AGENDA MINUTES
MEETING
AGENDA
MONDAY, MARCH 4, 2024 5:30 PM

1. CALL TO ORDER

The City of Leesburg Electric Advisory Board held a regular meeting on Monday, March 4, 2024, at Leesburg City Hall. Chairperson Morris called the meeting to order at 5:30 p.m. with the following members present:

Board Member Jack Braton
Board Member Dan Robuck
Board Member Marc Schwartz
Vice Chairperson Jessy Flinn
Chairperson Tim Morris

Also present were Finance Director (FD) Jim Williams, City Clerk (CC) J. Andi Purvis, Electric staff Chris Adkins and Marie Carter, and others.
City Manager (CM) Al Minner was absent.

INVOCATION

Vice Chairperson Flinn gave the invocation followed by the Pledge of Allegiance to the Flag of the United States of America.

PLEDGE OF ALLEGIANCE TO THE FLAG OF THE UNITED STATES OF AMERICA

2. APPROVAL OF MINUTES:

A. Regular meeting held February 5, 2024

Chairperson Morris asked if there were any corrections to the February 5, 2024, minutes. If not, he would entertain a motion. Board member Schwartz made a Motion to approve the minutes, seconded by Board member Robuck. Chairperson Morris stated all in favor signify by saying aye, oppose same sign, Motion carried unanimously.

3. PRESENTATION / DISCUSSION:

A. FY 24 Budget

Chairperson Morris turned the meeting over to Finance Director (FD) Jim Williams.

FD Williams started by providing a synopsis of the overall budgeting process. In the State of Florida, the budget process is outlined by timelines that are set by the state, and it all starts on July 1st. Our process starts in April and all departments are to have their department budgets keyed in the system and available to the city manager on April 1st. During April and May we run through all the various department budgets trying to wean them down to something that is manageable and by the time they make it to the city commission at the budget workshops we are probably about 80% finished. On July 1st, the Lake County Property Appraiser provides us with the information we need on property values, etc., so we know how much property tax we are going to get. So, July 1 starts the formal budget cycle. We have our budget hearing workshops with the city commission where the budget is presented to them during July and that is where Al does his budget presentations. There is discussion back and forth with the commission on what their priorities and their interests are and where they want the city to go. We have three or four meetings and by the end of the third meeting, all the questions asked by the city commission or adjustments they requested in the budget, have usually been made. So, by the end of that last budget workshop in July with the commission, staff comes back with the adjustments requested and at that point we are probably about 95% done with the budget. The month of August is kind of a dead period and then in September you have the State mandated public hearings on the budget. Budget amendments are made throughout the year and those are anytime we have a major change in the budget, and those are brought to the city commission for their approval. That is ongoing during the year as well. **Chairperson Morris** asked if you do a midyear budget adjustment or is it monthly. **FD Williams** replied it is done quarterly. During a quarter you might have big contracts go out that were not originally contemplated, the city manager has some leeway on what he can approve or not, and anything that actually changes the dollar value of the budget itself has to go through an amendment process. That is simply a vote by the city commission, those are all published, and we are required to publish any amendments on the website as well.

FD Williams started his presentation stating this is the current budget we are working on right now. He showed a pictorial recap of our budget expenses to see where we had all the costs that blew up during the Ukraine war and when the gas prices went nuts. We were at over 70% that year and that was a shock to everybody's system. We are coming back down where it needs to be around 65%, and by the end of this year he is hoping we will be better than the 65% mark, maybe at 64 or 63. Just that one percentage does actually make a difference dollar-wise. Capital has approximately $3 million in this budget which is way less than we have had in the past, primarily because we are not as cash flush as we have been in the in the past and we really do not want to borrow any more money right now.

Board Member Flinn asked about city manager costs. **FD Williams** replied that is for services that the general fund supplies to the electric fund. The city manager's cost, finance, customer service is the largest one, HR, and IT. IT is based on the number of units, computers and other technological devices they have, so it is all based on different criteria. The other thing included in there is three million dollars taxes that we collect on behalf of others and is transferred out, but some franchise fees and the surcharge, etc., those are also included in that allocated number. The second item, transfers, those are different transfers made to the general fund, kind of like a dividend from the utility. That is five million, but 2 million there has two pieces to it, there is a surcharge which is on the utility bills, 10%, and then the other is the dividend, so to speak the transfer. The operating expenses, 5 million, and the personnel another five million, so you have about 10 million in general operating expenses for the department to run. There are 52 employees in the electric department, so that is a huge cost as you might imagine. That includes all your equipment, office stuff, operating supplies for the trucks etc., and gasoline.

Board member Schwartz said so you have full-time personnel that are specific to just the electrical department and then the allocation is like a percentage of city employees. **FD Williams** said yes, other city functions. **Board member Schwartz** said so almost eleven and a half million in what would be people related payroll. **Board member Robuck** said minus 3 million. **FD Williams** said yes, there is about 3 million in the allocations and three million in the other things like taxes. **Board member Robuck** asked the money that is collected on behalf of Fruitland Park, that goes to Fruitland Park, is that in the allocation. **FD Williams** answered there is 6 million and 3 million of that is taxes and stuff that does not belong to us, so we have to transfer the franchise fees. We pay that to Fruitland Park to operate inside the Fruitland Park city limits. We charge the Fruitland Park residents for that; we do not charge our residents for that. They have a surcharge as well. Those two items are over 3 million of that allocation number. **Chairperson Morris** asked on personnel in the electric department, are they unionized? **FD Williams** replied no. **Board member Robuck** said they actually tried to unionize and the city was supportive of it, but they could not break out as a separate union. **FD Williams** stated they have actually tried twice and in the end the union decided they were too small and did not want them. **Chairperson Morris** said he is trying to get around the allocations and see how they are done. Is it a number or a percentage that is picked? **FD Williams** answered no, there is a logic to it. In IT that is based on the amount of IT equipment they use; HR has a person assigned to the utilities for HR and so they get a percentage of that person's time. We have to justify that every year and it does change every year as well as go up and down.

Moving to the Electric Fund Cash and Reserve slide, **FD Williams** said he thinks this slide was in Al's last presentation, but you can see the cash (Green line) there at the top and since he talked about the BPCA which is the Blue line, he was not going to talk about that. However, the green represents that we had pretty substantial cash balances up until about four or five years ago when we started really putting a lot of money into the system.

On another slide, FD Williams said some of the issues we are facing, the green energy debate and the war effort, those things are big and ongoing reasons for the cost of fuel, which goes into making electricity go way up. Inflation has a major factor in our operating expenses, the supply chain build up has been a real problem for everybody, not just in our industry, but in every industry trying to get the materials needed to operate. During this time, we built up our inventory probably larger than we meant to or should have but we got a lot of the stuff we need. The biggest problem at this point is transformers and getting the right size needed, particularly for residential development; that has been a real issue for us. Transformers, like the big ones we just installed over the last couple years, those take a couple years to get and now they are wanting a lot of that money up front where before they did not; it is really expensive. The other part is when you have this residential development, a medium sized development, you are putting about $3 million in the ground and you do not get that money back until they start putting houses in, so there is a delay between the time you put the money in the ground and when you are actually going to start receiving revenue. In some places like The Villages, you know it is quick and in other places not as fast, but eventually you are going to get your money back hopefully.

Taking a look at the transfers, here is the pattern that we have been slowly reducing. Just as a historical point in 2013 both Al and I started here in the same month, so it has been 10 years. You can see the transfers at one time were actually above 10%, going back a few more years, but on this chart, they are about 8.5%. We keep lowering it and lowering it and you can see now we are down about 5.5%, so that has dropped by about over a third. We are doing that for several reasons, one is the transfers. We do not want to raise the rates unless we have to and getting that transfer smaller has a big effect on the rate. The other reason is there is a lot of pressure Statewide on municipalities or utility providers that are not investor owned to keep those transfers intact. We have always done that and more so since Al and I have been here. By the way, my background is utilities and just so you know Al is a stickler for the dollar and he has really got the utilities at the point where they are trying to be competitive in everything we do and

we are. In fact, we are more competitive in a lot of our utilities.
Board member Robuck asked we are now capped at 6%, right? **FD Williams** replied we are now capped at 6% transfer and the reason we did that was because some of the pressures from the state and others to handicap Municipal Utilities, but the other is that is equivalent to a franchise fee. Most franchise fees on electric are in the 6% range, although Fruitland Park has 8%. **Chairperson Morris** asked if the state capped us or did the city? **Board member Robuck** said the city commission put a charter amendment to cap ourselves but did it through the charter amendment so the city commission cannot change it. **FD Williams** said that is a recent development about two years now. **Board member Robuck** said but allocation is one the city can play with, but Al has been, at least when I dealt with him, he was very protective of the utility and not pushing allocation but you could have a city manager who could I mean it is a made-up formula. **FD Williams** said it is not a made-up formula it is realistic. **Board member Robuck** said but it could be, you could have a different city manager come in or different finance director and say I'm going to change it this way. **FD Williams** said absolutely you could, there are ways to manipulate it if you wanted. **Board member Robuck** thinks that is something you really want to look at each year making sure it is consistent so you do not see a big jump there because that is where you can kind of hide some money into the general fund. **FD Williams** stated the Auditors look at that too, they want to see that there is a nexus between what you are charging because every department pays into the allocations. The big hit this year was insurance, think that was a killer for everybody. He stated on the transfer, one historical format, it used to be the city commission treated these transfers like free money and so anytime they wanted to do a project they just transferred out more money and more money until they got themselves in a little bit of trouble by doing that financially. He was in a meeting when one said well if we just need more money, we will just raise the rates. That is really not good and that has definitely ceased with Al being here, I can guarantee you that.

The next slide was included to give you some idea on our operating income before the transfer. When I say operating income, I am taking that a little bit farther, that is our actual operating expense, less the debt payment and then what you end up with is actual transfer. We did pretty well in those middle years, but from 2019 down we kind of rapidly started to fall off and then in 2023 our operating income was less than the transfer. You ask how does that work, well it does not work very well, in fact, our audited statements are not out yet, but what you would have seen would have been a loss in the electric department. The only thing that brought that up to around $500,000 to the good this year was contributions from developers. That is the only reason we are not going that show a deficit this year. That is not a good trend, that is a trend that is going to have to change here in the near future. **Board member Schwartz** asked why would that happen at all, why wouldn't you reduce the transfer to reflect the reduction. **FD Williams** said we have been reducing it every year and we are going to reduce it again this year. **Board member Schwartz** replied right, but even so, if your income is down why would you not reduce your transfer to reflect that. **FD Williams** said basically that is what we are doing now. We are going to reduce it again this year so that does not happen and we are going to reduce our Capital cost as well. **Board member Robuck** said to be fair, correct me if I am wrong, but you did not budget a loss. You ended up having higher fuel expenses than was expected, and that ended up being a loss, so you are kind of running on a little lag. **FD Williams** said our fuel costs are going to be a little higher at the 65% mark than what we like. Even in our best years when it was up around 14%, we are only talking about a $2 million profit. **Board member Schwartz** asked what is the timing of the transfers, is that like throughout the year. **FD Williams** replied it is pretty much monthly. **Board member Flinn** asked is there a projection for this next year coming up, as far as you said 65%. **FD Williams** replied that is what we are projecting. **Board member Robuck** said what you are going to run into, because the commission could cut the transfer right during the year, but because that is going to general fund that means they would have to cut a general fund expenditure. I am not saying they should not, but you can see how political that gets because it means they have to cut something that they want. **Chairperson Morris** said your net income, if you have a developer that comes in and you put the infrastructure in, not The

Villages, but say Drake Point or down south you have to carry that debt yeah so, your net goes down. **FD Williams** stated he thinks the biggest thing in the operating expenses is just the sheer inflation, not counting the fuel cost, but everything else that has just gone up significantly. The trucks, the fleet cost, we purchase a truck now the cost is $350,000 and that used to be just recently $100,000 less.

FD Williams stated on rates you can see here from 10 to 13 or 15 the rates went up fairly quickly every year. In fact, when he and the city manager started here in 2013, there were two out years that were still looking at a 5% rate increase each year, which was not sustainable. We could not have rates that high; it would just be absurd compared to what the electric market is out there, just non-competitive. You can see starting in 2014 and 15 we had four straight years that is over 12, over 1,000 kilowatt hours, that is the rate for those. The blue line is the customer charge and you see in 2020 the charge went up significantly from I think it was $12.20 approximately up to $15. The theorem on utility rates has changed dramatically over about the last six or seven years and the reason for that is because the Public Service Commission basically changed their methodology for looking at electric rates in particular. There used to be what they had called the Ocala model which was fairly standard industry practice for a long time and then all of a sudden it changed.
Board member Braton stated at the last meeting it seems he remembers Al saying the average home uses 1300 KW hours. Why is that not the baseline, why is 1,000 kilowatt hours the baseline and not the median household? **FD Williams** answered that it is just industry practice, it is the way in all utilities in the State of Florida. **Board member Braton** asked if that is something we have the ability to change. **FD Williams** replied yes, but the reason it is like that is for comparison, to compare one rate to another. **Board member Robuck** stated, he was never really entirely sure why, but it is expensive to change your rates because you have to hire a consultant and have them run all these nonsense things, like your rate structure, and show why you can do it. He thinks we maybe did that once when he was on the commission. **FD Williams** agreed we did. **Chairperson Morris** stated he thought it was an incentive for people not to use electricity. **Board member Braton** said he looked back at his electric bills and he has never used anywhere close to 1300 or 1000 kilowatt hours. He does not have a big house, does not have a big family, so he does not even know where he got the 1300-kilowatt hours. **FD Williams** said you mean you are higher than that. **Board member Braton** replied yes, he went back after the last meeting just to like see where he was now that he understands his bill a little bit better. **Board member Schwartz** said instinctively though bulk usually means less of a cost. Does it actually cost more to generate that additional 300-kilowatt hours than it does the first thousand kilowatt hours and if so, why? **FD Williams** answered in a sense it does because you have to plan for that highest rate. You have to have the electric available at that rate whether it is used or not, it has to be available and it cost a lot of money to have that. **Board member Braton** said if you know that is what people use, then why would you not have it available. **FD Williams** replied we do have it available. Everything in the electric industry now is to try to bring the demand down from the federal government to the Florida Public Service Commission. They all want demand to come down individually, but collectively it is going up. **Board member Robuck** said we have a big variance so like having the high peaks in the summer cost us. **FD Williams** said the Service Commission and FERK want you, you are always planning right, you never stop planning for what is going to happen in the future because it takes time to get there. You have to get power plants cited, you have to get them licensed and that stuff takes time so you are planning for 15 to 20 years down the road. **Board member Robuck** said we saw in Texas last year what happens if it is not highly regulated. **FD Williams** said Texas and California are two markets where the lack of Regulation is hurting them substantially. The free-market system does not work when you have monopolies basically. In Texas anybody can go in and sell electricity if you have it, but what happened is you had these hedge funds go in and buy the plants and then sell them when the power costs the most. When the winter time comes, and they do not have the same rules as planning out the future for those peaks as we do in Florida, in that sense you know we are a little more competent than they are on that side of the business. They actually do not pay that much, their rates are not really any significantly lower

than anybody else's but the people who are providing electricity, they are more concerned about the profit involved than they are in the stability of the system. That is a fact that has been proven back two years ago when they had that massive cold spell and then it happened again last summer when they had the massive long hot spell. It really is important the planning piece of it and that the regulators are involved in making sure that the power is going to be available. It is safety; it is life's enhancing and life-saving products that we sell.
Board member Robuck said they tried to deregulate Florida a couple years ago, Constitutional Amendment, and it is even really crazy with Florida because we have almost all-natural gas in Florida and there are three gas lines that come into the State of Florida to supply all of the gas. Part of that deregulation was utility companies could not own the gas lines so you are going to have three gas lines owned by three private companies that were basically going to charge what they wanted to and everyone was going to be beholden to those companies, but it worked out. **FD Williams** said people complain about regulations, but if certain utilities are not regulated people are going to get killed. Reliability is number one. Let me assure you that you have a city manager who totally understands this and he understands the importance of the electric rates being competitive.

FD Williams showed a slide with the current electric rates, the competitive position as of February 2024. We are $127 per thousand, so we are higher than Mount Dora, higher than Sumter Electric, about even with FPL, and way lower than Duke. We expect we will probably keep our rate there until we get into the summertime and see where we are. We are managing our BPCA to the point where we hope come summertime, we might even be able to lower that a little bit in those peak energy uses. Cannot guarantee that at this point but that is our hope. The other trend, talking about one of the things in rate making that has changed, is for the customer charge we are at $15, SECO now charges $1.50 a day, so if you have a 28-day bill, because not every bill cycle is exactly the same, they usually go from 28 to 32 days. FPL is going to a dollar something a day, they have not yet, but are going to. Mount Dora is low like about $8 and they have not changed that rate in years. So, we are very competitive. The blue box on the right is the trend on what we are paying for energy and you can see it was pretty low there for a while and then it went up drastically two years and is now coming back down. We are probably about 95 and I am hoping to get down into the high 80s here in the next year or so. Gas prices are down, so we are hopeful. **Board member Flinn** said forgive my ignorance on this, but didn't Duke and SECO both have changes that went into effect much later than when our prices went up. Did they go up in January? **FD Williams** agreed both went up in January. **Board member Robuck** said they are delayed because they have to go to through the Public Service Commission. **FD Williams** said when you see them saying they are lowering the rates in the next 6 to 12 months, what they are actually doing is lowering a surcharge they had on their bill. Their rates are still going to be higher, the base rates, the kilowatt hour rate, and the customer charge. Actually, they are trying to get away from the customer charge, do not know what they are going to call it, because the customer charge originally was just that, a charge for managing a customer. That was for your customer service folks and to cover printing those bills, but now they are looking at it totally different and now in the customer charge they are putting a lot more of your fixed cost of operating your system instead and that is a big change from what it used to be. The Ocala model for whatever reason was thrown out by the Florida Public Service Commission a couple years ago so now there is a whole new basis for making rates and that is a big part of it right there. **Board member Flinn** thanked him for the explanation.

Moving to a slide on Capital spending, FD Williams said not sure if Al showed this slide before. **Chairperson Morris** said he just gave us a number. **FD Williams** said here you can see we have been putting a lot of money into our infrastructure. This was probably a normal year or even high back up until then and then it just went up and up and we had some big projects that we had to do. We borrowed $15 million in 2020 to do those two big years of 12 million and 10 million. We had the new Villages of Saint Catherine, which was between 3 and 4 million in infrastructure, we bought four substation transformers and those were a million bucks each. Then we had two big reconductoring lines, that is where we are upgrading the actual physical wires and one of them went from Center Street sub down 27 and the other one came down 468 and went out west a little bit and that was to make our system more redundant. The other prior years we did the north side of town, did Fruitland Park, we upgraded the line that goes out Miller Street you probably remember those trucks being out there all the time and one out Picciola way. Those were two big projects where we upgraded the facilities. If something happens in one of those substations, the power is going down, we can switch them to another substation and maintain the service to our customers. We cannot afford to do that now we spent all our money and it is time to start building that back up and that is what we are doing. We also put a lot of money in the inventory which we are going to have to eat into that inventory hopefully instead of going out and buying. We are changing out a lot of our systems on the inventory side to be a little more accurate in what we need, but then the costs just sky rocketed. **Chairperson Morris** said your cost of goods have probably gone up what 15% to 17% in two years. **FD Williams** said it has gone off way high. We used to pay for those little square boxes you see in the subdivisions, those little trans pad mounts, those was used to run about $2,000 and now they are $5,000 to $6,000 and it takes forever to get them. We have had to go out and buy them from other utilities. We had to scrounge just to get six of the pad mount transformers, had to beg people for them. It is just crazy the timeline and what it takes to get those things.

FD Williams stated in capital spending, we are only doing about 2.9 million this year, and part of that is in the system upgrades. We have not scheduled any for developers this year, do not know how that is going to work in the long run. A lot of the development we have annexed in is outside our service territory so somebody else will be the electric provider there, but for the ones in our territory I am thinking we might be slowing some of them down in the actual development process because we cannot get all the material we need. It has not really happened yet to the point where we are just shutting people down, but it is definitely going to be a problem. The rest of that is for unplanned repairs, happens all year long, a tree falls down on lines, or somebody runs into a utility pole and you lose a pole transformer and the wire. That is not a lot of money to run an Electric system on right there and that is a little scary to him.

Another slide showed the correlation between the cash from operations and capital additions. FD Williams said usually the cash from operations has trended pretty well but in the last couple years we have done more capital than we have to replace the cash. The anomalies are in 2022 and 2023 because that was when the BCA cash, you know all our cash went to buying fuel so we really sucked it dry, and then last year we replenished a big portion of it. So, it gives us back on our BPCA, we have a $3 million threshold where we try to keep it. In the past we have been fairly good, but when we had the gas shortage, it happened so fast, and just kept happening, it was like a train wreck. Every month something, just kept going up and up and up and we kept raising our rate but we could not catch up, so that was a killer. **Board member Schwartz** asked what do you attribute that rather large net change from 22 to 23. **FD Williams** answered 22 is when we spent all the money buying fuel because that is when the price went up to $14 a Dekatherm, and actually there is a delay in where you get that money, so we raised the BPC to $70 bucks and that is how we got it back. Everybody screamed and complained, we had people here and in the hall outside moaning and who could blame them, but we were not alone there every single utility in the state was the same way, across the country, really. That was a problem for anybody that used natural gas. Once we raised it that is how we got the cash back. **Chairperson Morris** said just out of curiosity in your balance sheet or your budgeting process, the $3 billion is that shown set aside? Does the Electric department have a completely different budget? **FD Williams** replied it is just another department of the city but that is a cash account that holds separate cash, it comes in, it goes out every single month, but it is totally separate from all the other city cash and that is the only thing it can be used for. **Chairperson Morris** said okay, and the $3 million is shown. **FD Williams** replied yes.

Moving to the Capital Projects slide, FD Williams said these are the actual dollars budgeted for capital, transformers, capacitors, distribution lines, reclosers, etc. **Board member Flinn** asked is this for replacement equipment or for new equipment? **FD Williams** responded it will be for whatever is needed. When you go back to the 1.4 budgeted for system upgrades and the system repair of 1.5, that is the 2.9 million. That is just a break out of what we think we are going to use.

Moving to the Electric Debt slide, FD Williams said we have four debt issues out. Our annual debt budget for 2024 is approximately 3.8 million. We set aside $315,000 a month for the debt payment, most of them are twice a year debt payment, every six months. These are the items, 2007 B, these are taxable bonds actually going from 5.6 to 5.9% and they come due in 2032. The 2016 bonds and notes, those are refunding

to get the interest rates down, you can see two 2.35% is excellent. The 2% to 5%, there is only one bond that is at the 5% level and he has no idea how that ended up like that, but there was one bond that was priced of 5%. Then the 2020 one is the 15 million dollars that we borrowed for the Transformers and the upgraded The Villages expansion and those two reconduction projects. So, the annual debt on those four items is about 3.8 million and it is pretty much levelized debt, so that is where it is going to be until we pay them off. **Chairperson Morris** said so, when your consultant comes in to help your rate set or whatever, will they look at that 5.64 to 5.9 and say it is time to call it in and reissue a bond. **FD Williams** said no, we cannot reissue. The tax laws changed the taxable bonds so we cannot do anything. With the other two, the 2016 ones they have been refinanced at least twice, so they are done, there is a limit to how many times you can refinance those. The good thing is the 2016 electric note and the 2020 system Revenue Note, we could refinance those anytime because those are Bank notes, of course at 2.13%, do not think that is going to happen, not anytime soon. We can refinance the Bank notes anytime within the parameters of what the note agreement says. **Board member Robuck** asked why some of the bonds are taxable and some of them non-taxable. **FD Williams** said because we had some people running the city who thought fund balance meant cash and so they just spent every dime that was in the electric department as a personal playground to build stuff; that is why. So, what happened was then all of a sudden, the city was not in compliance with the bond covenants, so the city had to go out and borrow $11.7 million dollars and stick it in there to get us back to where we were compliant with our bond covenants. That is kind of harsh but that is the truth. **Chairperson Morris** said that is terrible, but you are dealing with it. **FD Williams** said we did not have a choice. **Board member Robuck** said that is a problem, that eleven million probably was not spent on the Electric System, maybe spent in General fund. **FD Williams** said they used it as their little piggy bank and that does not happen anymore.

