

**MINUTES OF THE ECUA CITIZENS' ADVISORY COMMITTEE MEETING HELD
WEDNESDAY, SEPTEMBER 21, 2011 AT 2:00 P.M. IN THE ECUA BOARD ROOM
AT 9250 HAMMAN STREET, ELLYSON INDUSTRIAL PARK, PENSACOLA, FL**

Members present: Lois Benson, Chairman
Dale Perkins, Vice Chairman
Deborah Benn
Curtis Brotherton
Tim Common
James Kirkland
Elvin McCorvey
Louise Ritz
Larry Walker

Members absent: Elizabeth Campbell
James Ditterline
Charlie Nichols

Staff present: Steve Sorrell, Executive Director
Rick Anderson, Director of Human Resources
Debra Buckley, Director of Finance
Lydia Fortin, Human Resources Manager
Tim Haag, Director of Communications and
Governmental Relations
Linda Iversen, Executive Assistant to the Board
Bill Johnson, Director of Engineering
Jim Roberts, Public Information Officer
Randy Rudd, Deputy Executive Director-Shared
Services

ITEM A - CALL TO ORDER

Chairman Benson called the regular meeting of the ECUA Citizens' Advisory Committee to order at approximately 2:00 p.m.

ITEM B - INVOCATION AND PLEDGE OF ALLEGIANCE

Mr. Kirkland provided the invocation and led the Pledge of Allegiance.

ITEM C - ADOPTION OF AGENDA

A motion was made by Mr. Brotherton, seconded by Ms. Benn, to adopt the agenda as presented. Motion carried 9-0.

ECUA Citizens' Advisory
Committee meeting 09/21/11

ITEM D - OPEN FORUM

There were no comments from the audience.

ITEM E - APPROVAL OF MINUTES

A motion was made, seconded by Mr. McCorvey, to approve the minutes of the regular meeting of August 17, 2011 as presented. Motion carried 9-0.

ITEM F - STAFF PRESENTATION – PHARMACEUTICALS TAKE-BACK PROGRAM

Mr. Jim Roberts, ECUA Public Information Officer, provided an overview of the Pharmaceuticals Take-Back Program, outlining the joint efforts of the Escambia County Sheriff's office, ECUA, and other local agencies. Staff explained that ECUA is participating in this program from the aspect of how discarded pharmaceuticals impact the water and wastewater system. Further, staff stated such a program encourages disposal of the pharmaceuticals via a method other than flushing the products into the wastewater system, thereby upsetting the treatment processes.

Chairman Benson expressed her concerns about the role of ECUA in this program and the associated possible liability, stating that she feels this program should have been presented to the Board prior to implementation. Also, Chairman Benson stated that she feels such a program is not within the core mission of ECUA and that it is inappropriate for ECUA to expend funds promoting the program.

Mr. Sorrell stated that ECUA does not do anything with this program but provide an awareness of the problems as they relate to the water and wastewater system.

Chairman Benson requested that the policy issue of this program be brought back to the Committee at its next meeting.

ITEM G - BLANKET PURCHASE ORDER – GULF COAST ELECTRIC MOTOR

A motion was made by Mr. Common, seconded by Mr. Brotherton, that the Board waive the bid requirement due to the need for timely repair of specialized equipment necessary for the continued operation of our utility system, and approve the issuance of blanket purchase orders to Gulf Coast Electric Motor in the total amount of \$465,000 to cover the cost of motor, pump and equipment repair for the Lift Station Division, the Plant Maintenance

ECUA Citizens' Advisory
Committee meeting 09/21/11

Department and Water Production Department, with funding from the appropriate budget line items. Motion carried 9-0.

A motion was made by Mr. Perkins, seconded by Dr. Walker, to approve the following recommendations for Items G [see above] through L. Motion carried 9-0.

ITEM H - BLANKET PURCHASE ORDER – THIIOGUARD (MAGNESIUM HYDROXIDE)

That the Board approve a contract with Premier Chemicals, LLS, for the sole source purchase of Thioguard at the price of \$1.72 a gallon for turn-key and \$1.54 a gallon for non-turn-key purchases, with funding from the appropriate budget line item.

ITEM I - BLANKET PURCHASE ORDER – TRIPLE H SPECIALTY OF ALABAMA

That the Board waive the formal bid requirement due to Triple H Specialty of Alabama being the only authorized supplier of Yaskawa drives and components in our area, and approve the issuance of a blanket purchase order to Triple H Specialty of Alabama in the total amount of \$75,000 to cover the cost of VFD equipment and component purchases for the continued operation of our utility system, with funding from the respective operating budget.

