AGENDA MINUTES
MEETING
AGENDA
MONDAY, JUNE 3, 2024 5:30 PM

1. CALL TO ORDER

The City of Leesburg Electric Advisory Board held a regular meeting on Monday, June 3, 2024, at Leesburg City Hall. Vice-Chair Flinn 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-Chair Jessica Flinn

Chairperson Tim Morris was absent. Also, present were City Manager (CM) Al Minner, City Clerk (CC) J. Andi Purvis, Electric staff, and others.

INVOCATION

Vice-Chair 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. REVIEW PROPOSED FY 25 BUDGET

A. Proposed FY 25 Draft Budget

CM Minner stated first out of the gate he has to give a whole bunch of exceptions and gets the right to change numbers and maneuver. Long ago when the city was putting together the Electric Advisory Board, the purpose behind it was to show the state legislature that the city of Leesburg is moving more into an authority type model in operating our Municipal electric utility, which has both corporate and unincorporated electric customers. This is a model that more recently the state legislature wants to see as much of the legislation the past two sessions has dealt with taking away Authority from Municipal Electric utilities, making it penal based on whether you have an authority so on. Mark in his application, I'm going to share this conversation, he asked is this going to be a real committee that actually has authority or are we all just wasting your time. So, today you all are a real committee, which is one of the reasons why I am putting these caveats out because you all are new to the budget process. Typically, the information that I am sharing with you this evening has 30 more days to cook, but because you guys meet the first Monday of the month, and we are trying to get a budget review past you, which talks about rates, it is a long way from being done, but we have like to 90 days before things really need to get solidified. Out of the gate, I am going to hit you with the bottom line that this thing is not done and these are all my concerns. The city commission, please forgive me, has not heard this so you are the first. You are a real committee, the first to hear it. The electric Department has not even heard it yet. They have a lot of influence in this, but basically the only three people who know about what is going to be shared is myself, Brandy, and Jim Williams.

So, with that said, we are working on the Fiscal Year 25 budget and what you are going to be reviewing are my overall concerns that I do not have answers for you this evening. I was slightly hesitant in sharing this but because Mark wanted to ensure that this was a real committee, I am throwing it at you. So, these are my concerns no matter how horrible it makes us sound or unprepared or whatever I will argue the opposite. There is a significant concern I have with how we have been doing our budget forecasting and typically what we do is we take total revenues divide it by our wholesale purchases and we come up with a percentage. We want our percentage to be around 62%, so 62% of wholesale purchases are part of our Revenue. We have used that model for a long time, a couple of years it got a little bit wonky, but right now I am questioning that model because the numbers are not stacking up. One of the examples is that the current budget, has a total budget of 48.5 million in sales and 78 million in Revenue. In all honesty we have never seen $78 million in Revenue when the power cost adjustment went way crazy high, so on a surface level the percentages might be right but on an actual match level we are getting data from two different sources. One is Doug Hanley our consultant and the other is Jim Williams our Finance Director. Our FMPA numbers are significantly different, which is giving me cause, makes me wonder if that contribute number is correct. If that number is incorrect, then we have got a deficit even though what you looked at is a balanced budget.
The next thing he is worried about is the contribution in aid agreements. We have tipped you off a little bit about what the contribution in aid agreements are, there is a policy that comes through that says if you develop, we are going to ROI in four years. These are things that the city will pay for, these are things that developers will pay. The same kind of hole in the bucket is potentially in those developer contributions so if we are underestimating, not just material costs, but if we are also having a leak in our Revenue numbers on what houses are using these days. If our ROI numbers are wrong then we are not asking for enough contribution from the developers. We kind of tackled recently the operations, a Transformers X bucks now we are charging X bucks. We are going to start writing that there is a Delta even if that number is off in the developer contribution, but if our Revenue numbers are off that is another potential leak because our ROI numbers are off. We need to look at that.

We really have not seen full scale growth in the electric department, I know that may sound foreign to you because if you listen to the meetings, you hear all the PUDs that get approved and we got 43,000 lots and traffic is crazy, blah blah. I am going to tell you what you hear from the public and their perceptions about Leesburg growth is not reality. Where we have sustained growth for the past couple of years is The Villages. When The Villages growth goes away you will see our numbers click back to traditional growth numbers 3%, 2%, and 4%. If you listened to Dan Miller's presentation at the last meeting about the comp plan, he talked about those numbers and he estimated that growth over Leesburg is 4%. Well guess what, those numbers do not include The Villages. We have seen significant growth in our initial number back from the appraiser's office, June 1 is 38% growth and all of that 90% of that is all Villages. **Board member Robuck** said it is ad valorem numbers. **CM Minner** said that also has an impact into the electric fund, so that is actually seven concerns. Well, it is number six, all that growth stuff in the general fund side of the house equals transfer numbers so that is the sixth concern. With these concerns do we need to look at a rate increase for this year? Our last rate increase was Fiscal Year 22, which would have been October 1, is about a 5% increase or do need to just kind of batten down the hatches, watch some of our expenses and some of these blips of growth. This is not Leesburg growth, this is electric territory growth, which most of it we are seeing in Fruitland Park and these growth issues do have an impact. The electric department was screaming about needing a Transformer at North sub, that cost is a million dollars. I going to tell you here on this one, wants versus needs. You are going to hear the electric

