner Diesen has called me a number of occasions, in early morning, about the services that we provide in a professional and courteous manner. We believe that this service is very positive for the citizens of New Smyrna Beach, it provides community outreach, it provides some training for some of our citizens who are not all that technically affluent, so they have a better knowledge of how to utilize their email services and/or their internet services. He stated we know that we are not at a break even point today, for a number of reasons, and hopefully in this presentation we can provide you with enough information for a timely decision and whether to continue or not.

Mr. Lemoine stated the internet services offering is obviously a positive reflection of the Utilities Commission. It's how we're viewed out there in the community as being technically savvy. We try to offer a cost effective solution in this down turn in the economy, granted it's a dial up service for the most part, but the user friendly internet training that our staff does on a monthly basis is always well accepted, well attended, and our customer service speaks for itself. As late as this morning Mr. Rodi forwarded me an email from a customer who could not be here tonight to express his gratitude on the services that we provide. And if you're like me, you know that always feels good to know that what you're doing is well received and accepted.

(6-a) Decision Regarding Continuation of the Provision of the U.C.'s Communications Service (Internet – Dial Up, Wireless, Fiber) – Proposed UC Resolution No. 4-09 (cont.):

Mr. Lemoine stated so what does it look like financially. Well, we have a service that we have to pay for called the Planet, which was grandfathered in from the early days on providing websites for our customers that wanted to put up their own website, and we have a few of those out there that we have to continue to support. The Dialup USA, of course, is how you dial into our server and get our services, and we have an accelerated user charge which speeds up the dial up accessibility. Everyone.net is the email server or services that are provided that we pay for on a monthly basis as well. And some of those other costs like the salary for the employees, the router that routes those requests into our system, the telecom line out to Venetian Bay, all of these, and especially I want to point out the operating costs that we incur as a sub-department if you will. The Administration cost of \$16,000 plus, the I.T. Cost of \$13,000 plus, Human Resources \$27,000 plus, and the Finance charges of \$22,000 plus; this totals almost \$80,000 to the cost side of the house in providing the services that we do. We also give our 6% payment to the City, which brings the total cost of providing this service to \$170,000.

Mr. Lemoine continued with we have right now 49 wireless customers, we have one remaining customer in Venetian Bay, we have 399 dial up customers, we have 330 deluxe dial up, and 34 economy dial up; so our total revenues from our services is \$119,000 almost \$120,000. We negotiated with Dialup USA for our connectivity and we were successful in getting a 10% decrease, which we've tried in the past but were unable to do so, we are now down to \$2.65 per customer. In the past our services were provided by two FTE's, and two part time employees, and over the past eight or ten months we've changed our service delivery hours to enable us to part ways with our part time employees. And beginning with the new fiscal year October 1, we will have only one full time employee, and most of you know who she is, and she's just a real joy to deal with on a daily basis.

Mr. Lemoine stated so when you look at the outlay of funds, how are we going to pay for those funds. Well, we have anticipated an increase in standard fees, an increase in deluxe fees, and an increase in economy fees, for a total increase of over \$9,000. The increase cost of wireless, comes to a total fee increase of \$2,058. As you know we have a lot of seasonal signups with our snowbird customers and we're guessing at approximately 50 customers at \$11.45 for six months is \$3,435.

Mr. Lemoine stated now here's the bad news, we have a total internet cost of \$171,000, internet revenues at \$120,000, proposed increase in those revenues of close to \$15,000, which still leaves us in a negative cash flow of \$36,000 or about \$3,000 dollars a month. However, it is our belief that we will be able to offer more services, especially in the wireless arena, as we continue to roll out fiber connectivity throughout the city. Right now we have a canopy system which is really a site-to-site system, which is limited in its scope. If we were to go to a fiber connectivity at the top of some poles with a broadcast 360°, we would be able to offer those wireless services to more customers. Of course it would be a greater cost initially to get those antennas put up and operating, but we believe it's a way that we will be able to provide wireless services to the community, which seems to be the thing that people are asking for the most. So, it is our recommendation that the future does look a lot brighter than the \$36,000 we're spending today, and for that reason we would recommend to keep this service as a community service until such time we can raise the revenues to a point of a breakeven situation. He then offered to answer any questions.