Moving to the Electric Action Plan slide, FD Williams stated our plan is to keep the rates down, keep them competitive, keep the lights on, and work safe. Chris and his staff are reviewing the operational standards, the smart grid Sunset, that is the data we acquire and store on electric. We get 15-minute reads on the meters, every 15 minutes every meter sends us a read on where they are so when a customer calls in and asks why is my bill so high, we can pull that up and say well your consumption is doing this or that. We can do it by hour, tell them it spiked here every day at this time, energy is really spiking or something looks off like maybe they have an electrical issue that can be identified. The smart grid, all that is equipment and computerizes the storage and all that is now with General Electric and that contract runs out in 2026. We have to get something to replace it and we can probably do that about half of what we are paying now. **Chairperson Morris** said that was the fiasco they did a few years back what when they brought the Consulting Group in, GE, and they did the smart meters. **Board member Robuck** said the same time they issued those 2007 bonds. **FD Williams** said it did not work out as planned we can say that. The good point about it is that all that stuff is much more common across the board now. There are more companies involved in doing that kind of stuff and so the prices have come down substantially. **Board member Robuck** said we are already paying a lot less than the original contract and that got renegotiated early. **FD Williams** agreed, we knocked that when GE realized they could not perform the way they were supposed to. We did get, think it was over half a million dollars off the annual contract, but it was substantially less. The product was not, they had these Grand Visions of everybody could go in and monitor themselves by the hour and see it on the screen in front of their computer. **Board member Robuck** said you were going to sign up and the city would just reduce your certain time. **FD Williams** said there was demand components to that where you know we could go in to try and regulate their electricity during the highest usage times and you know how many people want you turning their air down at 4:00 in the afternoon, just about nobody. The whole idea of that kind of demand control just is not going to work. It was a bad idea that cost us a lot of money. The good part about that is we can turn your electric off from a desk. **Chairperson Morris** said that is good and bad depending on what side of the desk. **Board member Robuck** said it helps more with some outages. **FD Williams** agreed, we can more quickly identify if there is a problem. We want a system that is a bit more collaborative. Right now, we have different pieces fitting together they work but they do not work like they should or could if it was planned out better. GE just does not care anymore, I mean they really are pretty much out of it already except for collecting the money. In this budget that we are in right now there is a decrease of 8.4 million in purchase power. Administration division that includes the allocations, went way up and the biggest piece of that was insurance. We did an insurance audit last year and realized three of our substations were insured; why three were and two were not, I have no idea, but we got them all insured now. Insurance went up substantially, that is a big dollar amount. **Board member Flinn** asked if that is just liability for the insurance. **FD Williams** said no that is property and cash, they would have been covered for liability property and cash. We have reduced labor costs because of the reduced capital projects. Engineering costs are going up and part of that is budgeting for some consulting on trying to replace the GE system. Depreciation expense just did not budget some of that this year. Then we dropped the capital projects by over $5 million. On the revenue side, charges for services, you see that drop but that is because of the fuel costs. The other sources are some transfers that were made out of there, the 5 million last year was from our Reserve funds for capital. Other than that, the budget is pretty similar from year to year. The purchase power and administration went up mostly from the insurance. Distribution went up. **Board member Robuck** asked on the distribution going up is that because you are not allocating to Capital projects. **FD Williams** agreed. **Board member Robuck** said so when you have capital you are actually taking people here and allocating their labor. **FD Williams** said right, we are taking it out of operating and putting it on the capital side. **Board member Robuck** said but people work here whether we are doing the projects or not. **FD Williams** said that is right, but there is usually a lot more overtime too.

Chairperson Morris thanked Mr. Williams for this good presentation. He then asked CC Purvis to please send the presentation out to all the committee members.

Board member Schwartz asked of all the pieces in the pie shown, what do you actually have any control over? Seems like there is a lot of what I would call fixed or expenses that are out of your control. Where is the movement in there to help your general consumer? **FD Williams** answered there is not a lot of movement. The movement is the ones we made, we cut the transfer and we cut the capital. **Board member Robuck** said you may disagree with me, but I think one area you could argue that there is movement is in customer service. We offer a lot more customer service compared to what a Duke or SECO would and we could cut that number aggressively, but the city commission has taken the opposite tack with customer service in terms of complaints they get. **FD Williams** said we have tried a number of things and discussed a number of ways and when it comes to customer service, the commission wants people on staff that can answer the calls and can be there. Most places, even a lot of the Municipal Utilities, do not have, you cannot walk in, you can pay at a kiosk somewhere or you can pay at Circle K or you can do those kinds of things and we still have a surprisingly large number of people who walk in. **Board Member Robuck** said if customer service it is going to be a call center yes. **Board member Schwartz** asked how many people we have in customer service. **FD Williams** answered 30. **Board**

member Robuck said most of those are for the electric, some do other things. **FD Williams** replied no, that is the other point, it is not most of them are electric, right now we have 28,000 electric customers that is the largest, but we have six utilities, not like it is just electric. There are a lot of moving parts there; people turn service on, people turn service off, many people come in to set up their service. We fixed that so they do not have to come in, but most of them do, even the village residents usually come in, the new gas customers. You know before long we are going to have more gas customers than we have electric customers. **Board member Robuck** said he is not knocking, for his work he has to deal with a bunch of utilities and Leesburg utilities is by far the best one to deal with when he has a problem. He appreciates it. **Chairperson Morris** said with the recent changes that might be paying online and things like that. **FD Williams** said we do everything you can pretty much do as far as making it easy on folks. He stated we reinstituted the charge fee for credit cards, which started today as a matter of fact. **Chairperson Morris** stated the number they gave us on fees was $400,000. **FD Williams** stated the city paid $400,000 last year on credit card fees. **Board member Schwartz** said so your bottom line then is that you are proposing, if you will, a budget that will be $12 million less than the previous year. **FD Williams** said this is the budget we are working on today and it runs until September 30th. **Board member Schwartz** said so the budget we are in right now is 12 million less than the previous year. **FD Williams** replied yes and that is because of the fuel cost, approximately 8 million dollars. **Chairperson Morris** asked what are you anticipating the next year. **FD Williams** responded he did not know yet. Hoping that we will go from approximately $95 to 85 over the next year. He does anticipate those fuel costs will be less. **Board member Robuck** said so that is like a $5 million drop in purchasing costs. **FD Williams** said he does not know, but that sounds pretty close. We went from 107 so yes, it is probably in that ball park, but that is all pass through, that is all going to go to the customer. It does not help the operations right because it is not supplying any money to the any funds, any revenue to the operations, that just goes back to the customer which is great.

Chairperson Morris again thanked Mr. Williams for his presentation, it is appreciated.

4. ROLL CALL:

Board member Robuck said he has literally learned so much out of these meetings after being on the commission for eight years. So, thank you to all the staff, this has been great.

Board member Schwartz had nothing further.

Board member Flinn had nothing.

Board member Braton had nothing.

Chairperson Morris had nothing.

5. ADJOURN:

PERSONS WITH DISABILITIES NEEDING ASSISTANCE TO PARTICIPATE IN ANY OF THESE PROCEEDINGS SHOULD CONTACT THE HUMAN RESOURCES DEPARTMENT, ADA COORDINATOR, AT 728-9740, 48 HOURS IN ADVANCE OF THE MEETING.

F.S.S. 286.0105 "If a person decides to appeal any decision made by the Commission with respect to any matter considered at this meeting, they will need a record of the proceedings, and that for such purpose they may need to ensure that a verbatim record of

the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based." The City of Leesburg does not provide this verbatim record.

Board member Flinn made a motion to adjourn, seconded by Board member Schwartz. The meeting adjourned at 6:36 p.m.