department say we got to have that Transformer, you are going to hear me say that is want not a need and I'm going to tell you that because we have different ways, we can feed the system. What the electric department is telling you is we got to have it this is optimal but optimal in the electric department is not practical sometimes and if we go with what is optimal, then that will lead to rate increases and it is not my decision or the electric department. Where you want to set the rate, that is your decision and the city commission's decision. We need to balance out these competing demands rates versus what is optimal and what is not.
Comparative CIPs, we need to go back and look at that some more for Fiscal Year 25. Operational issues; really the Lion Share of the electric fund is one thing, power cost supply, which goes along with the number one concern. Once you get past operations or paying the power bill then your next thing to pay is debt, those are fixed costs, we fix our costs with generation and power supply through our FMPA contracts. We fix our debt because that is our credit card and we have to pay that. Where we can trim is operational savings and there is really only going to be three potential areas in operational savings. A big expense is our tree trimming, so we are going to look at probably bringing some of that internal, so we need to slim back on the Lewis contract, and you will see that in the contractual line.
Then we need to probably trim back on some of our expenses. We have been doing with Team Fishel, so if we do internal stuff to fix the system or aids in contribution, we are using team Fishel to work with us, so we can spread our man power around. We need to pull that back a little bit and have our crews start doing some of this other work to save some money and meanwhile that also is going to affect overtime. We are spending too much on overtime, got to trim some of that back. Those are my costs; these six bullet points are the areas that in the next 30 days are going to get the significant comb. With that being said everything else I am about to show you is still under review for the next 30 days and you will probably get a second swipe at this depending on how the July meeting fall versus the budget workshop. He then showed a series of the graphs and charts that set up the concerns he just mentioned. The electric fund reserve cash, what he calls the good chart then he will show chart, the bad chart, so you are getting it all, getting his opinions and getting staff opinions. The good chart is from March 21 where we were around $22 million in the bank. Now we only have about $10 and a half million so where did that money go. I am going to tell you it went to a bunch of different spots, one in that time frame was paying the power bill when gas went wonky, two, it went to Capital Improvement projects and two can be broken down into Capital Improvement projects of fixing the system or Capital Improvement projects in aids in contribution expanding the system based on developer requests. In short, we have about two and a half million dollars that is hanging out that is not spinning any meters. One of them is called Silver Lake Point, a new residential subdivision, we put about a million dollars into, it is 300 some houses but not spinning any meters yet. Why, I will tell you in a brief overall, because they got into trouble with Duke and moving a transmission pole which affected their Ingress / Egress. Duke said yeah, we will move the poll, but it will cost $8 million and the developer said I guess we are not moving that poll. So, when you drive down 44 and you see those big giant poles that are like 60 feet tall, I think they are metal or cast iron, you know Duke will move it for you but it cost $8 million. That is a real number. So, now I am going to digress, if you ever thought about under grounding the transmission lines on 27 to make our 27 corridor look more like say Winter Park, you are never going to do it because there are probably 20 transmission poles from the North of city limits at Walmart to where that transmission line turns at 48 or Dixie. You can just count 8 million per pole, right, that project not going to happen.

His next chart shows where we are in reference to how much cash we have, $10 million bucks. One line shows how much cash we are supposed to have about $9 million right and when he says supposed to have that means what the GFO recommendation is, but in electric fund it is what the GFO recommendation is and what we say it is going to be. Then our bond creditors, remember we got A+ Bond rating, they want to make sure that we have that minimum amount of cash because that affects our bond rating, so, that is significant when this number starts leaking below the minimum requirement. What the blue line recommends is the BCPA, remember our goal is we want this blue line to be straight