(6-a) Decision Regarding Continuation of the Provision of the U.C.'s Communications Service (Internet – Dial Up, Wireless, Fiber) – Proposed UC Resolution No. 4-09 (cont.):

Commissioner Diesen stated yes, I'd like to flip back to the page where you're showing the allocation of the overhead. I know it's done on a formula basis, however, one employee allocated to this and you sir, and somehow or the other we get an HR cost of \$27,000, that seems high. She commented maybe we're paying HR too much.

Mr. Rodi stated well no, I think what happens is the law requires us to charge exactly the same overheads for each business unit. So that, for example in that \$27,000 are health care benefits, and their retirement, what have you, that aren't in the direct wage. But the other costs are high burden costs because of our overall structure. So, part of what Mr. Lemoine has to look at and talk to Ms. Klinkenberg some more about, is those costs. As you can see, they are in excess of what it costs us to have an employee and almost run a good part of this business. Often times with a small internet operation you have someone working this out of a home office, you don't have any of these kinds of overheads, and we have limited ourselves by offering this service only to what we've defined to be the local area. And we've had a hard time defining that, and it's basically meant like New Smyrna and the surrounding area. We haven't advertised elsewhere, we haven't, for example, challenged some of the contracts for wireless, where there are a number of people who are receiving wireless service at no cost because of the original antennae attachments. There are some opportunities to maybe eventually make this profitable but we have tried to honor the intent of keeping it as a local benefit as opposed to, as you recall, having internet service in seven southeastern states and all kinds of other issues.

Commissioner Diesen stated well let's not go there. She added we might go to Volusia County, but I'm thinking not.

Mr. Rodi stated yes, but the key here is that we have a very limited customer base, and if we can grow the customer base by going beyond our confines, then we might stand a little better chance of making this more profitable. If we challenge some of the contracts, we better have an alternative, and that means investment in putting fiber in. And frankly what's happened here is we've been managing our investment so that we don't throw too much money at it, and maybe not get ahead of ourselves. One of the things that has occurred that is positive is we do have a handle, finally, on our first version on the wireless, which is one of the originally G-versions. But it's very reliable now, I think we've solved a number of the pattern issues, we have an outside expert that we can talk with, so there's some potential. And we have a pilot where we've reused the communication tower out by the wastewater plant, we have a wireless communication link serving the water and wastewater plants, it's functioning well. Lightning hit it, not this past weekend but the weekend before, and I don't know if it's up and running again, but that was meant to be a trial to see if we could have additional wireless customers for the bandwidth we have left there. So we're trying to move forward with this, it's not been an aggressive posture at all, so, that's you know, straight up where we are with it.

Commissioner Diesen asked are we going to do any advertising locally, because in this kind of an economy there are people who will not stick with Bellsouth at \$39 or \$45 dollars a month, and have limited use and would want our dial up, with or with out the accelerator.

Mr. Rodi stated yes, we have sent out envelope stuffers for our existing customers, and I don't know if you recall seeing those, but it made that exact representation, that if you're paying for high

(6-a) Decision Regarding Continuation of the Provision of the U.C.'s Communications Service (Internet – Dial Up, Wireless, Fiber) – Proposed UC Resolution No. 4-09 (cont.):

speed broadband and if you really don't need all of that capacity, we offer, we think, a very cost effective alternative. Now we've not gone beyond our own customer base with that.

Commissioner Diesen stated that's what I was referring to, do we have any plan to go beyond.

Mr. Rodi stated we haven't, frankly, we've been waiting for this meeting, and what I think you're seeing here is a relatively accurate representation of where we are. We've cut back on the employee aspects so we're down to the bare bones with that, I mean some companies don't even offer that. But the key here is still providing that value added touch where people can come in to this room often times and help them through, you know this is how your computer works, and we'll help you program it, and you know the special types of things that you normally wouldn't offer with a service like this; so we're trying to keep that value.

Commissioner Diesen stated yes, I have no complaints and I've not heard any from other customers. We had one with my antenna, we got that thing worked out, it's perfect now. But no, I hear only good things, and Steve Provost had mentioned it and I was glad he wrote a letter, and I'm sure others have as well.

