

FINANCE COMMISSION MINUTES
Tuesday, November 15, 2016 – 10:00 a.m.
City Hall, Council Chambers, Vero Beach, Florida

PRESENT: Chairman, Peter Gorry; Members: Kathryn Barton, Nathan Polackwich, John Smith, Alternate Member #1, Daniel Stump and Alternate Member #2, Victor Demattia **Also Present:** Finance Director, Cindy Lawson, City Manager, James O'Connor and Deputy City Clerk, Sherri Philo

Excused Absence: Glen Brovont

1. CALL TO ORDER

Today's meeting was called to order at 10:06 a.m.

2. APPROVAL OF MINUTES

A) September 22, 2016

Mr. Gorry made a motion to approve the minutes of the September 22, 2016 Finance Commission meeting. Mr. Smith seconded the motion and it passed unanimously.

Mr. Gorry said that each City Councilmember appoints one person to serve on the Finance Commission so there are three (3) potential turnovers on the Commission (three new City Councilmembers elected to the City Council). He explained that the Finance Commission will continue to conduct business as usual noting that there is a meeting scheduled on December 13, 2016 (referring to a Joint Finance Commission/Utilities Commission meeting). He said the three (3) Commission members (himself, Mrs. Barton, and Mr. Brovont) have served on the Commission for five (5) or six (6) years, which he felt that continuity has served them well. He noted that it is difficult to find qualified, willing, and able volunteers to serve. He said there have been times where the Commission has gone months without the replacement of a Commission member. He said once the City Councilmembers makes their appointments to the Commission they will have the election of the Chairman and Vice Chairman.

3. PUBLIC COMMENT

None

4. FINANCE DIRECTOR'S MATTERS

A) FY 15-16 First and Final Budget Amendment

Ms. Cindy Lawson, Finance Director, explained that this is a housekeeping measure that they do at yearend, or more frequently if necessary, so that when they prepare their audited financial statements to be released in March they have an original budget and an amended budget that their actuals are compared to. She reported that this has to be adopted before the end of November and the City Council has seen it for first reading and it will go for final reading on November 22, 2016. She said this is essentially the Finance Commission's 4th Quarter FY 15-16

budget to actuals review. She then went over the memorandum on the FY 15-16 First and Final Budget Amendment with the Commission members (attached to the original minutes).

Mr. Mark Mucher referred to *Attachment A, Electric Utility Fund, Fuel and Purchased Power* of the proposed Ordinance establishing revisions to the budget (attached to the original minutes). He assumed that the costs under FPL were transmission costs, which he felt should be in the base rate. He asked would this be something that the Rate Study would correct.

Ms. Lawson answered yes. She said the Rate Consultants will address the City's cost recovery, which buckets they are currently falling into, and how they would suggest the City would do it in the future.

Mr. Mucher said the income over the entire year went up a little, they had a little bit of an increase in fuel costs, and they have been continually reducing rates. He asked is there a simple explanation on how this happens.

Ms. Lawson briefly went over the process with Mr. Mucher. She noted that the easy answer is located under *Revenues, Cash Carryover*, which show revenues over expenditures of almost \$1.2 million. She said that is consistent with the rate sufficiency projections for the end of the 3rd quarter, which showed it closer to \$2 million, which allowed the City to lower the rates.

Mrs. Barton referred to *General Fund Revenues* stating that a good portion of the increase in revenue came from two (2) large budgeted items, but the rest mostly came from items that were not originally budgeted. She asked are they one (1) time occurrences or are they items that could be budgeted again.

Ms. Lawson said they are a mixture. She explained that the areas where they see grants, such as *Bulletproof Vest Partnership and JAG/FDLE Technology and Security Enhancement*, are one (1) time occurrences. She said the Police Department often receives grants, but they never know if they are going to. Some of the other items, such as *Tree Replacement/Mitigation Fees and Police Investigation Expense Reimbursement*, are a result in changes in accounting and the way the City is keeping track of them.

Mrs. Barton referred to *Contributions from Private Sources* and asked were the contributions from a private individual.

Ms. Lawson thought it was for recreation, but was not sure. She said that she would get that information for the Commission members.

Mr. Gorry asked has the City received the proceeds from the sale of the old Diesel Plant.

Ms. Lawson said that information is listed under *Gain or Loss of Disposal of Assets*. She explained that the reason the amount is \$220,320 is because although they had a \$500,000 sale for the old Diesel Plant, the City had a book loss on the sale and disposal of the fuel that was in the tanks outside the Power Plant.

Mr. Stump asked Ms. Lawson to go over the *Stormwater Utility Fund*.

Ms. Lawson thought this was one of those things where they forgot in the adopted budget for FY 15-16 that they actually adopted a Stormwater Utility Fund. She said they never proceeded to create a Stormwater Utility Fund through a funding mechanism so they are eliminating it because it doesn't exist. She noted that the projects themselves have gone back into Fund 304.

Mr. Gorry said the Water and Sewer Department initiated the STEP System, which increases the revenues for Sewer, which equates to approximately \$30 per month per conversion per customer. He said because the pump system uses electricity, he spoke with Mr. Rob Bolton, Water and Sewer Director, who stated that the electricity used, costs about .50 cents per month.

Mr. Gorry made a motion that the Finance Commission recommends to the City Council that they adopt the budget amendment. Mr. Polackwich seconded the motion and it passed unanimously.