at 3 million bucks and it typically does. But for example, let me just go to March 20 we had about $5 million in the BCPA account and we had $20 million total cash. Okay, Brandy is going to tell you no we only had $15 million cash for electric operations because $5 million of that is the BCPA, but I wanted to put this number in here because not only do we need to watch the cash number, we also need to watch for the BCPA and what those General Reserve numbers are. So, here when it was high, I'll show you another correspondent court saying well we lowered the BCPA and we gave money back to the customers and then even though this looks like a little short line you know from about 20 for a good year we held it almost at $3 million bucks. **Board member Flinn** asked for a quick explanation of what the BCPA is. **CM Minner** said the BPCA is the bulk power cost adjustment, it is a flat charge per kilowatt that is on your bill that we collect that goes up and down elastically based on what the cost of electricity. **Board member Flinn** asked is that over a thousand. **CM Minner** replied no, that is per kilowatt. Right now, it is 1 cent per kilowatt. So, if you have a thousand-kilowatt bill, your power cost adjustment portion is 10 bucks. **Board member Robuck** so kind of getting to I think I understand the difference in viewpoint from you and Brandy with the $5 million like we should not count it right which would imply that we have like $3 million of cash or whatever. I kind of get that, but so how much cash above required reserves are in the gas and general fund roughly? **CM Minner** replied roughly more than $5 million. **Board member Robuck** said because he was just thinking okay if you are going to play it the way you are, which he tends to agree with, given that you have a lever in the BCPA to fix this. If it becomes an issue probably just needs to happen faster than last time. You cannot shut down like in an emergency, you just loan money from the gas fund if you need a month or two to float because something crazy happens with your cash due to fuel cost? **CM Minner** replied yes, we have thought about that. So, Dan is saying we can borrow from other funds to float stuff and then kick it back to make the books look good and yes, we could do that. Rough numbers like the general fund right now is sitting on $15 Million, 11 above Reserve, so there is some money over there in the general fund. **Budget Director Brandy McDaniel** said gas is building back up. **CM Minner** said gas took a little hit because of the lawsuit and the expansions with the Villages, so we are waiting on those to come back. Water and Sewer probably sitting at maybe four or five million above the reserve; each of these are super rough numbers. The airport fund, they are sitting on four million cash, so in every fund too like $4 million cash above reserve in the airport fund, man that is a boatload of change above the reserve fund and electric is not. Where I think this number needs to hang out, we do not need to have 20, but we need probably 10 to 15 is where this needs to hang out constant.
Board member Robuck said that makes sense and in a worst-case scenario, like there is some sort of crazy fuel spike again, although FMPA is now hedged further, you would have more time to react. **CM Minner** said why the 10 to 15 is because if you have a crazy storm where a bunch of trees come down and you have to spend a bunch on getting debris out, you are probably going to need $3 to $5 million to clean up a storm before you start getting your FEMA reimbursement. So, that is kind of like cash on hand for a crazy contingency and then everything the electric department does is in the millions, so you can have plus or minus swings. That account sitting at 10 or 15 million bucks honestly makes him sleep at night.