Mr. Rodi stated sure, and just to make you aware there are competitors who are moving into this area, into the city, who are examining whether they can put fiber onto all of our poles, and then they wanted to add little antennas onto our poles as well. And we've said no to that, but as a telecommunications provider they're certainly entitled, like any other telecommunications provider, to attach to our poles according to contract. And what that implies is, they are planning to have a wireless system throughout New Smyrna Beach, and obviously that's a very intensive investment if they're going to put fiber all the way around and then put antennas up all the way. So, we've been sort of watching how that would play out, along with Clearwire and what they're up to. So, being that we have a very old technology, very reliable, it's functioning well now, but that we haven't wanted to commit too quickly, until we see some of this unfolding a little more.

Commissioner Diesen stated thank you.

Chairman Allen stated I appreciate the presentation, and there is that potential with others, as I've had several folks question whether we're going to move forward on wireless, and with the technology and with our slowly working with getting fiber around our system. It just makes that viability a little bit better and more of an opportunity to get it out of the red and into the black. It's just a look and go, and I'm a firm believer in the fiber project, especially for our governmental communications. When all that comes together, and a lot of things in the future that can come to good and the benefit of customer, and then the Commission itself in the future needs.

Mr. Rodi stated and frankly that's what we've been trying to do. If we can get the municipal communication network in place, then the wireless can piggyback right off of it. And then it's a proportional share of that cost because the main cost burden is for our internal communications and we would offer that to the City as well, using that fiber backbone in the wireless, end point last mile connections too. That's why I've been trying to minimize the actual losses, which really it's still a lot of money, but still in retrospect it's not a lot considering investments that you have to make.

(6-a) Decision Regarding Continuation of the Provision of the U.C.'s Communications Service (Internet – Dial Up, Wireless, Fiber) – Proposed UC Resolution No. 4-09 (cont.):

Commissioner Diesen stated considering where we've been it doesn't look bad at all. And I think it's worthwhile and we have a good team in place, they handle it very well. And thank you very much Mr. Lemoine for stepping in and doing what you've done, because heaven knows it was not a pretty sight. But I personally would, of course, back going forward and I think that we do have a lot of opportunity ahead of us. And there are a number of people, they keep asking, you know when can we get wireless, and there are folks who are very interested in it. She then asked Chairman Allen, do you want a motion.

Chairman Allen stated yes, I'd like to have a motion.

Commissioner Diesen stated okay, I'll go along with the staff's recommendation, and make a motion to approve the resolution (U.C. No. 4-09) approving the continuance of the U.C. providing communications services – Internet – Dial Up, Wireless, Fiber. (Note - F.S. 350.81(2)(1) requires this motion to pass by a majority vote).

Chairman Allen added verbally that will be U.C. Resolution Number 4-09 (to become effective immediately upon passage).

Commissioner Hall seconded Commissioner Diesen's motion, which then passed unanimously on a roll call vote.

(7) New Business

(7-a) Refinancing of FMPA's Pooled Loan Program Loans – Award of Bid for Bank Qualified Loan- "Series 2009 Certificates"- Proposed UC Resolution No. 5-09.:

Chairman Hall stated let's move on to item 7. New Business, item 7-a., refinancing of FMPA's pooled loan program loans.

Mr. Richard (Toby) Wagner addressed the Commission and stated he was with the firm Southeastern Investments Securities out of Orlando, and is the Financial Advisor to the Commission. He stated we've got an action item on the agenda tonight, but preceding that I'd like to just make a brief presentation of about five slides, and you should have a hand out; great, it's coming now. He stated the handout you're receiving has the five slides, actually they're numbered pages one through six including the cover sheet, and then behind that is the appendices which are not here and we aren't going to go over that, I'll just summarize the appendices for you.

Mr. Wagner stated as we mentioned in May, we've got the opportunity to refund the FMPA debt, and also the Series 1993 debt, that is outstanding. And I think as we mentioned in May, the FMPA has a line of credit on the debt that you have outstanding with them, as well as other members have outstanding with them, and that line of credit, letter of credit, excuse me, with Wachovia Bank is not being renewed. I think as you saw from an email that Mr. Rodi sent out about June 6th, maybe, something like that.

Mr. Rodi stated yes, that's correct.