ITEM J - AWARD OF BID – GENERATORS

That the Board find the apparent low bidder, Tampa Armature Works, Inc., nonresponsive, and award the contract in the total amount of \$507,453 to Cummins Mid-South, LLC, the lowest responsive bidder, with funding from CIP Project CS514.

ITEM K - CONTRACT EXTENSION – GRANULAR ACTIVATED CARBON

That the Board waive the formal bid process and award the contract extension for granular activated carbon to Calgon Carbon Corporation, the only bidder meeting all the requirements of the bid specifications, with funding from the appropriate budget line item. This contract is for a period of one year.

ITEM L - CONTRACT EXTENSION – LIQUID POLYMER

That the Board waive the formal bidding process and award a contract to Polydyne, Inc., Riceboro, GA, for liquid polymer at the price of \$0.93 per pound for one year.

ECUA Citizens' Advisory
Committee meeting 09/21/11

ITEM M - WRITE-OFF UNCOLLECTIBLES

A motion was made by Dr. Walker, seconded by Mr. Common, that the Board authorizes the Executive Director or his designee to write off as uncollectible accounts receivable in the total sum of \$577,205, and make appropriate entries in the financial records of ECUA to reflect the write off of said uncollectible accounts. These accounts are to be written off solely to enable the Executive Director to carry out his duties in accordance with generally accepted accounting principles, and ECUA does not waive any rights it may have to collect said accounts. Motion carried 9-0.

ITEM N - IMPACT FEE POLICY FOR LARGE VOLUME CUSTOMER

A motion was made by Dr. Walker, seconded by Mr. Brotherton, that the Board adopt the policy as presented and direct the staff to initiate the necessary rate resolution process and public hearings in order to implement the policy. Motion carried 6-2 with Messrs. McCorvey and Kirkland voting against the motion. Mr. Perkins was absent during voting.

Mr. Sorrell provided an explanation for the subject policy, stating that the policy is on the leading edge of technology and economies of scale is the primary focus for the policy and for establishing a policy that will benefit ECUA customers overall. Further, this is not a policy for large economic development. Mr. Sorrell stated that large customers are easy to serve and ECUA gets a direct positive, financial impact in return for large customers because they are a single source customer – they use a lot of volume and ECUA gets a lot of money from them.

Mr. Sorrell explained the methodology utilized in establishing the policy, stating that staff worked with Jacobs Engineering in arriving at the proposed policy. Mr. Sorrell stated that with the large users, the economies of scale and return on investment will benefit the small customer.

Mr. McCorvey inquired as to what guarantee does ECUA have that ECUA is not going to lose money with this new policy. Mr. Sorrell responded that we would have an agreement with any of the companies.

Mr. Perkins commented that while if we don't get the big volume users we won't get any return, we also won't get any debt service or capital outlay.

ECUA Citizens' Advisory
Committee meeting 09/21/11

Mr. McCorvey stated that this is economic development and he feels that this policy will not "cut the mustard" legally. Further, he talked with the ECUA attorney today and he is not happy with it.

Mr. Sorrell responded the attorney has been in the loop on this for the last year and he knows all about this and he has guided staff. The comments that he made at the meeting today, address the attorney's concerns. Further, there will be more concerns that will have to be addressed before the entire policy is passed if the Board so decides.

Mr. Sorrell commented that there is a concern about economic development, and there is a link, but where ECUA gains is from the return on investment and the large amount of money that ECUA would gain. Further, there is a huge advantage to ECUA due to the economies of scale.

Dr. Walker stated that judicial opinion has established the fact that there has to be a nexus between the benefit received and the amount of impact fee paid. However, an amount greater than the benefit received cannot be charged, but a lesser amount can be charged.

Mr. Bill Zieburtz, Jr., Jacobs Engineering, responded to several questions from the Committee, stating that the proposed policy is economically sound, justified by ECUA's cost structure, and is administratively workable.

Mr. Perkins inquired if under the proposed policy, would there be any discounts to large volume users. Mr. Sorrell responded there would not be; however, it would be up to the Board to grant any discounts.

Mr. Perkins commented that this is based on the idea that a new customer should pay their equitable share of costs to replace the system capacity that they will use. Now, that the economy is down and everyone is desperate for economic development, we are taking a second look at this with the idea of letting our ratepayers finance for ten years or so the benefit of having these big economic development entities come in.

Mr. Zieburtz responded that we are going through a lot to understand the benefit of having the large customer, stating that this is really more of an attempt to refine the impact fees and come closer into line with the costs of service. Further, the fact that over time it takes two to ten years to have the rates to generate the same cash flow that you would have had from the impact fee, is repayment. The entire discount in the first place was based on the fact that it is easier to serve our large customers.

