



**Joint Public Meeting
of the
Indian River Shores Town Council,
Vero Beach City Council, and
Indian River County Board of County Commissioners
October 28, 2014 9:00 A.M.
Richardson Center on the Mueller Campus of
Indian River State College
6155 College Lane, Vero Beach, Florida 32966**

AGENDA

- 1. Call to Order [9:00 a.m. - 9:05 a.m.]**
 - a. Facilitator Introduction
 - b. Pledge of Allegiance
 - c. Invocation
 - d. Roll Call

- 2. Comments by the Public [9:05 a.m. - 10:05 a.m.]**

- 3. Opening Statements on the Issues in Conflict [10:05 a.m. - 10:50 a.m.]**

Pursuant to Section 164.1055, Florida Statutes, at the Joint Public Meeting the primary conflicting governmental entities are to consider and seek agreement on the issues identified in the conflict assessment phase.

 - a. Mayor of Town of Indian River Shores [15 mins.]
 - b. Chairman of Indian River County Board of County Commissioners [15 mins.]
 - c. Mayor of City of Vero Beach [15 mins.]

- 4. Break [10:50 a.m. -11:00 a.m.]**

- 5. Discussion of Whether Agreement can be Reached on the Issues in Conflict [11:00 a.m. - 12:15 p.m.]**

The discussion will be between elected officials in the order as recognized by the facilitator. Staff and counsel also may participate upon request and as recognized by the facilitator.

- 6. Further Discussion in the Event that No Resolution is Agreed Upon by the Primary Conflicting Governmental Entities [12:15 p.m. – 12:45 p.m.]**

The discussion will be between elected officials in the order as recognized by the facilitator. Staff and counsel also may participate upon request and as recognized by the facilitator.

 - a. Discussion of Mediation Process, Including Possible Mediators
 - b. Discussion of Date, Time and Venue for Mediation

- 7. Adjourn [12:45 p.m.]**

CITY OF VERO BEACH ELECTRIC UTILITY

PRELIMINARY LIST OF POTENTIAL COST REDUCTION MEASURES

Renegotiate April 2008 PPA with OUC.

Terminate April 2008 PPA with OUC and replace with a current-market-price-based power supply resource. NOTE: This option would expose the City to having to pay liquidated damages of \$50,000,000 (\$50 million) to OUC.

Mothball City Power Plant and replace with purchased power.

Reduce Electric Utility labor force through attrition (to the extent feasible while continuing to provide reliable service).

Significant Potential Rate Reduction Measures Identified in 3/28/2014 Finance Commission Memo (copy of full list and memo attached)

Finance capital expenditures for a defined period of years.

Conduct Optimization Study.

Replace selected Electric Utility functions with contract services, to the extent cost-effective.

Reduce General Fund transfer and increase City taxes.

MEMORANDUM

TO: James O'Connor, City Manager
FROM: Peter Gorry, Chairman ^{PG}
Finance Commission
DATE: March 28, 2014
RE: Potential Pre-Sale Rate Reductions

As discussed and recommended at the Joint Utilities/Finance Commission meeting held on March 19, 2014, attached is the list of potential options to reduce pre-sale Vero Beach Electric rates to be evaluated by your staff applying "SWOT Analysis," many of which would require Council policy decisions, possible Union contract changes, as well as personnel practice revisions.

Certain initiatives can be implemented this year, additional actions taken if there is a delayed closing date.

PG/sp

Attachments

cc: Mayor Richard Winger and City Councilmembers
Finance Commission Members
Utilities Commission Members
Mr. James O'Connor, City Manager
Ms. Cindy Lawson, Finance Director
Mr. Tom Richards, Utilities Director
Mr. Ted Fletcher, Transmission and Distribution Operations Director

POTENTIAL RATE REDUCTIONS PRE SALE

FINANCIAL

1. Analyze the 5 year Capital Program for T&D to incur debt financing long term assets as opposed from cash reserves.
2. Evaluate all current fees (connect, disconnect, provisioning of services, late payment penalty charge) to determine cost recovery versus revenue.
3. Review distribution of rates between base and fuel charge. Increase in the base grows utility tax income.
4. Examine Customer Service operations to streamline bill paying, processing, hours of opening, face to face, part timing, on line applications (in progress) and levels of service offered.
5. Determine use of fuel oil proceeds; monetize surplus T&D inventory / assets / scrap.
6. Develop a rate structure consistency review.
7. Consider reduction of pension underfunded annual payments based upon improved 5 year investment returns.
8. Provide periodic rate sufficiency; impacted by:
 - a. increased customer/revenue growth
 - b. limited transactional attorney/professional fees expended year to date
 - c. actual VBE revenues and expenses compared to budget
9. Reduce transfer fees, to and from General Fund; raise taxes.
10. Lower allocation of G and A from the GF to VBE.
11. Defease a portion of debt (recommended by UC/FC)
12. Refinance remaining debt (not recommended by UC/FC)