(7-a) Refinancing of FMPA's Pooled Loan Program Loans – Award of Bid for Bank Qualified Loan- “Series 2009 Certificates”- Proposed UC Resolution No. 5-09 (cont.):

Mr. Wagner stated FMPA has decided to accelerate that debt, which really forces us into refunding this. You've been paying roughly about \$1.7 million to \$1.9 million annually on that FMPA debt, with the acceleration, that would be your monthly payment, would be about \$1.3 million or \$1.4 million. He confirmed that with Ms. Klinkenberg. So, it goes from almost what your annual payment was to what it would be monthly, which really, with that acceleration notice, it forced our hand into doing something. And frankly we were, it was Mr. Rodi's suggestion that we move very quickly on this in May. And so we have, and I think it's fortuitous that we've gotten out into the market ahead of some of the other members frankly, I think we probably the first in the market, to get some bank financing. So the FMPA loans as you see here down at the bottom, of \$15,625,000, and then the Series 1993 Certificates is just an opportunity. You don't have to do anything with that, we can leave that outstanding, but that's bearing an interest rate of 5% so economically it just makes sense to piggyback on that refunding of the FMPA loan at the same time. So, what you can take from this page are a couple of things, the items in red, Series 1993 Certificates and the FMPA loans total about \$18,155,000, actually they do total \$18,155,000, that we're proposing to refund. The other thing on this page to look at is the final maturity column of all the loans that you've got, and as you'll see, your debt profile is in pretty good shape. Most of your loans are coming due within 11 years, which goes out to 2020, and we're not proposing extending beyond that 2020 that you see on the FMPA loans. So, we're holding the final maturity constant on the 2009 borrowing. He then asked if there were any questions on this page* (*page 2 of the Series 2009 Certificates Refunding of Outstanding Debt handout). There being none, he continued.

Mr. Wagner stated the next page is real boring, it shows the refunded debt and that's the total debt, that's principal and interest on the 1993 bonds, the FMPA loans, and you can see the combination of those compared with the series 2009A, just on the refunding portion. And we broke this down into 2009A and 2009B, we'll get to B in a moment. But 2009A is really an apples and apples comparison, that does not include any new money, and the series 2009B, is some new money. So really what you ought to look at is that total combined 1993 Certificate and FMPA loan for \$24,231,890, versus the total on the 2009A of \$23,746,354, and the difference there is about \$485,000 savings. Which, ironically is almost the interest, not quite, the interest is a little bit more on a new money piece for \$2 million, which Mr. Rodi feels that he needs for a couple potential projects, I guess the Smith Street, and the...

Mr. Rodi interjected we have three potential projects. One of them is the completion of the 20" line and with our current status of some impasse with crossing the FEC property, we're not quite sure how that's going to work out, we're hopeful at this point. Secondly, we have the 30" force main line and we're not certain about what the ultimate resolution will be with that line. And the third item is the Alternative Water Supply project, which is, you know from some of the emails I've sent to you, we have filed for a hearing with St. John's to exercise our rights. So, between those three projects, and the timing and the market, we feel it's appropriate to secure this money at this point.

Mr. Wagner continued and stated the way we've negotiated the loan with Bank of America is that the \$2 million new money portion can be almost a line where we can draw down the money as we need it, so we don't have to pay interest until we actual need those. We'd be in a negative carry right now on what we'd have to pay on the interest versus the reinvestment, so that's why we wanted that ability to draw it down. And if Mr. Rodi doesn't need it for some of the projects, then we don't have to draw down the full amount.

(7-a) Refinancing of FMPA's Pooled Loan Program Loans – Award of Bid for Bank Qualified Loan- “Series 2009 Certificates”- Proposed UC Resolution No. 5-09 (cont.):

Commissioner Diesen stated but it is encompassed under, the interest rate is the same, right, I mean it's not going to be...

Mr. Wagner stated well, we're assuming that but, yes, it will vary if we don't close them at the same time. They've given us a formula, an indexed formula where when we do close the \$2 million dollars, if we don't close it now, then it will be what the market is at that point in time. So, we've got the ability to close it now, knowing that we'll have some negative carry on that or we could wait. So that's a decision that doesn't need to be made until we're ready to close.

Mr. Rodi stated just very candidly, I had thought originally, and originally was just a few weeks ago, that we needed to have this as a fail safe position, and I wasn't so inclined to think that we needed it, but my intuition is saying at this point we're probably wise if we close it at the same time, not knowing what's going to happen in the markets and having three very large variables in play, all at the same time. So I think that if we need to move forward with any one of those three, we will need this capital.