Looking at another chart, CM Minner said this chart looks like we are sitting at 10, but if take out the BCPA fund, we are sitting at five and a half so that is the difference. Brad will come in and say well Al, I am sitting on, he will use my chart against me, he will say I am sitting on 10 million bucks, but I am going to say 10 million minus 5, that is what you are sitting on. This one is alarming because as of March 24 we were actually below what the reserve requirement is by about $2 million bucks. **Board member Robuck** so that does need to come up. **CM Minner** agreed that does need to come up. Moving to a historic sales slide, he said this breaks down sales of October through November, each color line representing a different fiscal year. Looking at the number 2.1% growth, it has not changed, adding two more years on there, it is still about 2% growth. When he told you at the other meeting that weather still outpaces our growth, you see that is constant. Two fiscal years ago we sold 527 million kilowatt hours, this year with growth we are only estimating 519 million kilowatts. That is where the weather can change us quicker than growth. When we do these budget estimates for revenues and wholesales, we really got to tie it back. He thinks to the historical trend what this year's budget does is projected us at about 530 million kilowatts in sales, which we have never done. Our customer base has only gone up from in 2013 it was 25,000 customers and our customer base today is 27,900, so subtract that, that is 2700, divide it by 10, divided by that number and that growth rate is relatively small. If you look at the customer base like for example, in Brad's chart our aid in contributions where he has a million in this project, that is only 300 customers. So, we have a million dollars out for a potential return of four customers, was our aid in contribution numbers correct. Those are things we need to beat up and his guess is we have been kind of just dealing on historic data, so even though the math is right, we are using older data. The phenomena that are going on in the electric industry is even though you have more stuff in your house, all that stuff is more efficient, so even though you are running more stuff, you are using less electricity. Remember, we plan power resources out 20 years in advance so back in 2000, when we were planning for 2024, we saw 3% growth, but we are not getting 3% growth. He thinks what that has done in the marketplace, is made the investor-owned utilities, who are fighting the same fights that we are, and probably even worse because now they have the solar issue on top of it. What that has done to the investor-owned utility, specifically FPL, that has charged them up to go look for more market share so they go off and see their local state representatives and say they are not getting their fair share of the pie, or these evil Municipal Utilities who transfer money haphazardly into their general funds, it is taxation without representation and you got to stop them. That is so they can take Muni pieces of the pie, which are all fixed, because every square inch of the state has got a territorial agreement. What have we seen FPL do, we saw FPL take Northwest Electric whatever that thing with Golf electric or whatever, we saw them try to take over JEA, we saw them take over Vero, we saw that fight even though some of those stories I'm telling you are two or three years old in the electric industry, those fights still burn in Tallahassee. As the trends continue to not go match through resources, the investor-owned utilities get mad and they may be reasonably as they should force Muni's to tighten up their numbers. So, as a result we have tightened up our numbers and what we have tried to do is decrease our rate and decrease our transfer so that our utility looks more like an investor-owned utility and our general fund looks more like a municipal corporation that does not have a utility. **Board member Robuck** said one thing just to add there because he thinks it is also important and something he was considering after the last meeting is that it is not just the growth, the problem is like the actual dollars. The only thing less when you started 1000 KW bill was Leesburg's rate was like 138. **CM Minner** said 138 going to 142 and now it is 117.94. **Board member Robuck** said of course there are ups and downs but overall, your electric bill on a per kilowatt hour is the same or lower than it was 10 years ago. He thinks that is screwing up your revenue and you talk about these ROI calculations, your materials have gone up, your labor has gone up, but that 2.7 is maybe even wiped out. **CM Minner** said not sure if you want me to say this, but you put that out there, so with what all Dan said that might mean there is room for a $10 increase in the base fee, the customer charge. So, we might need to look at that for fiscal year 25. **Board member Schwartz** asked the $15 charge. **CM Minner** replied yes, that might need to go to 25. He is not saying we are doing this, okay, but he is saying we need to look at it and maybe we need to kick the can for a year. Maybe we two step it, he does not know but the next 30 days we are going to be looking at that. Another piece of the puzzle, the BCPA, is only recovering what we need pursuant to the relationship of our power supply costs. That is what the next chart shows. If you are ever asked, well the city keeps raising and keeps playing with the BCPA, yeah, we do. We are not making any money on the BCPA, the BCPA is a pass through based on sales, based on our numbers we get. This is a historic chart this goes all the way back to October 15. The orange line is in millions, so in October of 15 we had almost $10 million in the power cost adjustment fund. Dude, that is way too much, remember $3 million is our rule of thumb and we want to keep that line at $3 million. We did it a couple times and so if it is above three, we have to give money back and we have to lower the BCPA. That is what this the Blue line represents, the power cost adjustment. When we were sitting on $10 million in cash, in the BCPA, the power cost adjustment was about 1.3 cents or $13 bucks per thousand, so we said you know what we need to give it back, so we dropped it to zero and bled it down to about $3 million and then we put it back up to about where we started, about 15 cents. There was a little hiccup there, but we held it pretty steady and when we saw it grow, we dropped it again and then we dropped it again to keep it around three million. Now when we got back to 3 million, we go back up and then this time frame, in January 21, that time frame was when gas started going crazy. We were down here $10 million in the hole, so we go $10 million in the hole, we go back up to the crazy power cost adjustment fee of 7 cents a kilowatt or $70 bucks per thousand. We held that steady while we were recouping our money and then as soon as we got to where we thought we needed to be we knocked it down not once, twice, but three times. Now we are back to a penny of KW and our long-range recommendation because of things that Dan just talked about, FMPA is hedging our power cost. What you will see here is this chart correlates totally to the BCPA chart, so when you see this number crazy, this is what we were paying for power $110 and $97 a megawatt. Once FMPA got that under control, the trend for this year is $79 to finish off this fiscal year and the next year our projection is $81. So, we used to hang out around I guess that would average out at $75 then we got those two whacks, now we are kind of adjusted, and we are probably going to hang out around $80 to $85 moving forward. This price is pretty much fixed. Through the middle of 25, actually now over at FMPA, they are talking about how we move out to the next chunk blocks, but our anticipation is we are probably going to hang out around here for a little while. **Board member Robuck** wanted to point out because historically you notice that 2024 trend, $79 is higher than 2021, but yet our electric rate is lower and that is because the electric fund is not subsidizing the general fund anymore. **CM Minner** said not as much. The electric transfer, percentage versus dollars, you see we have lowered the percentage. When he started in 13, we were transferring 5 million and that was about 8 and a half percent. The policy at that time said 10%, mind you in 22 or 21 right before Dan got off the city Commission, we passed the two referendum questions, which were designed to do two things. One was designed to recognize that we want the general fund to operate as a municipal corporation without a significant transfer, 6%. So, what 6% represents is if you are a municipal corporation, you have a franchise fee with your utility provider pursuant to State statutes which gives other utilities who provide electric service in a municipal Corporation, it provides the franchise right and the right to use the right of ways. In short, that number across the state is 6%. Why is it 6%, he has no idea because when cities started giving their rights to investor-owned utilities to sell electric instead of them, they made long-term agreements that said 6% and that is the number we have copied. For Fiscal Year 25 because of the legislation, that has happened the last two years, he actually is trying to recommend to this body, as well as the city, that we lower it from 6% to closer to 3%. Why? Because if one day we are forced to operate totally like a municipal corporation, we cannot be taking any money from unincorporated customers and put that into the general fund. Now we do not have to do that yet, so this is kind of I am being draconian here in this recommendation okay, but I think the day is coming that legislation is going to be passed sooner rather than later. So, that means 60% of our customers are outside the city limits and unincorporated or incorporated Lake County, they are in Fruitland Park or they are in unincorporated Lake. But our sales are the inverse, 60% of our sales are in the city limits, so we need to take 6% of our sales, which equals about a 3% transfer. That is where we are trying to go, do not know, we try to this year because we save the $1.6 million transfer.