OPERATIONS/MANAGEMENT

13. Appoint Electric Utility Director (completed without increasing headcount)
14. Contracting selected functions if feasible
15. Optimization Study
 - a. engage a consultant (see 5 above)
 - b. level of staffing, management span of control, cross training, shift coverage
 - c. outsourcing meter T&D operation, meter reading
 - d. technology
 - e. reduce Customer Service premium offerings.
 - f. apply "best in class" standards
 - g. replace employees who leave with retirees on contract.
16. Pursue renegotiating FMPA/OUC contracts.

TECHNOLOGY

17. Construct requisite T&D, import power, decommission plant, mothball.
18. Maintain power plant transfer station in place.

**CITY STAFF 'SWOT' ANALYSIS OF
POTENTIAL RATE REDUCTIONS PRE-SALE**

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 1 – Analyze the 5 year Capital Program for T&D to incur debt financing long term assets as opposed from cash reserves.

Background/Analysis: The City budgets an annual transfer of operating revenue to the Electric Utility Repair & Replacement (R&R) fund for capital expenditures related to repair, replacement and improvements of utility assets. A copy of the most recent adopted five year R&R fund capital improvement plan is attached (Attachment A). This annual transfer to pay for R&R using current revenues has been the City's practice for many years; the last time that the City borrowed new money to finance capital improvements was the 1990's. This approach is also consistent with a 2009 rate sufficiency study by PRMG, which indicated that ongoing T&D costs should be financed by current year rates, and proceeds from borrowing applied only to significant new or upgraded infrastructure.

The majority of the City's expenditures for T&D within the R&R fund are for ongoing replacement of individual items of relatively small dollar value, such as transformers, meters, conduit, poles, etc. The City staff recommends financing only those R&R expenditures which constitute significant capital improvements with a 20-30 year useful life, such as the proposed new or expanded transmission facilities. At a joint meeting on March 19, 2014 both the Utility Commission and Finance Commission also voted unanimously to "maintain the City's historic practice of paying for repairs and maintenance through their current cash flow and their current capital budget".

Strengths: Borrowing money for capital improvements would provide a temporary near-term reduction in annual expenses.

Weaknesses: Funding ongoing maintenance and replacement with borrowing would be a departure from standard industry practices, and would also reduce the City's debt service coverage ratios (which is a metric analyzed by rating agencies).

Opportunities: Near term reductions in annual expenses could potentially lower utility rates.

Threats: Eventually, the annual debt service would be at the same (or higher levels) than the previously budgeted R&R transfer, necessitating rates sufficient to cover the debt service.

6/25/14 Finance Commission:

Motion: Continue with current practice of funding capital with cash (staff's recommendation) until such time as rate consultant completes work. Motion passed 5-0.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 2 – Evaluate all current fees (connect, disconnect, provisioning of services, late payment penalty charge) to determine cost recovery versus revenue.

Background/Analysis: The City has compared its adopted service charges to both FPL and Fort Pierce Utilities, and for the most part the City's adopted charges seem to be comparable (see Service Charges comparison Attachment B). However, there are situations in which the City does not (based on past practice) actually charge the full approved amount for some types of services. In addition, the City has no cutoff times prior to close of business at 5:00 PM for items such as same day reconnect and service initiation, which may cause some of these services to be performed at overtime rates for employees.

The City staff recommends that rather than increasing service fees and penalties across the board, we first review and improve our policies with regard to assessment of the fees already adopted. Any recommendations regarding fee increases or adjustments can be examined as part of the planned optimization and rate study.

Strengths: Increasing fees will increase electric utility revenues.

Weaknesses: It is unlikely that the increase in revenue will be significant enough to impact rates; at the present time the revenue from penalties/fees is \$ 635,000 per year or approximately 0.7% of the total electric utility revenue.

Opportunities: Improve consistency of customer service policies and procedures.

Threats: Increasing fees may initially cause some customer complaints.

6/25/14 Finance Commission:

Motion: Accept staff's recommendation. Motion passed 5-0.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 3 – Review distribution of rates between base and fuel charge. Increase in base grows utility tax income.

Item 6 – Develop a rate structure consistency review.

Background/Analysis: The City's last rate structure study was conducted in 2009 by Public Resources Management Group (PRMG) and led to the adoption of revised rates effective January 01, 2010

On May 20, 2014, the City Council directed staff to prepare an RFP for both a rate sufficiency/structure study and an optimization study. Preparation of this RFP is in process.