Commissioner Diesen stated it would really make me nervous if we didn't nail down an interest rate now, because I think personally we're headed for higher inflation.

Mr. Rodi stated I agree with that, yes.

Mr. Wagner stated and we've got flexibility to do just that, we can close it all at once.

Commissioner Diesen stated okay, thank you.

Mr. Wagner stated the next slide is a comparison again, in a different format on the refunded bonds versus the 2009. And this really aggregates those, that series A and B on the 2009, and does a comparison. So, you can see, I think what you want to draw from this slide is that the total debt service on the combined FMPA and 1993 is \$24,232,000, on the Series 2009 it's \$26,266,000, with roughly the difference being the \$2 million. And the Series 2009 includes the interest on the \$2 million as well as the full interest. So, really what you're getting is the \$2 million interest free and when I say interest free, that's because of the savings that you're getting off of those other loans. So, while it goes up by \$2 million, it doesn't go up \$2 million plus the interest; if that makes sense, that's a confusing explanation. One other thing, the interest rate assumptions on the Series 1993 are accurate, the FMPA loans is a variable rate we used which are budgeting 4.5%, and then on the series 2009 we used a 4.05%, which was the rate, as of last week, probably mid-week, it's bumped up a little bit and it will vary until we close. We could do an interest rate lock, I wouldn't recommend doing that until we've completed two hurdles. One, the second reading on the public hearing or on the ordinance with the city, which is coming up next week, and also getting a final credit approval from Bank of America (BOA), which we have asked for, and are pushing very hard to get that probably the next day, after the 23rd. So we could lock in rates at that point in time and then close probably, July 1, 2009. That's what we've told FMPA, that we would close by July 1, 2009.

Commissioner Diesen stated they're asking us for a credit rating right, and we're asking them for one too, this is an aside.

(7-a) Refinancing of FMPA's Pooled Loan Program Loans – Award of Bid for Bank Qualified Loan- "Series 2009 Certificates"- Proposed UC Resolution No. 5-09 (cont.):

Mr. Wagner stated and as you can see the final maturity on the 2009, as I mentioned earlier, does not exceed what it was on the FMPA loans.

Mr. Wagner stated this next slide, and the final slide, is really intended to show you how the new loan compares from a debt service coverage standpoint, what it does to your debt service coverage for issuing additional bonds. And we've been able, in structuring the amortization to bring the maximum annual debt service, what we call the MADS, the combined MADS, down slightly from \$7,358,000 to \$7,140,000, even though we're including the \$2 million and that improves your coverage a little bit, from 2.18X to 2.25X, so you're not losing anything on your debt service coverage, actually, your going to gain a little bit, because we've brought your max debt service down. We've levelized your debt service a little more than it was, we've brought that combined down. He confirmed there were no questions on that portion. He continued by stating the balance of slides are just all of the backup of the FMPA loans, and the 1993, and we're not going to go over that in this presentation, but I will be glad to answer any questions on that.

Mr. Wagner stated what that now brings us to is the action before you, and you have a resolution; was it 05-09, I think?

Mr. Rodi confirmed yes.

Mr. Wagner continued and stated 05-09 before you which authorizes the financing, it awards the financing to Bank of America which is the best bid, and it also authorizes the form of the loan agreement. He then asked the UC's Bond Counsel, Mr. Peter Dame (Akerman, Senterfitt & Edison, P.A. in Jacksonville) if there was anything else. He added that he neglected to introduce Mr. Dame earlier. He asked if that was pretty much the sum and the substance of the back up, and as well our recommendation and the commitment letter from Bank of America is included. He stated that Mr. Dame can answer any questions on the resolution that you may have and I will be glad to go over anything dealing with the Bank of America proposal.

Commissioner Diesen stated to Mr. Wagner, you're comfortable with this and you're recommending it on your life, right.

Mr. Wagner stated on my life, I am, I think it's a good proposal. I wish we had a fixed rate that we could lock into right now, unfortunately that's the nature of where the market is. Six months ago, we could have probably gotten a fixed rate for 30 days, we're not able to do that these times. So, that's why we want to rush through, not rush, but we want to close this thing as quickly as possible, after the city takes their action, or at least lock in rates. So, I don't like the fact that we're sort of sitting out there in no mans land for another week, but that's the nature of the game. But, I think other than the fact that we're in a fluctuating market right now, I think it's a good proposal.