Your electric debt, your principal balance payment is what we have to pay, that is what we have hanging out. That does not tell you the balance, what the payment is. **BD McDaniel** said that debt is around 3.7. **CM Minner** said so 3.7 million bucks total, which is paying all those bills, that is not crazy. **Board member Robuck** said no, but you ought to be able to kick something back to the general fund just like Duke kicks a dividend back to its shareholders. **CM Minner** said this is our initial swag at the budget. Electric department says 78 million plus miscellaneous stuff for a total operating budget of 79.9 million. This is the number that is under my microscope as we speak. I think this number is $10 million inflated based on revenues. **Board member Robuck** asked if he thinks it is 78 or 88. **CM Miner** said he thinks it is 68; this number is way inflated. He thinks 23 24 is going to be about 74 million actuals, but remember that still has a little bit of high-power cost adjustment in there, so that is not a good number. The numbers that we are looking to sell this year is 511-million-kilowatt hours; the trend is 519. **Board member Robuck** asked if you do 74 and 62% of it or whatever is power cost, is wholesale power, so roughly eight or nine million is going to leave you like a $4 or $5 million hole. **CM Minner** replied yes, the answer to your $5 million whole is reduce the transfer, but that is this year, not next year, that is 23-24. We stopped transferring so we got some money back in so that is helping some of that. **Board member Robuck** asked how he is going to fix that this year. **CM Minner** replied he does not know how he is going to fix the hole this year. We are trying this stock slow down. Showing a chart, he said these are the numbers we need to tighten up on and just for comparison purposes, 1% growth on our total sales is 519 million kilowatts. We did that number back in 19 and so the corresponding numbers, we can kind of draw some comparisons. **Board member Schwartz** asked what is the miscellaneous and why up so much? **BD McDaniel** said miscellaneous is interest earnings. **Board member Schwartz** asked interest on the cash on hand? **BD McDaniel** replied yes, and then the contributions are in the other sources and that would be developer, the CAICs.

CM Minner said then we break it down into expenses. He showed two the power numbers, the St. Lucy plus the All-Requirements project. For Capital, this is kind of where the rubber hits the road and this is kind of where we are squeezing down, the three-legged stool and capital system expansion forced by development. Things that go bump in the night, this stool number one storm comes transformer blows out, we got to replace the transformer and then system improvements that we want to make. This basically represents this Capital plan; it is a preparation for pretty much all things that go bump in the night and nothing else, because the plan is trying to build our cash and address that $5 million hole. Why can't we just go Kings X, no more Capital, because we have totally spent and we have made significant Capital Improvements since 2018. What do all those numbers add up to, a lot, so this is another example of when I say well Brad's going to tell you we need a Transformer and I am going to say we put 50 million into the system, what else do we need to do? It is like pump the brakes let's figure out where we are and I am going to repeat this again and again. The difference between the city manager and the department head is the city manager is charged with giving you a recommendation on where you make risk, the department head is not. That is not demeaning, you do not pay Brad to say let's cut that, you pay Brad to say this is what we need and that goes for every department head. We pay Joe Iozzi to say how many police officers you want, you have the city manager to interpret that for you and remind you well if you do what the department head wants, then taxes will have to go up or this fee will have to change. Every year we have to collectively decide what we are going to mitigate, that is the difference between the department recommendation and the manager recommendation. Many times, they are spot on. This year I am going to suggest to you that we are going to vary significantly in the electric fund, so when Brad says I need a transformer, I am going to say Dude, we just spent 50 million, you got to chill. That is the end of the presentation. I do not think it is as bleak as it sounds, there are some areas in there that I think we have a bead on, that we need to go back and look on and in July we will be closer. Any questions?

Board member Schwartz asked if he could talk a little bit more about the Villages and factor in how long is it going to be a factor for two years, three, or five years. What is your estimate? **CM Minner** said that question takes us out of the Electric Advisory Board because everything the Villages is doing, we have already accomplished on the electric side. In fact, that was part of one of the reasons for the debt issue, to expand the ROI to build the system, which is actually in Sumter County, which is the Villages of Catherine. **Board member Schwartz** said so as you put it, every potential meter is now spinning. **CM Minner** said every potential Villages meter that is in the city of Leesburg's electric territory, Fruitland Park and Sumpter County, is spinning. **Board member Robuck** added on the flip side is that 38% growth, we got a couple more years of that and that ad valorem helps the transfer. **CM Minner** said yes, that is the other side. On the electric side of the house, we will never spin another Village's electric meter, never say never right, we will never spin another electric meter because their Village territory, roughly 44 to Center Hill, Lake Sumter to 301, that box they own. The only portions of that box that are in our electric territory are The Villages of Catherine and Fruitland Park. Even the city of Leesburg property in that box and the property Secret Promise, Denim Village, and the little spots in Lake County, because now they have Lake County in the box, they have Villages of Fruitland Park, Villages of West Lake, Renaissance Trails and then the end of our ISBA territory, and then they have Mascotte property below Bridges Road. They have a big swath still in Lake County, but for all of that, I will go out on a limb, and say it is either Duke territory or SECO territory. So, we will not spin a single Village's meter in Lake County or Sumpter County in the future unless we come up with the greatest brainstorm that encourages a territorial swap, which I do not think is going to happen. That is the electric answer. The general fund answer is every bit of growth that we saw last year or I will say 95% of growth that we saw last year. Our number was 23%, this year we saw 38%, which is a total increase in taxable base of about 890 million. That little piece we are missing is about 500 houses more to go in The Villages of West Lake, so we will get maybe 50 million more in taxable value for next year. **Board member Robuck** said this year's taxable value is January 1, 2023. **CM Minner** said it is everything sold to December 31, 2023. So, there is still 500 more that we will see next year, but we got the Lion Share, so when the Villages is all said and done, probably upwards of just south of a billion dollars a new investment. Oh, by the way that Performa was overperforming, when we did the presentation to the commission, we thought like it was 750 million in new taxable value and then now you are going to see Secret Promises so you will see more Villages stuff in the future. His guess is you probably will not see Village's investment back in Lake County until they build in the block from 470 up to 44, all that Baxley property and they are now up by the school so all that is going to get filled in at the clip of 270 houses a month, so that is 3,500 to 4,000 houses a year and that will fill in and then they will jump back over. If that pace continues there is no reason to think at this stage it will not continue, but I think in the general fund we have to deal with what we have until The Villages movement starts again.

Board member Flinn said with regard to what is going to come up in the future, as far as voting on this or going over this further, we are all suffering from inflation. All of us here are business owners or people who run businesses, so when is the call going to be made as far as optimization versus rate increase? She feels like the problem that happened in 2022 is that people were not informed and so she knows we have decided to be better about communicating that, but just curious to see what kind of headway or warning is going to be given to people who are going to have that rate increase. **CM Minner** said if there is a rate increase, it would be approved by the commission sometime in August, giving customers about a 60-day notice. Any rate increase would be effective October 1. Right now, Leesburg is the lowest cost provider in the region when compared to Duke, SECO, FPL, and Mount Dora. These numbers are going to change, look for them to start changing when FMPA gets up to date with the newest rates, but his inclination on what that number is going to look like is probably $127. Still would be below Duke, below SECO, would be above Mount Dora, so even with 10 bucks added on there, understand everything you just said the trouble times, inflation, yada, yada, I hear you. That is why I am not standing here saying we need to increase rates because we understand that.

Board member Robuck asked if Cutrale has responded about their unneeded transformer. **CM Minner** replied not yet, and there is another problem we have not talked about yet, Cutrale. On the electric side of the house, I do not know how big of an impact that has, I am not even going to guess. We sell them about a million bucks of electricity every year so again that is in the shade window. **Board member Robuck** said but we do not make a ton of money on it. **CM Minner** thinks it is pretty much a pass through and it is really complicated with how they have a charge for when they generate, when they do not generate and again, I am going to caveat this with we are not done doing our homework. We got notice a week ago that Cutrale was closing by the newspaper the same way everybody else did. There are two parts of that component; there is the gas side, which is a little easier to understand because it was a transportation rate, so yeah, we got half a million dollars flap in there. Cutrale did not notice us pursuant to the agreement so we need to square up with that, but we also think that there are ways to get out of that Transportation agreement where we will probably be held whole because they are going down in a time where the investor-owned utilities, remember 99.9% of the gas that comes through the big transmission lines is not going to Cutrale, it is not going to local distribution co-ops to make your ovens and your ranges go or your hot water, it is going to make the turban spin. All that other stuff is the stuff that Bob does in the gas fund, a relatively small part. If we have to sell, he cannot remember how many therms it was if we have to sell, you know a couple of million therms capacity on FGTs line in the summertime. Most likely somebody is going to buy that because they need that capacity for Generation purposes. That is good, but we were charging them for that service, which was gravy, and I hate to say that so bluntly, but that was about 150 grand of Bob's budget. We probably need to go back and click 150 grand out of it right now so his black number of surplus is going to be zero because he is going to need to adjust his revenues down. On the electric side of the house, it is a lot more complicated and my knee-jerk reaction, again I had this conversation with Jim today, Jim is our contract Zar. He has been charged with pulling the contracts, dusting them off and figuring out how they affect us. At the end of the day, I think we probably need to push Cutrale into just a general service demand customer or maybe an even general service customer on a commercial rate because their inclination of what they told us they were going to serve is security lights and AC and so on a commercial side that could just be a GS1 customer versus even a general service one demand customer.

Board member Schwartz asked does our bulk cost have to be, is there anything that mandates that it has to be an even number 10, 20, 30, 40, up to 70? Can it be a variable in between, could it be 11 like 0.11. **CM Minner** asked if he was talking about the customer charge. **Board member Schwartz** said no, the BCPA. **CM Minner** responded there is formula that guides what the BCPA is, it is totally formulaic based on kilowatt sales versus cash on hand. Right now, it is 1 cent and it has gotten up to seven cents at one point, but so that was based on what we estimated we were going to sell minus our losses, what we over under collect. **Board member Schwartz** said what he is asking is could it, in theory, be one and a half cents. **CM Minner** replied yes, it has been that way. **Board member Schwartz** asked, so why would you entertain the possibility of increasing the customer rate, which is a flat fee regardless of how much you are using instead of adjusting a variable rate which would be more reflective of how much energy you are using. **CM Minner** responded that is a good question. The power cost adjustment is solely related formatically to what we under or over recover in relation to how much we buy Power for. The power cost adjustment does not pay Personnel, the power cost adjustment does not pay debt, it does not pay operations, the power cost adjustment pays power cost only. **Board member Schwartz** said you talked about efficiency and how efficiency is making, generally speaking, homes more efficient because they should be using less power. Why is the amount of power being purchased by Leesburg dropping accordingly? **CM Minner** said it is steady now. **Board member Schwartz** understands there is growth and growth is going to offset the reduction in the household usage, but he keeps going back to his college supply and demand courses and trying to figure if the demand, because of efficiency, is starting to drop, including new homes which should be even more efficient. **CM Minner** said since fiscal year 2016, we sold 474 million kilowatts. This year we look to sell 511 kilowatts, so minus those two and then divide it by the other. He is just going to give it in millions, so in 16, 17, 18, 19, 20, 21, 22, and 23, okay these are actual numbers we sold 474, 461, 465, 519, 505, 514, 527, 518, and 511. **Board member Robuck** added that jump is probably Fruitland Park. **CM Minner** replied no, that jump in 27 was a peak demand and heat related weather. When we saw 518 that was fiscal year 23, last summer, okay where we saw the highest peaks. Remember how much you are using and how much you need at once, so if it is in water, it is how many gallons you are taking out of the pipe and then how much pressure to push the water, that is Peak. We pay for both of those charges. You can take less water out, at any one specific time, but if you need a bunch at once, then PSI goes way up to get that water to you. It is the same on the electric side of the house. You might use and consume a lot of KWs during a hot time and then we have to prepare to get you 110 megawatts at once, but then you are going to back down. In August 23, we saw a peak usage in August of 60 million kilowatts, but over the year the use was not down, so those yings and yangs, that is why these numbers are goofy. Your question, supply and demand, is because it is constantly changing and it is based on multiple factors like weather, Peak consumption, and average usage. Remember our wholesale contract is demand related. The best we do is when we use lots of energy, but at one steady rate we do not do that, we Peak and the more you Peak the more expensive our bill becomes because you have to be prepared to provide 120 megawatts worth of energy, but you might only use it for one hour out of 365 days a year. **Board member Schwartz** asked, so based on your explanation about how the money is used, is it theoretically possible that the BCPA could drop, but the customer service charge could go up? **CM Minner** replied yes, because your demands are different, they are not related. **Board member Schwartz** said so all the consumer, the homeowner, cares about is the bottom line of their utility bill. Is it possible to offset one charge by lowering the other, you have already said it is possible? **CM Minner** said the answer is yes. **Board member Schwartz** said our operational cost may be going up, but our cost of purchasing electric could be going down. **CM Minner** said yes, but we cannot plan on that. **Board member Robuck** said to Mark's point about this idea that if rates going up people use more should pay more. Given that we are like 30 some odd percent below Duke, which seems that is not one of those numbers. Doesn't it make sense that we need to be looking at a new rate study? With the inflation, a new rate study would allow you to do what you are talking about where if we come up with a higher rate it is based on usage, not an arbitrary fix, but that would require a rate study. **CM Minner** said yes, and it is going to bring you back to the same answer that you do not want to hear, that rates need to go up. **Board member Robuck** said if they going up in a fair way that is more controllable by the customer. **CM Minner** said everybody's rate structure is kind of different and so it goes to an article that Mark sent him the other day about the things that OUC is doing. OUC is looking at increasing base rates, changing the solar credit, and looking at doing a kind of demand residential rate. If you are a residential customer you are going to pay more for getting AC at 3 pm in the afternoon than you are at 9:00 pm in the evening. Those are expensive things to do. We tried to do it here, we were not successful with smart grid, but so that does not mean we do not do that again. We are going to have different demographics than OUC, so I think the time we put into trying to get that is not going to get us to where we want to go. What we are seeing the industry do is try to recoup maximum back when you are fighting all these different issues like solar and demand. What we are seeing the investor-owned utilities do is put it in a base charge or base customer charge, same, to guarantee yourself that upfront we are going to get that per month. **Board member Robuck** said they are probably doing that because of solar. **CM Minner** said he thinks more solar than anything. **Board member Braton** said he was just thinking on that whole vein, when we raise prices, it can be counterproductive. He thinks about it in his industry, every industry, and everything he learned about in business. When the base rate went up to 7%, and he can only speak for himself, but seven cents, what about the demographic. He has not done a full market study, but would guess that most of Leesburg's utility market is median to low income or fixed income retirees with pensions, whatever. You take a hit like those seven cents unexpected or expected, a lot of people are going to start conserving energy. They are not as free with running the air conditioner at 75, they bump it up to 77, and they have gotten good over the past year about turning lights off and things like that. At Turner's, that is he did, shut this off, shut that off, we do not need this, where in the past it was like wide open, everything is good because he was comfortable in a rate and a payment every month. Then it went up to where he was uncomfortable both at home and at the business and