Strengths: The rate structure was last reviewed by an outside consultant and changes adopted in 2010 and therefore it is time to re-assess those projections and the results of operations versus projections since then.

Weaknesses: A rate structure/rate sufficiency study could result in recommendation for a rate increase rather than a decrease.

Opportunities: A rate study will incorporate the latest information regarding customer demographics and utility operations in allocating costs to the various rate components.

Threats: A revised rate structure could result in increased costs for some customer classes while decreasing monthly bills for others, and still be an overall revenue/rate reduction.

6/25/14 Finance Commission:

Motion: Motion to accept (Council direction to perform rate study). Motion passed 5-0.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 4 – Examine Customer Service operations to streamline bill paying, processing, hours of opening, face to face, part timing, on line applications (in progress) and levels of service offered.

Background/Analysis: In September 2013, the City participated in a Business Process Review for its cashiering function with its banking services contractor, Wells Fargo. At the Finance Commission meeting of February 5, 2014, the Finance Director discussed with the Commission some proposed improvements in electronic banking technology, specifically e-box and lock-box services as a result of this review. See the Finance Commission minutes at Attachment C for details of this discussion.

Although the addition of electronic banking services such as e-box and lock-box will improve the reliability and speed of revenue collection, it will not reduce the costs of cashiering unless the City also changes its lobby hours. No matter how much the processing volume is reduced for other forms of payment, if there is a window open there has to be an employee to service it. Currently the City operates two lobby windows from 8:30 AM to 5:00 PM, Monday through Friday and two drive-through windows from 8:30 AM to 4:45 PM, Monday through Friday. The staff is proposing to eliminate the drive-through entirely (the drop box will be available outside) and reduce the lobby hours.

The following is a recap of the current cashier volumes for each form of payment, and the process improvement that is proposed to eliminate or reduce the volume of these transactions handled by the cashiering staff.

Transaction Type	Average Monthly Volume (2013)		Proposed Process Improvement
	# of Transactions	% of Total	
Scannable Mail	12,000	35%	Lockbox
Hand-Key Mail	6,500	19%	Ebox (95%) / Lockbox remainder
Walk-In / Lobby	4,300	13%	Reduce hours
Drive Through	3,000	9%	Eliminate
Night Drop	1,700	5%	Maintain
EFT	5,800	17%	Incentives?
CSI Credit	1,000	3%	Add to bill coupon (lockbox), credit card option at Cashier window
Total	34,300		

In addition to improving electronic banking services, the City is proposing to update its utility billing software in FY 14-15. The current software is 10 years and 10 versions out of date. Once the functionality of the billing software is improved, and the new electronic banking services have been integrated, we would like to take the further step of implementing a web based customer service portal. Such a website would enable customers to perform many of the activities associated with their accounts on-line without support from customer service representatives. For example, although FPL does not have any lobby locations, on the FPL website customers can pay bills and set up recurring auto-payments, start and stop service, view bills and usage data, set up

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

budget billing, get paperless bill delivery and find answers to many frequently asked questions regarding billing and service policies.

Staff is currently working with its banking service provider and billing software consultants to prepare an integrated implementation schedule and associated costs for the suggested upgrades. In addition, the staff is analyzing the potential savings associated with each upgrade, to arrive at a complete cost-benefit analysis. The suggested improvements would also be beneficial to the City's Water & Sewer utility customers, and staff is considering the cost-benefit both before and after an electric utility sale is completed. Staff would like to defer an in-depth discussion of this topic to a future Finance Commission meeting once the cost-benefit analysis is complete, so that the Commission can make specific recommendations on each to the City Council.

Strengths: Modernizing the City's customer service offerings and increasing the ability for customers to handle their day to day account activities on line will bring the City in line with industry best practices and the modern customer demographic.

Weaknesses: The City's utility customers are accustomed to being able to interact with cashiers and customer service reps face to face, from 8:30 AM to 5:00 PM. Reducing lobby hours is likely to initially cause some customer complaints.

Opportunities: After an appropriate period of customer education, we anticipate that the volume of lobby and phone traffic should be reduced, enabling the City to lower Customer Service costs.

Threats: Undertaking major upgrades to billing software, modifying electronic banking processes and creating web based customer interfaces are all projects which must be carefully scheduled and managed in order to prevent any interruption to the collection of customer revenues.

6/25/14 Finance Commission:

Motion: Accept staff recommendation (to defer discussion of cost-benefit analysis to future meeting). Motion passed 5-0.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 5 – Determine use of fuel oil proceeds; monetize surplus T&D inventory / assets / scrap.

Background/Analysis: The City's recent sale of fuel oil in connection with fuel removal and tank cleaning netted the City \$841,608 in cash. However, since this cash was received in exchange for an asset already on the Electric Utility's balance sheet (as inventory) at a higher value than the sale price, the sale was booked in accordance with GAAP as \$183,965 loss on the disposal (in addition to the \$247,163 cost of removal). The use of the 'proceeds' is an increase in the City's unrestricted net cash, and provides a partial offset to the cash reduction for the recent defeasance of debt.

The City will continue to monetize surplus assets, inventory and scrap as appropriate. As of month end April 2014, the City had the following balances in inventory:

Electric Supply Inventory - Warehouse	\$	2,914,082
Fuel - Power Plant	\$	277,722

Strengths: Monetizing assets when possible provides additional cash/revenue to the Electric Utility.

Weaknesses: Although the City may receive cash when monetizing assets, the net result of such sales may be reflected as a loss on the financial statements depending on the original value of the asset (less any associated depreciation).

Opportunities: Additional unrestricted cash from the sale of surplus improves the working capital position.

Threats: The Utility must be careful not to reduce inventory below the levels needed to meet operational needs and respond to emergencies.

6/25/14 Finance Commission:

Motion: Accept staff's proposal. Motion passed 5-0.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 7 – Consider reduction of pension underfunded annual payments based upon improved 5 year investment returns.

Background/Analysis: Although five year investment returns have improved, the City's annual required contribution (ARC) for the general employee pension has increased per the most recent actuarial valuation. This increase is due primarily to lowering the payroll growth actuarial assumption from 3.75% to 1.25%. This change in assumption was made by the City's actuary in compliance with Part VII, Chapter 112.54(5)(a) of Florida Statutes, which requires that the payroll growth assumption used to amortize the outstanding bases be no greater than the actual average payroll growth for the prior ten years. As a result, the total annual required contribution for the electric utility for the current fiscal year has increased by \$ 112,251 from \$1,574,267 to \$1,686,518.

Strengths: n/a

Weaknesses: n/a

Opportunities: n/a

Threats: n/a

6/25/14 Finance Commission:

Motion: The Commission acknowledges the facts presented. Motion passed 5-0.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 8 – Provide periodic rate sufficiency; impacted by.

- a. Increased customer revenue/growth**
- b. Limited transactional attorney/professional fees expended year to date**
- c. Actual VBE revenues and expenses compared to budget**

Background/Analysis: Periodic update and review of the City's rate sufficiency forecast based on actual revenues and expenditures has taken place since December 2012. At the present time, the staff provides a quarterly review of rate sufficiency to both the Utility and Finance Commissions, and a result of this review makes any appropriate recommendations regarding rate adjustments to City Council. The staff also prepares a quarterly financial report comparing budgeted versus actual revenues and expenses for all City funds, and analyzes variances for review by the Finance Commission.

Strengths: Quarterly review of rate sufficiency and budget performance allows the City to closely monitor changing conditions and make timely adjustments.

Weaknesses: n/a

Opportunities: n/a

Threats: n/a

6/25/14 Finance Commission:

Motion: Continue tracking, reporting and reviewing the results (quarterly).

Motion passed 5-0.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 9 – Reduce transfer fees, to and from General Fund; raise taxes

Background/Analysis: The City's Electric Utility, Water Sewer Utility, Solid Waste Utility and Marina make an annual transfer to the General Fund of 6% of each fund's revenue. The transfer of revenues from enterprise funds into the General Fund is a common industry practice and represents a financial 'return on assets' to the City for operation of the utility and the assumption of the financial risks and responsibilities associated with a utility. According to a June 2014 Fitch Ratings U.S. Public Power Peer Study, the median General Fund transfer for 27 public utilities in same A+ credit rating category as the City was 5.6% of operating revenues, and for AA- rated utilities was 6.8%.

Consider that an investor owned utility would pay property taxes, franchise fees and dividend payments to shareholders, while a municipal utility does not have these costs. 6% is a typical franchise fee percentage and would be collected by the City's general fund if an outside entity ran the utility. The County currently imposes a franchise fee of 6% on utility customers outside the City limits.

For Fiscal Year 13-14, the budgeted amount of these transfers and their percentage of total General Fund revenues is:

Transfer to General Fund from:	\$	% of Total General Fund Revenues
Electric Utility	5,511,270	28%
Water / Sewer Utility	970,380	5%
Solid Waste	154,500	1%
Marina	102,643	1%
Total General Fund Revenues	\$ 19,634,358	

By comparison, the total amount of ad valorem tax revenue in the General Fund is \$4,113,867 for the same fiscal year.

As has been previously discussed, each \$1 million in Electric Utility costs represents about 1% in rates. Each \$ 1 million in additional ad valorem taxes represents approximately a 25% tax increase.

Strengths: Lowering the transfer from the Electric Utility to the General Fund would lower Electric Utility costs, with a potential decrease in rates.

Weaknesses: Lowering the Electric Utility transfer to the General Fund would decrease general fund revenues, impacting either ad valorem taxes or service levels.

Opportunities: None anticipated.

Threats: Lowering the Electric Utility transfer from the current 6% percent received from all enterprise funds, would tend to imply that transfers from other funds should be reduced as well for consistency.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

6/25/14 Finance Commission:

Motion: Keep the 6% transfer fee (from Electric to General Fund). Motion passed 3-2.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 10 – Lower allocation of G and A from the GF to VBE

Background/Analysis: The allocation of general and administrative costs from the City's general fund is used to assign the full cost of Electric Utility operations to the Electric Utility Enterprise fund. None of the City's enterprise funds has its own direct cost centers for functions such as payroll, human resources, cashiering, accounts payable, purchasing, warehouse, attorneys, etc. However, none of the Enterprise funds could function without these internal services. As a result, the G&A allocation is intended to allocate the costs of 'central services' on an appropriate basis to various other City funds, in order to more accurately reflect the true costs of providing each service or function.

Where possible, in accordance with Government Finance Officers Association (GFOA) recommended 'best practices', the allocation of costs to the various enterprise funds is based on objective 'cause and effect' factors. For instance:

- The allocation of cashiering expenses is based on % of total cash receipts
- The allocation of human resources costs is based on % of total employees
- The allocation of IT support costs is based on % of total computers

For other areas, such as the City Manager or City Clerk, the allocation of costs is based on an estimated percentage of time expended and is reviewed annually during budget preparation.

The staff recommends that we continue to budget a General and Administrative allocation for internal services to all enterprise funds, based on the appropriate factors updated annually.

Strengths: Lowering the G&A allocation would lower the Electric Utility costs.

Weaknesses: Arbitrarily lowering allocated G&A charges would be contrary to the intent of full cost accounting for enterprise funds.

Opportunities: None anticipated.

Threats: Lowering the G&A allocation to the Electric Utility would increase general fund expenditures, impacting either taxes or service levels.

6/25/14 Finance Commission:

Motion: Keep same overhead (G&A) allocation. Motion passed 5-0.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 11 – Defease a portion of debt (recommended by UC/FC)

Background/Analysis: This item has been completed. The City's outstanding Series 2008 bank loan in the principal amount of \$3,236,000 was retired on April 15, 2014.

Strengths: Provides for an annual reduction of \$1.1 million in debt service expenditures for the next three fiscal years.

Weaknesses: Decreased Electric Utility total cash balance.

Opportunities: Reducing the outstanding debt has improved the Electric Utility debt coverage ratio, which is monitored by bond rating agencies.

Threats: n/a

6/25/14 Finance Commission:

Completed. Information item only.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 12 – Refinance remaining debt (not recommended by UC/FC)

Background/Analysis: The City has an outstanding Series 2003A bond issue in the amount of \$36,175,000. This bond issuance is not callable without penalty until December 1, 2018. The City's financial advisor, Mr. Craig Dunlap, has advised that refunding these bonds now (in advance of the call date) would result in a present value loss of \$2.1 to \$3.8 million.

The City staff and financial advisor do not recommend refinancing this debt at the present time. At a joint meeting on March 19, 2014 both the Utility Commission and Finance Commission also voted unanimously not to recommend refinancing the Series 2003A.

Strengths: Refinancing and possibly extending the maturity date for the Series 2003A bonds would provide near-term annual expenditure reductions.

Weaknesses: The present value losses for the refinancing are \$2.1 to \$3.8 million, and extending the debt maturity date would increase total expenditures by approximately \$8 million through 2027.

Opportunities: n/a

Threats: n/a

6/25/14 Finance Commission:

Motion: Commission upholds previous recommendation. Motion passed 5-0.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 13 - Appoint Electric Utility Director (completed without increasing headcount)

Background/Analysis: This item has been completed. Tom Richards has been appointed Utility Director and has experience in the closing of the Ft. Pierce Power Plant and working to improve transmission connections.

Strengths: Places a point of contact with experience in the areas that the City will need to address in the short term.

Weaknesses: N/A

Opportunities: Allows for a position to bring the total Electric Department under one person within the organizational chart.

Threats: Making sure that the City can attract, in the future, a qualified person for this position if necessary.

6/25/14 Finance Commission:

Completed. Information item only.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 14 – Contracting selected functions if feasible
Item 15 - Optimization Study

Background/Analysis: The Optimization Study completed for the Water/Wastewater Department was effective and accomplished the goal of cost reductions. As part of that optimization study, the consultant recommended the contracted outsourcing of some utility functions. It is felt the same could be accomplished with a study performed by a third party experienced in reviewing electric utilities.

Strengths: The consultant could provide valuable insight into industry standards that we may have overlooked with the result of reducing cost.

Weaknesses: Ensuring that the consultant retained is qualified and has experience with municipal services.

Opportunities: To reduce costs and provide rate reduction to customers.

Threats: Changes in the service delivery and adjustment to rate structures and shifting of cost.

6/25/14 Finance Commission:

Motion: Add review of outsourcing/contracting selected functions to Optimization Study (authorized by Council). Motion passed 5-0.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 16 - Pursue renegotiating FMPA/OUC Contract

Background/Analysis: This has been a point of discussion, and both FMPA and OUC are aware of the City's desire to revisit the existing contracts.

Strengths: If modifications to the Power Supply Contracts can be accomplished, long-term cost reductions could be achieved.

Weaknesses: The contract in place has legal-standing, and the City will need to show FMPA/OUC that there is a proposal for a win/win situation.

Opportunities: Improve our rates for a long-term improvement with our customers while providing competitive pricing.

Threats: Existing contract appears to have been written for long-term capacity supply, and modifications could possibly change the dynamics to short-term proposal making possible major cost variations.

6/25/14 Finance Commission:

Motion: Proceed with negotiations with all the interested parties. Motion passed 5-0.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

Item 17 - Construct requisite T& D improvements, import power, decommission plant, mothball.

Item 18 – Maintain power plant transfer station in place.

Background/Analysis: This item may be interpreted to mean:

The objective is to optimize power supply options in the short term (before sale to FPL) by minimizing the power supply costs.

Take steps that will allow closing of the municipal power plant and replacing generating capacity needed to serve load by purchases from external sources. External sources will have to deliver replacement power to FPL's transmission system for wheeling to Vero. Municipal power plant would terminate operations and equipment would be rendered safe and inoperable and "retired in place." Plant would be unmanned. Retirement of local generating capacity may trigger the need for improvements to FPL and/or Vero's transmission systems to maintain reliable service as required by North American Electric Reliability Corporation (NERC), Florida Reliability Coordinating Council and Florida Public Service Commission (PSC) standards as well as prudent utility practice.

Substation #1 would be left in place to provide essential transmission and distribution facilities.

Strengths:

- Reduces operation and maintenance expenses for power plant to zero, or near zero
- Reduces in overhead and administrative costs

Weaknesses:

- Purchasing power supply from additional external sources requires Vero to apply for a change to FPL network integrated transmission (NITS) service contract, a process which may take many months.
- Purchasing power supply from additional external sources requires change to supplemental wholesale agreement with OUC which now names the Vero Combined Cycle unit as a firm resource, and lists all remaining generating units as available.
- Changes being considered for the power plant and transmission system will require prior approval of FPL under the sales agreement.
- Costs of transmission modifications, if any, for modified NITS are unknown until FPL acts upon Vero's application.
- Costs for firm power supply are only estimated until contracts are executed.

Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman

- It is not obvious that the proposed plan will result in any significant savings over the current low maintenance, low replacement power plant spending plan.
- It is unlikely that current equipment at the plant will ever be functional technically or economical to use once shut down and abandoned ("retired in place").
- Maintaining existing equipment in condition such that it could be restored to service is probably not cost effective.
- Substation #1 requires regular operation and maintenance activities. Many controls and auxiliary equipment reside inside the power plant and cannot be abandoned without substantial and expensive modifications.

Opportunities

- Removes an obstacle to future use of the plant site.
- Potential to save net operating expenses and consequently reduce retail rates slightly.
- Retirement in place results in potential to repower the plant with new equipment at such time as market conditions may dictate.

Threats

- Reduces flexibility of Vero's electric utility to respond to changing market conditions for power supply.
- May be more expensive than maintaining the plant at some time in the future, perhaps five to ten years.
- Leaves plant demolition and cleanup activities open for future action.
- Leaves removal and/or modification of the substation #1 open for future action.
- Potential for skilled and knowledgeable plant employees to leave employment before the plant is retired, rendering Vero unable to safely operate the plant until retirement date.

6/25/14 Finance Commission:

Motion: Authorize the continuation of the study to optimize power supply options in short term. Motion passed 4-0 (one abstention due to conflict).