Mr. Wagner stated one other thing that was a little bit unusual in this proposal that we have seen in a lot of bank proposals that have come in over the last six months, they have required a depository relationship, compensating balances. You already have a relationship with Bank of America, but they didn't say we want you to maintain a relationship of such and such in the way of deposits. Regions Bank, I think, had a \$4.5 million dollar depository requirement, Bank of America didn't, so that's in your favor and that was fairly unusual, so I do recommend it; on my life.

(7-a) Refinancing of FMPA's Pooled Loan Program Loans – Award of Bid for Bank Qualified Loan- “Series 2009 Certificates”- Proposed UC Resolution No. 5-09 (cont.):

Commissioner Diesen stated okay, as long as you add that, that means you believe in Bank of America, you know at this point it's...

Mr. Wagner jokingly interjected, you know once we have their money we don't care what happens to them, so I do believe in them for the next couple of weeks.

Commissioner Diesen added okay, well I'll run up my credit card debt with them.

Chairman Allen asked if there were any other questions.

Commissioner Diesen then asked Chairman Allen if he wanted a motion.

Chairman Allen stated yes.

Commissioner Diesen stated I make a motion to approve the bid from Bank of America for a bank qualified loan for the refinancing of the three Pooled Loans from Florida Municipal Power Agency (FMPA), refinancing of outstanding Series 1993 bonds, and up to \$2 million for completion of capital improvement projects for the “Series 2009 Certificates” and that would be U.C. Resolution No. 5-09. Commissioner Hall seconded this motion.

Attorney Preston stated may I, if you read that much of it* (*the recommended action), I think you should also include the authorization too.

Commissioner Diesen stated okay, let me amend my motion, and to further, to authorize the General Manager and CEO or the Director of Finance to execute any necessary closing documentation.

Commissioner Hall seconded Commissioner Diesen's prior and amended motion, which then passed unanimously on a roll call vote.

Mr. Wagner then thanked the Chairman and the members of the Commission. He stated I will add the city's approval of the first reading was like yours, it was unanimous the other night, without much discussion at all. Mr. Rodi had done an excellent job in briefing some of the Commission members ahead of time, so it went very smoothly, and hopefully we'll see that same repetition next Tuesday.

Commissioner Diesen stated thank you very much, I personally want to thank you very much for all of your work, but more importantly I think we owe a great debt of thanks to Mr. Rodi who saw this and was aware of the situation and moved quickly to get us out in front on it.

Mr. Wagner stated I agree.

Mr. Rodi thanked Mr. Wagner and Commissioner Diesen for their comments.

(7-a) Refinancing of FMPA's Pooled Loan Program Loans – Award of Bid for Bank Qualified Loan- “Series 2009 Certificates”- Proposed UC Resolution No. 5-09 (cont.):

Chairman Allen stated also at the same time I would like to thank, you know it was kind of a pretty fast moving piece of work, and then the staffing working with that, and everybody, so bringing all that together and to get it here in a timely manner, we do appreciate it.

(8) Possible Other Business – Time for Commissioners:

Chairman Allen stated the next item is item 8., Other Possible Business and Time for Commissioners. He asked Mr. Rodi if he had anything.

Mr. Rodi stated I just wanted to bring attention to our filing for the alternative water supply. I had sent out again in an email this morning the editorial out of the News Journal. And it like other news reportage has some errors that are contained in the article. But there's a fundamental that is in play here and it goes to a philosophy of what type of model is used for providing alternative water and it seems as if St. Johns has locked into the large size type of regional plant and then a lot of piping everywhere. The proposal that the U.C. has been putting forward since 2006 is a distributed model based upon smaller units, and arguably I think, the smaller units may be more cost effective than the large units, like Tampa Bay Water. But regardless, the smaller units still provide for local autonomy and local control. So for example, if Edgewater has a system eventually that would be similar to the one we're using, or Port Orange, or Daytona Beach, our interconnections then become more meaningful and the ability to scale system size is more cost effective. So I think there's a fundamental philosophical issue that underlies even some of the other discussion. We, of course, through your prior approval, are using Clay Henderson to represent us. I had thought, I don't know how many months ago that was, that we would eventually reach this point. We also have great technical experts in Tom Missimer and Brad Blais, who are very good scientists in addition to being engineers. So our intent is simply to stay on point, to obtain the water supplies that we need, and to demonstrate as we have, and I think we being Dave Hoover and his team, that we're fully behind conservation and efficiency and using our water resources and being good caretakers of that privilege. So I wanted to make that comment, I don't know where this is going to head but I think in a short while it will get to be maybe more contentious; I hope not. But I just publicly wanted to make some statements that our intent is to have an amicable resolution, that's why we're going the way we are. He stated I guess that's all I wanted to say about that.