now, he has developed different habits on how to use electricity. He thinks that raising the rates, if it is a base rate or the customer charge, then it is a onetime hit, like dang my electric bill went up 10 bucks a month and then I can go about my life and can manage my utilities without that going up or down. Whereas if you start raising the rates people are going to squeeze a little bit more or think about saying when it is not as expensive, people are like well you know I can afford so they will use more. You can win in volume or you can win in the ticket price. He thinks about a restaurant he ran in The Villages in 2009 and grew the volume of that restaurant to 900,000 to 4.4 million in the two years between 2008 and 2010, but what they did was just the opposite of what everybody else was doing. He lowered his prices, increased the quality, and made it so attractive that people really could not afford to spend their money anywhere else and he just went in volume. He would submit that it may be worth thinking about before we raise rates. Personally, he is starting to get a little bit more comfortable where the electric rates are and he is comfortable cranking the air conditioner down a little bit lower, or not freaking out when this set of lights is left on. Just starting to get comfortable where you see usage go back up and he would imagine that he is not the only person like that. Just his two cents, if that makes any sense at all. **CM Minner** said it does and we do see that when utility rates are higher, we consume less and that is actually a good thing for us especially on the electric side because if our rates are higher, we are earning more and then we are actually going to Peak lower because you are not going to turn your AC down to 72 at 3 pm, you are going to say I am just going to keep it at 78. So, then the system does not Peak as high and I am arguing the opposite of what you are saying. **Board member Robuck** said one thing he took away and this goes against how he would personally run it, but it was a takeaway from the blow back that we had with the $70 BCPA. The one that really got brought up over and over again was our comparison to Duke because that is the one around here. Everyone brought up a Duke bill and of course now that Duke is higher, nobody comes in and says thank you, your rate is lower. Which leads him to say, this is not how he would run it, but do we need to be thinking about how and he is not suggesting it, but should our structure follow more of Dukes. Where it is more in the middle, so it does not get as low or as high. **CM Minner** said that gets into really super technical questions about rate structures. If you go to some investor-owned utilities, the industrial customer is not paying their proportionate share because they are subsidizing it with residential rates. Our utility spreads out the cost evenly, so if we were going to take it easier on the residential customer, then the industrial customer is going to go up or flip-flop then we would have to increase rates. All those are part of the Performa that the Public Service Commission reviews when they look at investor-owned rates. We do not look at that structure as much because ours is a everybody pays their share. Back to Jack's question, we see that on the water side too, you see the inverse structure on the more you use, the more you pay is designed exactly to keep you from using water over a certain amount. He would argue back to you that is exactly why we want to increase rates to prevent you from using electricity. **Board member Braton** said thinking with the limited knowledge he has, that you know if you cannot sell something at X amount of money, except maybe one or two, it is not creating the revenue that is needed to fuel the machine. He can only think in terms of his business, but if he has a hamburger at $25 and only one or two people are buying it every day, but he needs $300 a day for lunch to pay the staff and keep the lights on, then if he lowers the price of that hamburger to $15 and sells 30 of them, then he is reaching his goal. He may have to work a little bit harder for it but at least he does not have a $5 million budget deficit at the end of the year. **Board member Schwartz** thinks one of the big variables and what Jack is describing he understands where he is going, but one of the big variables is that Leesburg electric has no competition. You have no other choice; you cannot choose your hamburger versus somebody else's hamburger. **Board member Braton** said what he can choose is the amount of consumption and if that is small potatoes, it is small potatoes, and it may not even be worth having the discussion. It will not matter if half of Leesburg is using a core 25% less power every year. **CM Minner** said it would matter, probably help. **Board member Robuck** said he gets it from a business standpoint it makes no sense, the city in fact got in trouble for it and had to stop. They installed generators at Walmart and Publix and at Peak demand the stores would switch off the city of Leesburg and run their own power because it lowered the City's electric bill substantially because we shaved that Peak demand off. Of course, the other people who buy Power got pissed off because it was at their expense, but it actually saved a lot of money for our biggest users to not buy from us. **CM Minner** said that goes to the demand side of what was happening. The all-requirements pool, the other 13 cities, just throwing out a number so it makes sense, during peak time the all-requirements project need 15,000 megawatts of power for 5 hours of the year. When we were encouraging Walmart, times 1, and Publix, times three, we were saving 2 million bucks on our demand cost, but the pool still had that $2 million cost to generate 15,000 megawatts at 3 pm. We were cheating the system because we were able to get out. Our demand meter went down, they did not collect any money, so that two million bucks got squished over to everybody else to pay. That is the two-part component of demand, demand use and energy use and so that is where the pool said Leesburg, you cannot do that and that was in the contract. **Board member Robuck** said he thinks whether it is this year or next year, that it would make sense to do a rate study now that we have this board. **Vice-Chair Flinn** asked what the general idea is on what a rate study would cost. **CM Minner** replied we put in around a 100 grand. He then stated we will have more data and information for you come July. The budget workshops are scheduled for the 2nd, 9th, and 11th.

Due to the number of meetings already scheduled for July, the board held a discussion on when to hold the next advisory board meeting. It was decided the July 1st meeting would be canceled, and the board will meet again on Tuesday, June 25 at 5:30 p.m. This will provide the board with an opportunity to make any recommendations prior to the start of the budget hearings in July.

3. ROLL CALL:

Board member Schwartz took a quick moment to let the board know, if they had not heard, that our effort to create the waiver for the teachers did get passed by the Commission. He also took a moment to thank Al for doing a great job of taking our little nugget and fine-tuning it into what it needed to be to pass the commission without any issues.

No other Board member had anything further to discuss.

4. 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.

The meeting adjourned at 6:44 p.m.