**CITY OF VERO BEACH
FIVE YEAR CAPITAL IMPROVEMENT PROGRAM**

ATTACHMENT A

UPDATED JUNE 2013

FUND 403: Electric R/R Fund

Account Number	Account Name	FY 12-13 ORIGINAL BUDGET	FY 12-13 BUDGET INCREASE (DECREASE)	FY 12-13 BUDGET AMENDMENT	FY 13-14	FY 14-15	FY 15-16	FY 16-17
FUND BALANCE FORWARD (OCTOBER 1)		4,267,323	(96,073)	4,171,250	871,658	1,741,658	1,826,658	1,976,658
		Audited						
REVENUES								
403.0000.343.000100	CONTRIBUTION(REIMB)ELEC WORK	150,000	-	150,000	150,000	150,000	150,000	150,000
403.0000.343.061200	ELECTRIC IMPACT FEES	250,000	-	250,000	250,000	250,000	250,000	250,000
403.0000.382.000200	CONTRIB FROM ELEC FD	6,000,000	(2,600,000)	3,400,000	3,400,000	3,000,000	3,000,000	3,000,000
Total Revenues		6,400,000	(2,600,000)	3,800,000	3,800,000	3,400,000	3,400,000	3,400,000
EXPENDITURES								
POWER PRODUCTION								
403.5000.531.610312	UNIT 4 COOLING TOWER INTERNAL REPAIRS	-	220,503	220,503	-	-	-	-
403.5000.531.661314	UNIT 2 COMBUSTION TURBINE INSPECTION	650,000	-	650,000	-	-	-	-
403.5000.531.667314	UNIT 5 COMBUSTION TURBINE INSPECTION	3,340,000	(500,000)	2,840,000	-	-	-	-
403.5000.531.613002	UNIT 4 SATURABLE CURRENT TRANSFORMERS	140,000	(140,000)	-	-	-	-	-
403.5000.531.613003	UNIT 4 TURBINE INSPECTION	950,000	(950,000)	-	-	-	-	-
403.5000.531.613004	PLANT ROOF FAN REPLACEMENT	150,000	(150,000)	-	-	-	-	-
403.5000.531._____	UNIT 2 WATER BOX REPLACEMENT	-	500,000	500,000	-	-	-	-
403.5000.531.613005	UNIT 4- 2 WATERBOX REPLACEMENT COATING	250,000	(100,000)	150,000	-	-	-	-
403.5000.531.613006	BOILER WATER TREATMENT SYSTEM	150,000	(150,000)	-	-	-	-	-
403.5000.531.613007	PLANT ROOF WORK (Maintenance Shop)	110,000	(110,000)	-	20,000	-	20,000	-
403.5000.531.613008	UNIT 5 STATIC EXCITER REPLACEMENT	455,000	(455,000)	-	-	-	-	-
403.5000.531.613010	UNIT 5 NORTH WALL FAN DAMPER	32,000	-	32,000	-	-	-	-
403.5000.531.613011	ELECTRICAL SHORT CIRCUIT COORDINATION	40,000	(40,000)	-	-	-	-	-
403.5000.531.613012	PLANT ROOF REFURBISHMENT	10,000	(10,000)	-	20,000	20,000	20,000	-
403.5000.531._____	UNIT 2 STEAM TRAP REPLACEMENT	-	-	-	-	25,000	-	-
403.5000.531._____	UNIT 5 AUX. COOLING WATER HEAT EXCHANGER	-	-	-	200,000	-	-	-
403.5000.531._____	POWER PLANT DECOMMISSIONING	-	-	-	-	-	-	1,000,000

**CITY OF VERO BEACH
FIVE YEAR CAPITAL IMPROVEMENT PROGRAM**

UPDATED JUNE 2013

FUND 403: Electric R/R Fund

Account Number	Account Name	FY 12-13 ORIGINAL BUDGET	FY 12-13 BUDGET INCREASE (DECREASE)	FY 12-13 BUDGET AMENDMENT	FY 13-14	FY 14-15	FY 15-16	FY 16-17
CUSTOMER SERVICE								
403.5100.531.608370	ITRON EQUIPMENT	30,889	-	30,889	-	-	-	-
403.5100.531.612391	REPLACE UTILITY BILLING SERVERS	-	-	-	-	-	-	-
TRANSMISSION & DISTRIBUTION								
403.5400.531.610365	RECONDUCTOR FEEDERS	750,000	(300,000)	450,000	500,000	750,000	750,000	750,000
403.5400.531.610391	COMPUTER	10,000	-	10,000	10,000	-	-	-
403.5400.531.667364	POLES/TOWERS/FIXTURES	300,000	-	300,000	325,000	350,000	350,000	350,000
403.5400.531.667365	O/H CONDUCTORS/DEVICES	380,000	(100,000)	280,000	300,000	435,000	450,000	450,000
403.5400.531.667366	UNDERGROUND CONDUIT	160,000	-	160,000	160,000	160,000	160,000	160,000
403.5400.531.667367	U/G CONDUCTORS/DEVICES	350,000	-	350,000	350,000	500,000	500,000	500,000
403.5400.531.667368	LINE TRANSFORMERS	225,000	-	225,000	225,000	225,000	250,000	250,000
403.5400.531.667369	SERVICES-OVERHEAD & UNDERGROUND	100,000	(40,000)	60,000	60,000	125,000	125,000	150,000
403.5400.531.667370	ELECTRIC METERS	200,000	(60,000)	140,000	140,000	250,000	250,000	250,000
403.5400.531.667373	OUTDOOR LIGHTING	60,000	(20,000)	40,000	40,000	75,000	75,000	75,000
403.5400.531.667394	OVERHEAD/URD/SUBSTATION/METERING TOOLS	20,000	-	20,000	20,000	-	-	-
403.5400.531.671364	LINE RELOCATIONS	300,000	(150,000)	150,000	150,000	300,000	300,000	300,000
403.5400.531.691369	FIBER OPTIC PROJECTS	100,000	-	100,000	100,000	-	-	-
403.5400.531.692362	SUBSTATION EQUIPMENT PAINTING	75,000	-	75,000	-	-	-	-
403.5400.531.693362	69KV BREAKERS	200,000	-	200,000	250,000	100,000	-	-
403.5400.531.695362	STATION BATTERIES	30,000	-	30,000	-	-	-	-
403.5400.531.613001	SWITCHGEAR REBUILD	15,000	-	15,000	15,000	-	-	-
403.5400.531.613002	1 TON TRUCK UTILITY BODY - SUBSTATION	43,000	-	43,000	-	-	-	-
403.5400.531.613003	UTILITY TRUCK -SMALL, 4X4	28,200	-	28,200	-	-	-	-
403.5400.531._____	UPS BATTERIES	-	-	-	15,000	-	-	-
403.5400.531._____	RELAY TESTING	-	-	-	30,000	-	-	-
Total Expenditures		9,654,089	(2,554,497)	7,099,592	2,930,000	3,315,000	3,250,000	4,235,000
Excess (Deficiency) of Revenues over Expenditures		(3,254,089)		(3,299,592)	870,000	85,000	150,000	(835,000)
ENDING FUND BALANCE (SEPTEMBER 30)		1,013,234		871,658	1,741,658	1,826,658	1,976,658	1,141,658

Service Fees Comparison

ATTACHMENT B

	COVB Approved Rates	Florida Power & Light	Fort Pierce Utilities
Service Charges			
Start/Stop Service	Internet, Phone, Fax, Lobby, Mail	Internet, Phone (IVR/Person)	Internet, Phone, Fax, Lobby
Move In	Future Date: \$15.00 / \$5.00	\$14.88	Primary Utility \$40.00
	Same Date: \$50.00/ \$25.00		Each additional Utility \$20.00
Field Collection Chg	\$10.00	\$5.11	n/a
Late payment	\$5.00	greater of \$5.00 or 1.5%	Late payment \$15.00
Penalty	n/a	n/a	Past due accounts greater than \$50.00 - 1.5% of past due bal
Reconnect Charge	Future Date: \$15.00 / \$5.00	\$17.66	Field reconnect charge (in addition to penalty and late payment)
	Same Date: \$50.00/ \$25.00		Reg Hrs
			OT Hrs \$35.00
			\$150.00
			At Pole \$75.00
			\$150.00
			Transformer \$200.00
			\$275.00
Disconnect Charge	\$25.00	no disconnect charge	the above field reconnect charge to defray the cost of disconnect
		(2 or more late payments in 6 months, new deposit is billed)	disconnect and reconnect
Return payment chg	\$15.00 - payments up to \$300.00	\$25.00 - payments up to \$50.00	Under \$50.00 \$25.00
	5% - payments greater than \$300.00	\$30.00 - \$50.01 to \$300.00	\$50.00 to \$300.00 \$30.00
		\$40.00 - \$300.01 to \$800.00	More than \$300.00 greater of \$40.00
		5% - payments greater than \$800.00	or 5%
Tampering		Immediate disconnection of service	Cut seal \$50.00
		adjustments of prior bills for consumption	Tampering \$200.00
		reimbursement to company for all investigative expenses	
ways to pay bill	E.F.T., Online with credit/debit card (fee)	E.F.T., Pay online (free)	Internet, phone, Lobby, Drive through,
	Pay by phone with credit/debit card (fee)	Electronic Data Interchange (EDI)	Ezpay (E.F.T.)
	Online bill pay (not electronic)	Pay with Credit/Debit card with	
	Pay by mail, Pay in lobby	Western Union speed pay,	
	pay in drive through, after hours drop off	Pay by phone 24/7	
		Online bill pay and Mail	
Budget Billing	yes	Yes	Yes