Mr. Rodi then continued and stated the next steps for the funding, and I want to thank you for that, we have had in our focus a senior debt free plan for 2020, and you saw it again up there (during Mr. Wagner's earlier presentation). Obviously if we're able to secure some of our changes in how we're doing things, we'll have some extra resources freed up to pay down even the \$10 million water debt, and we would do that in the later years and that's part of the plan. I think a critical component is whether or not we can assure our power generation costs for the future. There are many cost forecasters who are saying that in 20 years the cost of power is going to be somewhere around 32 cents a kilowatt hour. Now I don't think any of us know, they obviously wouldn't know either, but on the horizon are taxes, and I'm calling them that because that's what they are, for carbon based fuels. I think that with what we're seeing from the national scene that is very much in play and there may be some serious consequence from a cost standpoint. So the overall approach that we're using is to mitigate that future costs while maintaining our flexibility and having our City also win by that, so that's the strength of this proposal. So again, I wanted to thank you for the support on the refinancing. You know we were forced pretty much into that, but also we're headed

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

down the road of doing what we can to really eliminate our debt in as short as eleven years. So we're pretty much positioned to do that if we can keep going as we have been. He concluded by stating thank you, that's all I wanted to say.

Chairman Allen confirmed Commissioner Hall did not have any comments. He then asked Commissioner Zeller if he had any.

Commissioner Zeller stated he wanted to thank Mr. Rodi and Mrs. Simmons for all the "heads up" that we get. He stated we get them very quickly now and it saves a lot of phone calls from us and the ratepayers, and when I walk the streets I can have an answer, so thank you.

Chairman Allen then asked Commissioner Diesen if she had some comments.

Commissioner Diesen stated I just want to thank Mr. Rodi again, and to also thank him for that in-depth paper on cap and trade. I don't see how anybody that thinks clearly can look at it as anything other than a regressive tax. And even if we're able to do what we want to do, if it goes through, it's going to so permeate every industry and cost so much money for people who can least afford it, thus the regressiveness of it; and the South seems to be ...

Mr. Rodi interjected particularly affected, yes.

Commissioner Diesen stated right, and so I really appreciate that paper. I read it in depth and detail because of being an economics person. It was very well done I thought, but I had seen something on C-Span this last week about it, and the same thing, it's calling what it is, it's a regressive tax. But the insidious part of it is how far reaching it is and every industry is going to be affected, and so it's going to raise consumer goods; it's just not right, but I think we're heading down that path.

Mr. Rodi stated I believe so.


Chairman Allen stated and the tragedy of it, big government's going to say it's not us, it's you, but they're the ones causing it. He then stated I appreciate the information on the water and I would hope it would not get contentious. I would hope there would be some eye opening and some talking to understand more than just the big scope, that there's other ways to do things and more economical and actually more feasible for our communities if we really think, and not be as costly and be more effective to the customer in the future. He stated that's all I have to say with that. He then commented I do appreciate all the good hard work that's gone in to keep things moving well and smoothly. With all the rains, everything pretty well went together, even though it was a little wet at times and kind of put a strain on folks, but we came through it and I thank the staff and the employees for that.

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

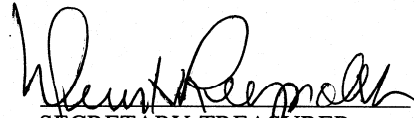
There being no further business to come before the Commission, Chairman Allen closed the regular U.C. meeting at 7:06 p.m.

APPROVED:

ATTEST:



CHAIRMAN



SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their July 20, 2009 meeting.