5. NEW BUSINESS

None

6. OLD BUSINESS

None

7. CHAIRMAN'S MATTERS

A) Statewide Electric Rate Comparison

Mr. Gorry reported that he recently gave an overview of rates throughout Florida to the Utilities Commission. Because he reported this information to the Utilities Commission, he felt it would be worth wild to review the information with the Finance Commission. He reported that there were claims at Public Service Commission (PSC) meetings first that the rates charged by the City of Vero Beach were abusive and excessive. Secondly, that as an unregulated monopoly there have been claims that the City of Vero Beach is unregulated, which it is. However, the City of Vero Beach has offered to go to the PSC to have them review their rates. Thirdly, there have been claims by some that Vero Beach Electric cannot compete because they do not generate their own electricity and therefore it is a business model that won't work. Lastly, there is a claim that a municipal utility, such as the City of Vero Beach Utilities, cannot compete with investor owned companies. He said there are 33 municipal electric companies in the State of Florida and six (6) are investor owned utilities. Based upon the projected \$116.05 rate for 2017, and in looking at what the investor owned utilities have asked for and assume to get in their rates, five (5) of the six (6) investor owned utilities have applied for increases in their rates. He said of the 33 municipalities, as of the September report by the Florida Municipal Electric Association (FMEA), which he has confirmed, there is no known increase going forward that they are aware of. He said that he used the October rate of \$116.05 to compare to the 33 municipalities and 11 of them are higher than the City of Vero Beach Electric. With the January, 2017 dates four (4) of the six (6) investor owned utilities are going to have higher rates than the City of Vero Beach. He said this is based on 100 Kwh per month and doesn't include franchise fees. There are three (3) municipal utilities that have greater than 50% of their customers outside their city limits, which are Jacksonville Beach, Kissimmee, and Lake Worth. He said that he was told this verbally and is waiting for the data to be given to him. He said of those three (3), there have

been the same issues with regards to representation. He said that in Kissimmee, which is one (1) of the larger municipal utilities, there is a Utilities Authority made up of professionals who overview the utility management and rate setting. He noted that Tampa Electric was one (1) of the six (6) investor owned utilities that has a reduction in rates. The other five (5) have increases and four (4) of the six (6) have higher rates than the City of Vero Beach with one (1) being Duke Energy by .50 cents. He said Gulf Power, Gulf Northeast and Gulf Northwest are asking for a \$10 per month increase over the \$17 currently over the City of Vero Beach. Therefore, there would be close to \$30 more per month for these investor utilities that have 400,000 customers. He said there is no question that FPL has lower rates. What he was trying to address were claims of excessive, abusive, non-competitive, and inability to be competitive with municipalities or the private sector. The other issue was generation in that those who generate have less rates than the City of Vero Beach. He said there were about 12 cities that have generating and transmission and distribution capabilities. All the investor owned utilities do. However, not all of those that generate power are lower than those who do not.

Mr. Stump said if he understood Mr. Gorry correctly, when he started he stated that the City of Vero Beach could request that the PSC could regulate the City's rates. He asked can the City give that jurisdiction to the PSC. He wasn't sure the City could.

Mr. James O'Connor, City Manager, said the State would have to give that jurisdiction to them. It would be a legislative issue.

Mr. Stump said that Mr. Gorry made a lot of comments about the various municipalities of FMPA. He asked if he heard correctly that Mr. Gorry thinks that the Vero Beach Electric can be competitive in the utility business.

Mr. Gorry referred to the *Comparison of Residential Electric Rates Compiled by Florida Municipal Electric Association, Inc. – Tallahassee, Florida* (attached to the original minutes). He said the City is competitive with Alachua, Bartow ...

Mr. Stump stopped Mr. Gorry and asked, by competitive does he mean the City's rates are lower.

Mr. Gorry said from the cities that he is reading.

Mr. Stump said then that's his definition of competitive. If the City's rates are lower they are competitive.

Mr. Gorry said they are not the lowest, but of the utilities in the State of Florida, 15 of them have higher rates than the City of Vero Beach. He said that is clearly not the median, but is competitive with those 15 municipalities. He said having worked in the utility business (AT&T) for 40 years, having managed utilities in New York, having done due diligence on mergers and acquisitions, having worked with the PSC setting rates, it is his opinion to put everyone under the PSC. He said 22 states have deregulated electricity. He explained that you could purchase your generation from any company and purchase transmission and distribution from the same company or from another company. He said the other utility that is deregulated is gas and there are a number of those 22 states that deregulated gas.

Mr. Mark Mucher said that he was not looking at the same numbers Mr. Gorry was looking at because Mr. Gorry has top secret October reports.

Mr. Gorry said they are not top secret. He said that he called FMEA and asked them for the information.

Mr. Mucher asked Mr. Gorry if he has shared it with anyone.

Mr. Gorry said that he was sharing the information now. He noted that he spoke with FMEA and asked if there were any changes that they knew in the foreseeable future from the September report going forward and they told him not that they knew of. He then announced the telephone number for Mr. Barry Moline's, Director of FMEA, if Mr. Mucher or anyone else wanted to verify their conversations and information that was provided to him (Mr. Gorry). He said that he has tried to be fact based, accurate, and as honest and truthful as he could.

Mr. Mucher said that he has not seen a weighted average.

Mr. Gorry said that is what he quotes.

Mr. Mucher said that he would like to see those weighted average numbers. He asked Mr. Gorry to share the information with the Commission members and with the public.

Mr. Gorry said that he does his own weighted averages and would get the information to them.

8. MEMBER'S MATTERS

None

9. ADJOURNMENT

Today's meeting adjourned at 11:12 a.m.

/sp