**ECUA Citizens' Advisory
Committee meeting 09/21/11**

Mr. Perkins inquired if ECUA has to make capital improvements, where does the money come from – do we do a bonding issue and charge it back to those big users or does it go to our general ratepayers? Mr. Zieburtz responded that everybody ECUA connects is a unique situation and whether ECUA is on the cusp of having to invest significantly for capacity or not, it's rarely a single customer that's going to push ECUA over the line. The idea is to reflect costs on average for overall.

Mr. Perkins stated his inquiry was not just from a capacity standpoint but from actual infrastructure to do the project – those funds. Mr. Sorrell responded that the developer would pay the costs it takes to serve them – growth pays for growth. The only thing staff is working on is the impact fee to try to attract them as a large customer.

In response to a question from Mr. Perkins relative to providing service to water and/or sewer customers only, Mr. Zieburtz stated that the calculations really reflect the economies of scale – on the water side with well systems that ECUA has, the benefits of being a large customer are a little bit less than it is through the provision of wastewater service where the economies of scale are just enormous, so its really about the costs of service.

Mr. Perkins asked that if ECUA adopts a policy like the one proposed, would there be any impact on short-term rates? Would we catch ourselves in any kind of short-term bind as far as debt service coverage? Mr. Zieburtz responded that there should not be any impact on near-term rates. The point of this over the long term is to bring the fee schedule more in line with costs.

ITEM O - EMPLOYEE BENEFITS PACKAGE FOR FISCAL YEAR 2012

A motion was made by Mr. McCorvey, seconded by Ms. Benn, that the Board approve the proposed benefits package described in Option 2 at a total cost of \$5,804,703, and including the following plan components: (1) accept the proposal submitted and change the health insurance carrier to Blue Cross & Blue Shield of Florida, and (a) offer three modified plan designs for employee and dependent health coverage, (b) provide the employee premium for the three plans, (c) provide an average of 65% of the dependent premium for the three plans, and (d) contribute \$750 of the employee deductible into a health savings account for each employee enrolled in the Health Savings Account health plan; (2) accept the proposal submitted by the current dental carrier, United Concordia, and provide the employee premium for the Basic Plan; and (3) accept the proposal submitted and change the life and disability carrier to

ECUA Citizens' Advisory
Committee meeting 09/21/11

Unum, and provide the premium for basic life and disability coverage. Motion carried 8-1 with Ms. Benson voting against the motion.

Staff provided an overview of this item and the results of the proposal and process.

Chairman Benson stated that she feels ECUA should be rewarding employees that have good outcomes with their health, i.e. low cholesterol, low BMI, etc., and ECUA should encourage more employee participation in the Health Savings Account program.

Ms. Benn suggested that in the future the process of reviewing this issue begin earlier in the year, perhaps at budget time, to allow more evaluation time from the Committee.

ITEM P - REQUEST FOR REIMBURSEMENT OF RENTALS LOSSES – BOB HOLMES

Mr. Bob Holmes addressed the Committee, stating that he is requesting that ECUA provide reimbursement to his group for loss of rental income as a result of ECUA's closure of Government Street for over two years due to the Main Street WWTP replacement project.

A motion was made by Mr. Brotherton that the Executive Director take action as he sees fit. Motion died for lack of a second.

A motion was made by Mr. Brotherton, seconded by Ms. Benn, that the Executive Director be authorized to handle this as he does any other claim.

An amendment to the motion was made by Dr. Walker that the Committee recommends the Board instruct the Executive Director to handle this as he does any other claim. Mr. Brotherton accepted the amendment to the motion and the motion carried 5-4.

ITEM Q - INFORMATIONAL REPORTS:

The following reports were presented for information only and did not require any action.

- (1) Regional Services report – August 2011
- (2) Water Production report – August 2011

ECUA Citizens' Advisory
Committee meeting 09/21/11

ITEM R - UNFINISHED BUSINESS

None.

ITEM S - NEW BUSINESS

None.

ITEM T - ADJOURNMENT

There being no further business to come before the regular meeting of the ECUA Citizens' Advisory Committee, Chairman Benson declared the meeting adjourned at approximately 3:46 p.m.

Respectfully submitted,



Stephen E. Sorrell
Executive Director and Secretary

APPROVED BY THE ECUA CITIZENS' ADVISORY
COMMITTEE IN A MEETING ON 11/09/11.

- (X) Without corrections/amendments.
() With corrections/amendments being: