ELECTRIC ADVISORY BOARD
MEETING
AGENDA
MONDAY, SEPTEMBER 15, 2025 5:30 PM

1. CALL TO ORDER

INVOCATION

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

2. APPROVAL OF MINUTES:

A. Regular meeting held June 2, 2025

B. Regular meeting held May 5, 2025

3. DISCUSSION:

A. Bulk Power Cost Update

4. ROLL CALL:

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.

ELECTRIC ADVISORY BOARD
MINUTES
AGENDA
MONDAY, JUNE 2, 2025 5:30 PM

1. CALL TO ORDER

The City of Leesburg Electric Advisory Board held a regular meeting on Monday, June 2, 2025, at Leesburg City Hall. Chairperson Braton called the meeting to order at 5:30 p.m. with the following members present:

Board Member Amanda McLea
Board Member Michael Rankin
Vice Chairperson Marc Scwartz
Chairperson Jack Braton

Board Member Bethany Burge-Bosbous was absent. Also present were City Manager (CM) Al Minner, Deputy City Clerk (DCC) Anna Rottermond, the news media, and others.

INVOCATION

Chairperson Braton 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. PRESENTATIONS:

A. Fiscal Year 26 Budget

CM Minner explained that this year they were going to do this a little differently. He was going to split up the presentation between the electric director and himself. However, first and foremost, he did not have this ready to disseminate to the board members for review over the weekend, and they will hear him complain and cry about the process a little bit. With this meeting and it being the 2nd of June, it really put a wrench in the budget process. They have been working on the budget ad nauseam, and we have been working on the budget since March. However, there are so many important numbers that have come out over the last couple of days and, as the presentation will show, we are really on the precipice at the end of the day to raise or not to raise electric rates. Anyway, they divided up the presentation where the normal operating procedures and budget requests the electric director would talk about that in significantly more detail. Brad will do the first three quarters of the presentation, and he will cover the last quarter, and they will talk about rates, strategies, and where the cash levels are. At that point they will answer any questions.

Electric Director (ED) Brad Chase said the electric budget has a lot of components, and they will talk

more about that in detail at some point. However, this budget covers revenue, cash and reserve requirements, wholesale supply, electric transfer, electric rate competitiveness and capital spending plan. The capital spending plan is three-legged; it covers planned capital improvements, unplanned system repairs that keep the lights on, and system expansion, which is growth.

Referring to the revenue slide, revenues come from a variety of different paths; charges for services, which are the base sales, and that is obviously the biggest component. We also have customer charges, area lights, which is the rental lighting program, interest on investments, customer aid in construction (CIAC) that we collect, and the BPCA that we talked about a few meetings ago. At the bottom of the slide it shows the total projected revenues for FY 26, and we are at $85,608,166. That is the starting point for the revenues.

Moving to the total expenses slide, the breakdown has to do a little bit with the way we capitalize the numbers, but we do have main categories. The first two are the purchase power and St. Lucie. The St. Lucie is the portion that we own for the nuclear plant and the purchase power is the big invoice that we receive from FMPA, which is all part of the All-Requirement Project (ARP). We also have administration, which is a shared resource. That portion pays for human resources, billing and accounting, those types of things. Jobbing is what we charge others within the department. Distribution is a big portion of our sales, and the expenses are related to our O&M side of the world. The SmartGrid number is reflective of what we expect to spend to finish up with the GE contract and our annual spending moving forward with Itron. Other expenses are $19 million, and we will talk about that in a minute. The capital projects are $7,053,155 and that is really those three legacy tools that we talked about a minute ago. He noted that this did not include the $770,000 meter change outs. All the electric meters that were installed back in the 2011/2012 timeframe all have a useful life and when they start ending their useful life cycle we start to see failures in the field. The failures show up, and we lose connectivity with them. They are still registering correctly, and they are still calculating the right usage, but the link that ties into our AMI system and remotely passes that information on is part of that topic for the meter change outs.

Referring to the slide "other expenses", this covers depreciation, debt, cost allocation, taxes, transfer to the general fund, franchise fees, and surcharges. All that added together is $19 million, which makes up their total expenses. They can note that these numbers do not quite match. The goal is to have them match, but right now they do not because the expenses are a little larger than our revenues. With electric transfer, and looking at this a little bit more in depth, if they look at where we have been over the last ten years we have been as high as 8.5% of electric revenues. As part of the transfer, the city commission has successfully decreased that over the years. There was a referendum passed in August 2022 that noted if we wanted to sell the utility, they would have to have a super-majority vote on that. It also set the electric utility transfer rate to no greater than 6%. In the current year 2025, as well as for FY 26, the projected transfer to the general fund is 1.6 million, and that is equivalent to the 6% franchise fee based on the sales inside the corporate limits. If we did not have an electric utility in the City of Leesburg and Duke Energy was the electric provider, that 1.6 million would equate to the same sort of transfer that we would see from Duke Energy. With the wholesale power supply, that is the $49 million number and, again, ARP manages the bulk energy costs. They have a variety of generation facilities throughout the state that, together with the thirteen members, as well as our purchasing ability on the market, make up that wholesale supply. Part of that is based on our consumption and another part of it is based on demand. So, all thirteen members of the ARP get a two-pronged invoice based on consumption and demand. It also has some transmission components for sourcing that energy into the City of Leesburg. That all makes up the $49 million. In capital spending, one of the last items on the electric budget was the capital spending plan and that has a three-tier stool that the city manager mentioned and that is an easy way to discriminate or try to quantify where those different spends are. Capital improvement is $2.3 million,

which is about 33% of their spending, and they will talk more specifically about that in just a moment. The system repair keeps the lights on, and it keeps the energy rolling. That number comes in at 2.3 million. Our growth is around $2.4 million again, 33% and they all kind of work that way. Under the capital improvement, the numbers are broken down into our capital components, such as transformers, distribution lines, new sectionalizing/reclosers. They are protective devices in the field that help limit outages to the smaller areas. We also have lights and reconductoring and then finally substations. Looking a little deeper into some of the projects that are involved in that, one of the bigger projects is to reconductor two feeders that feed into the Fruitland Park area from the Picciola substation, which are the L702 and L703. The projection or the plan would be to increase or upsize the conductor all the way from Miller, which is a little west of US 27, and take it all the way up to Spring Lake Road. There is a component there where we have some new growth with a new storage facility that we installed last year and that has not gone live yet. Again, it is a big spend of $1.2 million, but it does support growth in that area. That is not just what is currently knocking on our door, but there are four or five other projects that are also up in that Fruitland Park area. The enclave is the biggest one and that is north of Spring Lake Road and that should be hitting soon. So, the reconductoring of L702 and L703 does provide support for that growth as well as some redundancy and improve switching solutions in that area. With reliability improvements to the system, these are capital improvement projects. We do have a FLISR system already in place. He did not know if they were aware, but the airport substation had a FLISR, an automation, in place for the whole substation. Now, what that does for us FLISR is fault, location, isolation and system restoration. We have all these smart devices out in the field, and they talk to each other. We try to limit the four feeders of the airport sub. Those feeders feed the mall, the airport, and the residential growth around Radio Road and Silver Lake Road. All that area makes up a lot of that airport substation. The automation of the system allows that if we have a fault it would isolate down to a group of four or five hundred customers that could be potentially isolated by the outage, but the rest of the customers are restored automatically through the configuration. It is a nice presentation and in the future, if they are interested, he could do a demo so they can see how that works. That is part of what they can do under system improvements as well as continued use of trip savers. A trip saver is a very smart fuse that we locate, and we put out in the field that covers specific areas where traditional fusing tends to give us some problems with coordination, so the trip savers help us there. Under substations, we are looking at a portion of the north transformer, so we have budgeted dollars this year to get the north transformer replacement ordered, but it will not cover all the funds. There is $1.2 million in this year's budget coupled with another $700,000 in next year's budget. That should help pay for that transformer over a 2-year period where normally we order it and there is a payment up front and another milestone payment along the way and the final payment upon delivery. It is about a two-year process at minimum to get a new substation class transformer. Then at each of the other substations there is work that needs to be done. A lot of the feeder breakers and the bus ties at the center and the feeder breakers at east are components that are critical to the substation operation, and they have reached their useful life, which is 25–30 years. They are starting to see some issues with their functionality so we have them teed up to be replaced. Again, at a substation level, we do not run things to failure just because of some of the catastrophic events that can occur. The distribution system depends on transformers and pole-mounted transformers. They run until they fail, and we have spares sitting in the yard, so we can replace them. At the substation level, we cannot have that sitting around because we do not want a $2 million transformer sitting in the yard.

Referring to the system repair slide, he said that most of them are fairly straightforward and the one on the bottom that stands will be talked about. However, when we try to look at the five-year average of where we have been, what we have spent on transformers and capacitors, we have failures that occur in the middle of the night, and we have to put wires back up, replace transformers, etc. that all fall under this bucket. The OMS and the designer tool will be talked about too. Again, with system repair, we want to keep the lights on. These are based on four or five-year averages for the most part. It allows for

replacement of older poles that have been identified as needing to be replaced, so this allows us to take a portion of the poles each year and replace them. It does not replace all of them, but we can do about four hundred poles with the current budget.

With mission-critical applications. We have the OMS, which is the outage management tool. The outage management tool is a wonderful application for us, because it takes the information from our meters in the field, it takes information from callers that call into the IVR, and it populates outages so we have all these algorithms in place that take calls, take meter information, it predicts and projects what piece of equipment is impacted by the outage so we can focus and send our crews to. It has to do with outbound messaging and inbound messaging that we give our customers, so it is a very critical tool for our everyday work. A designer tool takes the nuts and the bolts, and we call them assemblies in service planning, so it is taking all these different components and when we do a design, we pick the different parts, and it is done with points and spans. If we have a pole or two points, and you have a span of overhead conductor, our designer tool understands all of that, so when we pick a point or pick another point in a span, be it underground or overhead, it tells them what equipment is needed, and they will go ahead and complete that estimate. It will run the analysis behind the scenes and calculate what is needed for that new development or new project, be it commercial or residential. Again, the mission-critical applications that we have are both nearing their end of life. They are unsupportive as of December 2027, so getting an RFP done this year, working with IT to get that done and picking a vendor, an application and getting it installed during FY 2026 is our goal. The $770,000 is a little high, but he would rather come in a little high with the request than have to come back and say they underestimated it. That is the main component under system repair. Finally, with growth, these numbers are broken down into capital categories looking at transformers, new lines and equipment as well as subdivisions, so when we look and try to plan for what we will have next year, what our growth is going to be next year. In subdivisions alone, we have $2.7 million allocated for transformers, rental lights, the underground infrastructure and that equates to about two hundred lots. This year we have two big subdivisions that hit us. We have Mirror Lake, which has about eighty lots by the new school. We also have the development off CR 44, which is Silver Lake Pointe, and we are looking at between two and three hundred lots there. Again, looking forward to whether the enclave around Spring Lake hits, as we predict that alone will add another one hundred and eighty lots. That is where the $2.7 million comes from, and we will have more growth with residential along with commercial.

One line item was added at the bottom, which we sharpened our pencils on last year and this year. We have been carefully looking at make-ready work that we charge the developers. We have looked for line extensions that may be needed by the developer. The big project at Arbor Park has all three of the components. We have the city paying for the subdivision itself, the dollars associated with building the subdivision. There is a line extension that goes all the way up Thomas Road from Martin Luther King all the way up to Urick Street. That developer paid for that. We have to relocate our facilities around the intersection of Martin Luther King and Thomas Road. Again driven by the developer, so that is make-ready work. When we go back and look at these projects, there is a component that the developer pays for and some of it is based on their expected revenues over four years and some of the make-ready work, for example, is 100% cost regardless of the revenue that they bring to the table. Line extensions are based on revenue, and so is the subdivision. They have to have enough projected revenue to cover the cost of building the subdivision, or they have to make up the difference. Furthermore, they have to provide us with a bond for the subdivision, or give cash. They then have four years to develop. Some items still under consideration are the meter change outs. Right now we have about 30,000 electric meters in the field and 20,000 of those meters are of the 2012 vintage, and they are starting to fail. When he says fail, they are still logging their consumption properly, but it is not able to transfer that data remotely over the mesh network to the head-end system, so we can do all that electronically. We have a plan that we can put into place that says they can spread this out over five years. They can do 4,000 meters a year over

five years, which is about $770,000. As the city manager said, we will have to do the budget meetings, so our numbers do not yet align. The revenues are not high enough to cover all the expenses. There is a shortfall of about $1.8 million.

CM Minner asked if there were any questions? **Board member McLea** said it was mentioned with the subdivisions that we have two hundred lots and, if there is more growth, are we under-projecting for that, or are we comfortable with that number? **ED Chase** responded from the audience saying he was comfortable with that number. To be honest, this year when we set our budgets, a lot of the growth was managed through some budget adjustments. So the city manager has committed that we are not anti-growth. We support growth where we need to. This is a projection of what we think is going to occur and if growth goes a little faster, and we have more than 200 lots where we need more dollars, they will have to do a budget adjustment. We will have to lean on the cash a little bit to make sure that we can move forward with the projects.

CM Minner said the big things the electric director brought up were the good and the bad and the transfer of focus over the past decade was a real significant movement by the city commission. They are trying to operate the electric fund as it would be if it were an investor-owned utility or a co-op. Meaning any type of revenues that come into the general fund would be equivalent to how the city would function if it did not have an electric utility. That philosophy we have really honed in on over the last three to five years and a lot of that was in anticipation of legislation that the state has done or continues to try to do where they are regulating transfer levels, and the type of makeup that we have as far as co-op or who ultimately controls the rates of the utility and those things. Decreasing that transfer to the $1.6 million is really super significant in that there are not a lot of our enterprise funds leaking over to fund the general activities of the city. The next big thing is some of the improvements that we have made throughout the year and the focus on the capital. The final thing being that we saw the biggest break this year, which was the decrease in the cost for SmartGrid. We were spending upwards of $1.5 million and that amount was down to $800,000, which is still blended between Itron and GE. Next year we will see that number decrease more to about the half a million dollar mark when we are fully integrated with Itron. We also brought over that cash from the general fund to help offset those costs. Those were good financial decisions made by the commission. Having said that the major item in the electric department budget is $7 million in capital. We do come to some crossroads with where we want to be, and we constantly compare those things to what the rate is and what kind of cash levels we have.

Referring to the fund cash and reserve requirement chart, he said this number includes money for the power cost adjustment, so there is $3 million embedded in it and that is the actual power cost. It is all accumulative, and it is all counted in the end the same. Back in 2021, the fund sat on $20 million, and today we are sitting on about $14 million. Referring to a line in the chart is the recommended fund level line from the Government Finance Officers Association. They want us to keep ninety (90) days of cash on hand. So, we would like the fund to be higher than $10 million, but it does not have to be as high as $20 million, but from about the time when we started seeing big inflation in the 2022 timeframe, that also corresponds to when we had the spike in gas rates. That was when we went to cash and did a bunch of different things. That was when we started seeing inflation hitting us. For the last year or so, we have worked our way back from a position where we were way below our cash requirement of about three million dollars below the recommended reserve. Also, this number did hit us as far as when we got our bond checks. We were downgraded this year from an A to an A-. In reality, that does not mean a lot, but it is a good talking point, but a downward trend like that means if we went out and applied for debt we would be looking at higher interest rates to borrow. Now, would that be a full percentage point no, but it is not great because nobody likes to get dinged down in their faith and credit. However, we have worked our way back to a borderline position. He pointed out the orange line on the chart which represents allocated or earmarked capital expenses. That is money we have to spend, but it has not hit the bank

account yet. Basically, if they take this amount of money, it pretty much closely matches what we have above the reserve requirement, so we really only see the actual cash position at $17,000 above what the minimum requirement is. Then, if we take out the $3 million that we want to leave in the account to calculate for the power cost adjustment, the cash is not quite where we need it to be. Now comes the choices. With the $1.8 million deficit, the choices are: what do we cut, what do we increase, or how do we blend the middle. He tried to give three options and the first option was not to do anything and to keep rates where there are. Our rates right now per thousand are about $127.94, so that is the magic number as far as of competition. If we do not increase rates and the power cost stays at 2.5 cents a kilowatt, our $127.94 rate would remain the same, and we would have a budget of $1.8 million in the red. How would we balance that? The electric director broke down all the expenses, which are pretty much self-explanatory, but for the "other" because it was such a big chunk. In that "other" number, that is the core if we talk about cuts and there are really two big cuts on the table to consider. One is to not do the meter change outs and the other is to not budget for the depreciation. In each of the enterprise funds, the city budgets for depreciation, and we do scales of all the equipment. We prioritize it over how long it will last. We take that percentage, and we stick it in a depreciation line. We literally take cash, put it in the depreciation line and that shows as renewal and replacement on the cash graph. All things being equal in a vacuum, if everything that we did was correct, we estimated our expenses correctly and the electric director figured out every bump that goes in the night, and if everything goes according to plan, which it never does, but if it does, then October 1, 2026, we would see that $14 million jump $5.6 million bucks, and we would have a super great year. However, he was not sure if that was the philosophy that we want to continue. What have we done in these past few years when we saw the cash start depleting? That is the amount that we cut. We cut depreciation so we did not see money going back into the fund until recently as the electric director had cut back on expenses. If we continue down the path of not budgeting for depreciation and cutting out maintenance items, we will see the reliability start to decrease. He could not say at what level, but ultimately, that is where we go. It then becomes a catch-up game, and we do not want to get into that. The no-cut is an option, but it is not the greatest option. If we were to win on the no-increase option, we would need to watch and monitor it. That was the philosophy we took this year. We talked about potential rate increases last year, and we did not do that, but we watched closely. This year we are right on schedule as far as where we thought we would be. If we luck out again two years in a row, a no-cost increase is an option, but it is something we will have to continue to watch extremely closely. The other levels are potentially mild increases of 3% or 5% respectively. If we bring in a 3% rate increase, we would bring in an additional $2.5 million, so that is a little bit in excess of where we are. As far as the deficit, he would say that $720,000 is not a big number.

So, 3% seems to be pretty reasonable. A 5% increase would bring in $4.2 million in revenue. However, what does that do as far as the rate payer goes? Referring to a chart, he explained that it forecasts rates, and there were three specific lines he wanted to focus on. This is the per thousand chart and the bottom of the chart shows the fiscal year and the side shows the cost per thousand. It shows fiscal year 2014, which started October 1, 2013, and it shows the rate history as it moves along. On October 1, 2013, the rate was $127.59. The reason he brought them back to that number specifically was because that is the year prior to him being hired as the city manager and the city commission voted for a three-year unilateral rate increase proposal. That was just before the 2014 fiscal year budget started, which was instead of increasing taxes, the commission chose to increase electric rates by 5% for three consecutive years. The first injection of that rate started in the 2014 fiscal year. That brought the rate up to $127.59. He was hired in December 2014, and it took about a year and a half to reverse the policy of increasing electric rates to subsidize the general fund. The first budget year that he was here was FY 2015, and we kept in place the scheduled 5% increase and our rate went to $134.47.

Then, quickly thereafter, around the Duke settlement came along with a couple of other different things, but FY 2016 was supposed to seek another increase of 5% to put our rate at the $141.19 level. That

program was approved back at the end of FY 2013. Remember that number. We changed a bunch of things and, instead of increasing rates, we actually decreased rates. This was the time that we started working on funding inter-dependency, finding different ways to keep the electric money in the electric fund and keep the general fund money in the general fund. That was the timeframe for when we started looking at keeping the funds separate. At that time, we also saw a decrease in the rate, and we hung out below the average rate. We did a good job at keeping the rates down until around 2023, when we saw that jump to $172.08. However, that was after gas hit the skids and the world went crazy. We were coming out of covid and all that stuff. Since then and as promised, the rate has decreased. Our rate started at $127.94 this fiscal year, which started on October 1, 2024. We also increased the power cost adjustment in the middle of this fiscal year. We are now at $132.94. That $132.94 is the number that the increases are based on, because that is where we are at today. If we increase that by 3%, we are looking at $136.18 per thousand in comparison. Hence, the reason he put this into three lines. If they compare $127.59 to $136.18 over the course of the last thirteen years, that is a 0.5% increase per year. That is indicative of the red dotted line on the chart. The chart illustrates that we have had a relatively flat line over the course of the past thirteen years. Yes, we have had ups and downs, but long story short, the purpose of that chart was to show how we focus on making the utility as competitive as possible. So, looking at potential increases, where do we fall? First, he believes there is a need for an additional rate increase for inflation, for operational purposes and to stay ahead of the curve. Then how does that compare around the state with what other utilities are charging, because we hear it all the time about, if I were with another utility, I would pay this amount? Looking at the comparison chart, he wanted them to focus on the bars below because it showed all the municipal electric utilities in the state compared to the primary investor-owned utilities in the state. Florida Power and Light and Duke are in our territory; Tampa Electric and Florida Public Utilities are located in the panhandle. Everybody else on the chart is a municipal utility. Do not let the municipal utilities fool you as far as size, because the orange bars on the chart serve 70% of the electricity in the state. 70% of the energy in the state is sold by investor-owned utilities, 15% are co-ops and the other 15% of the utilities sold in the state are municipal utilities and those are represented by the blue bars. Now, where does Leesburg fall into all this? We are at the higher end of the middle. The municipal average is $127.16, and we are about 80 cents higher than that at $127.94. We are significantly below the closest IOU, which is Duke, so we are significantly a better, more cost-conscious provider than Duke. There are a couple of phenomena in the chart that he wanted to point out. For the first time in his career, this is where he saw investor-owned utilities being at the back of the bus. That is indicative of the economy that we are in and there are three prongs to that. We have inflation that the investor-owned utilities are reacting to. There is the storm-hardening and storm repair that the investor-owned utilities are now trying to pass their costs on to customers, and then the third leg is some solar energy issues with mixes and, as we go green, we are seeing our costs increase. If we were to boil it down, that is where we would see the investor-owned utilities becoming more expensive and the municipalities have not had to deal with that as much. Right now, Mount Dora has a great rate. They are sitting at $103.30 versus our $132.94. However, the difference with Mount Dora is that they are on a spot contract for their wholesale versus us. So, that number will go up and down a lot quicker than ours will. However, our other competitor, SECO, along with Leesburg, over the last several years, have been within a dollar of each other plus or minus. We will beat them by a buck, or they will beat us by a buck. Then we see Duke at $151.96. One thing that needs to go into the mix of a rate increase is where the BPCA will be when a rate increase potentially happens. In English, if we do increase the base rate, perhaps we can lower the power cost adjustment, because that may offset some of that increase. For example, referring to the chart at the top, we see $107.94, which is our base rate without the power cost adjustment. If we stripped away that and started comparing numbers. Looking at the second row of $107.94 plus $25, the $132.94, realistically, this is a real potential rate. At $133.34, that represents a 3% increase in the base rate, and a decrease in the power cost adjustment. We are trying to blend these issues together, but the number changes every month. As we get our FMPA projections for where they are in power costs, that number will change, so it will be really hard to project what will happen in October

versus the summer. Remember the summer months are our busy months. Generally, in the summer, we sell a lot of kilowatts, so it is an over recovery time and, depending on where we come out at 2.5 cents a kilowatt, that might dictate that we could trim back. In English, what are we talking about? We are kind of in an odd spot at the end of the day, because we do not want to increase the rate too much for the sake of building cash, but we do not want to "not increase" it and end up in an area where we start seeing infrastructure decay, and we get behind in cash. A 5% increase is reasonable because the cash will be helpful and our rate, even at the $136 level, would still be competitive with our regional competitors. We may not need that much potentially, and it could be mixed with a decrease in the power cost adjustment. These are the areas where we are and, in a nutshell, it boils down to staying the same, all things being equal, staying the same as where we are right now, at $132.94 or increasing to $138.34, which is 5%, or $136.34, which is 3%.

Chairperson Braton wanted to know how the 3% and 5% would affect any kilowatt usage over a thousand. For example, his usage is usually about 1,500 a month at home. **CM Minner** replied it was pretty much a straight line if he was over a thousand. The straight-line synopsis is that we are increasing the base rate or the customer charge for the first thousand and then a thousand thereafter. If we increased them all reciprocally, and he was paying a buck fifty, because he was over a thousand, he would pay 3% or 5%. We have done some different rises, like that in the past when we just increased the base rate. This year they would talk about increasing all the tiers, so there would be a proportional increase. Whether you are under or over whatever kilowatt you are using, not including the power cost adjustment, you would be up to that percentage. **Chairperson Braton** commented that 5% of that increased amount of the overages is significantly more than 5% of the first thousand kilowatt-hours. **CM Minner** explained that it would be proportional. It would be raised proportionally over all three areas. If he had a $250 power bill now, the option would be $250 plus 3%, 5%, or no increase. It would go up whatever the percentage is. **Board member McLea** thanked him for the good analysis, but what is frustrating for the residential customers is when the rate goes up and down. Is there a way of getting away from that because it is hard for the residential customers? Yes, she does cover large businesses, and they would love to have a one-year budget and be able to match penny to penny, but she wanted to speak on behalf of the residential side. How do we stop the increases and decreases, because that is what she hears on the residential side. It is frustrating that we go down, and we budget for that and then all of a sudden we are now back up again. She gets that 3% or 5% in the grand scheme is not a lot, but for some it is. **CM Minner** answered to be super concise, the ups and downs are in their favor. We are cutting it so close that the utility is providing its customers with the cheapest rate it absolutely can, period. Sorry about the ups and downs, but they are getting a super great rate. If they want that massaged, the opposite will happen. We would then go to a stabilized power cost adjustment and the rate would stabilize higher than it needs to be, and then the cash chart would look really great. So, as a utility of our size and as the members of the electric advisory board and the city commission, his pitch is that when they get that question from a residential or commercial customer they need to defend it. They need to provide them with that answer. If they do not like the ups and downs, then they will just get one high. There is no other option because the only other option would be too undercover, and the utility did that back in 2022. We under-recovered at that time when we were using cash to supplement the increases. Then, all of a sudden, rates increased, and we ended up at $172.08 because we went as far as we could. If we were going to give a stabilized bill, we could do that, but one of the things we have been working on for almost eighteen months has been the balanced budget program and that is actually having some glitches right now. We also have a pilot program running as we speak with a select few utility customers who are actually employees for a budget bill, so hopefully we get to roll that out. However, at the end of the day, he did not see that there would be a lot of takers on the budget bill only because the way it would be massaged was that we would have to massage high. The ups and downs that we see are really not the rate structure but the power cost adjustment. We do see the ups and downs in that rate, but that is more reflective of the power cost adjustment and not the base rate. If we were going to levelize that, we would have a power cost

adjustment of three or four cents or three or four dollars per thousand, and you would be paying three to five dollars extra a month. That would not necessarily help the utility, because while this chart would look great, most of that money is earmarked because it can only be used for power supply. We would then get into scenarios of really high, really low, and really high. Where we have the utility operating now is that we try to get a cost to the customer that is respective to the cost of the utilities. We do not see that in the investor-owned utility world, and we do not see that in the co-op world because they provide a more solid bill which is either high or low. Recently it has been low, hence where we see the investor-owned utilities going.

Board member Schwartz inquired if there was a scenario in which we did not take the full 6% transfer. **CM Minner** responded that, technically, we are not taking the full 6% transfer now. We are taking $1.6 million. **Board member Schwartz** wanted to know what that equates to in percentage because he thought it said 6%. **CM Minner** explained that we are transferring $1.6 million into the general fund from the electric fund. **Board member Schwartz** commented respectfully to save time no matter what the number is. His question was, does it have to be $1.6 million or is there an opportunity to reduce what is being transferred to the general fund as a way to cut this number? As it was pointed out, there are very few valves to turn to change expenses. Administration is one of them, and we are at $770,000 for meters. His question was if it all had to be put into this year's budget? Can we change two tires instead of four this year and then change the other two tires next year? Is there an opportunity to cut that $1.6 million into something less? Ultimately, the goal is, how do we not increase rates next year? **CM Minner** answered that we have been changing two tires instead of four tires for the past three or four years. The $1.6 million represents somewhere around a 2.5% transfer. So, where does this 6% number come from? The 6% is equivalent to a 6% franchise fee. Remember a municipal corporation has the power to levy utility taxes and a franchise fee. A franchise fee is the right and privilege to provide a franchise service "electric" in a municipal corporation's territory. Those franchise agreements are typically 6% of sales in an incorporated area. What this $1.6 million transfer represents is 6% of total Leesburg electric sales in corporate Leesburg. If we did not have an electric utility, the city would have a franchise agreement with somebody that does. We would be charged 6% and that would bring $1.6 million into the general fund. That is not 6% of revenues as we had changed the charter to represent. To answer that question succinctly, we are already beating 6%, and we are doing it by more than half. Now, the question is transferring anything reasonable and that becomes an electric board question. If they did not have that $1.6 million, where would the general fund get the revenue? The philosophy of the $1.6 million is that the general fund charges the electric fund a franchise fee on its incorporated residents only. Now, that is a forked tongue because 60% of our customers are outside the city limits. With the $1.6 million, less than half of that is coming from unincorporated residents, but that is our demographic, our load demographic. So, 60% of our customers are outside city limits, but 60% of our load is inside city limits. That is why when we transfer 6% the numbers are a little bit crazy. That $1.6 million is an exemplary number, and he would say that is the lowest in the state of any municipal electric utility. He would also throw out that he hears the taxation without representation and that is half of it. He hears it, all of that has been heard, but the general fund on the other side of the house that needs the money we are looking at is a little north of three and a half billion dollars of assessed taxable value. One mill of taxes equals three million in property taxes. Our millage rate is about three and the city brings in about $12 million in property tax revenues, so for every million dollars of transfer it does not take from a utility fund. A reciprocal cut or a tax increase would need to be made. If we did not put $1.6 million of electric money into the general fund, that would require an increase of .33 mills. **Board member Schwartz** said it could mean that we need to take another hard look at whatever those expenses are, because we have a bigger pot over in the general fund to play with, so can we save?
He would not suggest eliminating the full $1.6 million, but we are at $1.9 million and that is the difference right now rounding up. **CM Minner** agreed and said that is the deficit. **Board member Schwartz** said that was not a huge number, so theoretically, if we were to cut the transfer in half and if

we were to cut the meter work in half, we would be two thirds of the way there to closing that gap. Now, the question becomes, do we still need to do that increase and if we do, we are now even less than 3% in theory? He wanted to throw one more thought out. Is there a third tier that is possible in the billing? For instance, we are charging a number for the first thousand. Maybe there is a second tier for the next 250 and maybe there is a third tier after 250 plus? As the chairperson said, he uses 1,500. He was just throwing numbers out there. He and the city manager had a totally separate conversation about the more you use, the more you should pay, but is there another option there? **CM Minner** responded, perhaps, but the two things that we run in to there are kinds of the regressiveness of the rate, and then what we save we may end up having to cost us in software application changes. He did not know what that would require because we are already working on archaic software and if we are going to get fancier with the breakdowns how that will affect our software. That is something they can look at, but his knee-jerk reaction is that the software will have problems with it. We already have the IT Director yelling that we are going to need million-dollar software upgrades over the next couple of years. **Board member Schwartz** pointed out that he was just suggesting finding ways to save. **CM Minner** commented that we have really come into the philosophical struggle, so what are we wasting money on over in the general fund? If we break down the general fund of $35 million, where is all that money going? 65% of it goes to the police and fire. That is not a scare tactic, but really defines where to make heavy cuts in the general fund to find a million bucks. If we had to, we would go right to public safety and cut it. Also, the public safety things are on hold in our collective bargaining agreement because they are already arguing about different stuff. At the end of the day, we were right in the ballpark. If the electric advisory board advices the city commission to not increase rates, the immediate thing he would do is cut the depreciation number. Float it there at $2 million and watch it like a hawk like we did this year with the anticipation of a mid-year correction. If we did a mid-year correction, we would want to do it at the end of the first or second quarter before the May, June, and July summer bills hit. **Board member Schwartz** remarked that, obviously, as representatives of the public, we do not want to pay any more than we have to, but we also do not have a choice because there are no other competitors that we can go to, to price out electric. **CM Minner** pointed out that we are beating the competition at that. **Board member Schwartz** said, in some cases, which is great, but again, since he does not have that choice, he would love to pay what Mount Dora pays right now. However, that is not an option. We need to make every effort that we can to try to minimize any increase in a sort of global look at how consumers are getting hit in a number of areas. That is his message on behalf of the customers. What can we possibly do and if it has to be raised, is there a way to get it to 1% instead of 3% because we made the effort to make the hard choices? We need to take on a little bit of pain in some areas to be able to do that for the customer. That is ultimately the objective.

Board member McLea stated she would never agree to do less for the repairs because that is important, and we would get hit and not be able to repair it. She works with imaging equipment and if they do not make those repairs, we will have an MRI down because they did not make the repair. In her terminology, that is budget crippling, so she agrees with what Board member Schartz is saying, but she also understands and sees the point on the other side of planning while not busting the budget on that side. She looks to city staff for guidance about whether they can do 3% versus 5% and would that provide the comfort level? She understands some want 1%, but she does understand the other side of that. **CM Minner** stated that as far as the timeline process goes in this, every thirty-day increment from now until October 1st is a lifetime, because so many numbers are changing from the taxable value numbers, to where the projections are going to be, to what we over or under recover in the summertime. We do have another meeting in July which will give them a good solid month. They could come back, review it, and at that time he could provide a delineated recommendation based on the data that is at his office level. However, his knee-jerk is that they would be recommending 3%. He did not want to recommend anything this evening on purpose, but as we get closer to July and August there will be a recommendation. However, based on the data today, it would be 3%. **Board member Schwartz** stated

that as established, we have no real say in this. They are there to offer up thoughts and opinions. **CM Minner** added that the state legislature is working to change that. **Board member Schwartz** continued to say that they may come back with 3% and the commissioners may decide they want 6% or 0%. **CM Minner** mentioned that the other part of that equation is the water and sewer system. They all look pretty beat-up, so if the commission had to rank who needed them faster it would probably be water, sewer, then electric. The commission may say they want to hit up water and sewer this year and keep an eye on electric. Then next year they could come back and hit electric. Remember those numbers are still being crunched. **Board member Schwartz** said he understands the thirty days in between meetings and all that. However, he was just one voice saying to not get hung about what the next pitch was. He hoped that the takeaway from this meeting was to look to see if there were any places that they had not looked at yet. Are there places where we can get more creative or is there anything else we can do in all possibilities to try and minimize any increase whatsoever? **Board member Rankin** stated he had a slightly different perspective, having a meter in Mount Dora, two in Leesburg, one in SECO and one in Duke. For the value and for the comfort of when the wind blows and the lights go out, he could say with Leesburg he can count on being the first one with the power back on. The network and the investment that we see, if you think about the few power outages we have had and the length of time it was out, is trivial compared to other places. Even though one has a cost lower than Leesburg, it seems like he was always paying more, even quite a bit more. When he moved the business, he noticed quite a difference. Going from Mount Dora to SECO and comparing them to Leesburg costs, there was a good comfort that Leesburg offers what others do not. We make sure we have the safest poles and the safest equipment with switching gears. We do whatever it takes whenever that power goes out. Chances are the lights are back on in Leesburg quicker than anywhere else. You get what you pay for sometimes and nobody wants to pay more, but the ones that bend his ears about the electric rates going up while they are standing there looking at their hot tub and their pool running. It is like, well, did you think those were going to be free when you hooked them up? **Board member Schwartz** stated that was why he wanted to know if there was a third tier and if it could possibly play into that. **CM Minner** mentioned therein lies the golden piece. How far can you kick the can down the road, and that is the internal discussion between department heads and the city manager. The department head does not want to kick the can, and the elected bodies' rate makers want this as low as you can and so where is that mix? The electric director is going to say no, he cannot kick the can because he has already kicked it as far as he can. If there is a place to trim, he would say it is a kick the can, but the next thing that will start happening is the old frog analogy, right? **Board member McLea** said it would then cost more. If we wait and kick the can two more years, where will the cost land? **CM Minner** stated they would see an increased cost, and we will see it in slower recovery times and more outages. We have not shown all that data yet, and we are hanging in. We actually walked out of a meeting this week with a customer who lives back in the nook and cranny of the system that has not received a lot of TLC and that customer has issues. They are not representative of the system as a whole, because we are counting averages and medians, but if you were that customer, that person would be in there saying You guys kicked the can enough, so start trimming the trees around my house. So, what is going to happen is, instead of saying "I wish the city would not be up and down with the rates", they are going to say, "I wish the city would keep the lights on." That margin may go pretty quickly because we would go from you are doing great to you cannot keep the lights on. That margin comes pretty quickly. **Board member McLea** pointed out that when she says the ups and downs, can we keep the rate for a year and go a little higher and then look at it annually? **CM Minner** responded that this year there will be two rates barring a change between now and the end. We started out at the same base rate at $107, and we started out the power cost at $2.00. Now, it is the same base rate of $107 and the power cost is $2.50. **Board member McLea** wanted to know if he anticipated a second or third rate? **CM Minner** said if there was, it would go down unless something crazy happened. **Board member Rankin** agreed and said it happened in 2022 with the gas. **CM Minner** mentioned that he doubted it because, six months in, he believed the power cost numbers were $100,000 for the black. Right now, we are spot on. **From the audience, ED Chase** said it is through the BPCA and that can

cause a variation in consumption costs. The per kilowatt cost is stable, and it goes up periodically. The last one was three or four years ago. We are contemplating now, but a lot of the costs that we see every day for equipment are 4-500% of what we have paid in the past. It is significant, and those costs are tough for us to keep having to manage ourselves. At some point, we have to try to pass that on. Last year we talked about the three stools and there was no third leg in our stool. There are no capital improvements, so we held very tightly on the budget constraints, trying to improve the overall cost. However, we are at a point where we have to improve the system that we have. It is like the cruise ship analogy if it starts to go off kilter, it takes forever to get it back online. With the capital improvement costs, a lot of it is for the future growth that we are going to see, because they are banging on our door telling us this is what is going to happen and improvements are reliability, and we need to keep pushing. He is at a point where he cannot keep up with the failures. They are happening too frequently. We are seeing three hundred meter failures a month, and he does not have a staff big enough to keep up with that. He has to piece this out, and he needs to know if it will be a five-year plan or a six-year plan. They can kick that around a little bit and make some variations, but they cannot just do nothing because they are going to fail. He cannot send a bill out if we cannot read the meter, so it is critical. **CM Minner** said they will know more come the July meeting. **Chairperson Braton** said the big question is how far can we pinch a penny and at what expense, because there is a price to be paid for everything and, as a resident of Leesburg, he was not willing to compromise on the outstanding service that we get from Leesburg. If the power goes out, we are Johnny on the spot back on and there is hardly ever an issue. He hates to think about people that are being put on the back burner due to the lack of resources for trimming trees and things like that that make it all possible. These are things to consider and he appreciated the presentation.

3. ROLL CALL:

Board member Rankin had no comment.

Board member Schwartz had no further comment.

Board member McLea had no comment tonight.

Chairperson Braton had no further comment.

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.

With a motion by Board member Rankin and a second by Board member McLea, the meeting adjourned at 6:41 p.m.

ELECTRIC ADVISORY BOARD
MINUTES
AGENDA
MONDAY, MAY 5, 2025 5:30 PM

1. CALL TO ORDER

The City of Leesburg Electric Advisory Board held a regular meeting on Monday, May 5, 2025, at Leesburg City Hall. Chairperson Braton called the meeting to order at 5:30 p.m. with the following members present:

Board Member Bethany Burge-Bosbous
Vice-Chair Marc Schwartz
Chairperson Jack Braton

Board members Amanda McLea and Mike Rankin were absent. Also, present were City Manager (CM) Al Minner, City Clerk (CC) J. Andi Purvis, the news media, and others.

INVOCATION

Chairperson Braton 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 April 7, 2025

Chairperson Braton asked if there were any corrections to the April 7, 2025, minutes. If not, he would entertain a motion. Board member Schwartz made a motion to approve the minutes, seconded by Board member Burge-Bosbous. Chairperson Braton stated all in favor to signify by saying aye, oppose same sign, Motion carried unanimously.

3. PRESENTATIONS:

A. Fiscal Year 2025-26 Budget

CM Minner started his presentation by saying that this month and next month we are going to talk about the Fiscal Year 25 budget. This evening we will talk about revenues and kind of break that down. The primary reason for that is we do not have all the expenses in yet and we are on the bubble with the revenues. As far as our revenue discussions tonight, he wanted to review a few things and talk about

electric rates, a little bit of electrical rate comparison and that kind of fits into the revenue category. He will show and explain some standard electric bills that the city sends out to its customers. We will talk a little bit about the power cost adjustment and then break that down into revenues and get into some of the cash reserve levels as they are now. Our rates are pretty simple and, if you recall, there are two kinds of rate forms: we have the fixed rates, which we set by resolution every October 1, and then we have the power cost adjustment. This is the matrix that is adopted by the city commission on an annual basis that fixes the rates. All the typical rate classes are RS is residential commercial, ND is commercial non-demand, MUN is municipal, and we have special rates for us, municipal. The non-demand is like a typical customer load that does not have a demand component to the billing. The ND, non-demand commercial demand and then there are three phases of demands, commercial demand GSD, one, two, and three, then municipal, and then we have our fixed BPCA. When it is not fixed, obviously it is rolling right now at 2 and a half cents a kilowatt, and then added on there to some of the gross, the taxes that get paid on the bill. When we get to the electric bill section, you will see where those come into play. Typically, 80% of our customer base is residential, so it is really these two categories; everybody gets the $15 base charge, and then for the first thousand kilowatts everybody pays about 9.3 cents a kilowatt and then that goes up to about 11.5 cents a kilowatt for everything over the first thousand and that is really the composite; that is how we break down our residential rate structure. We are not going to get into the commercial demand side as it is a little bit more complex, but again, residential is pretty much the bread and butter of everything we do.

When we talk about a rate increase or a rate decrease, this is where we would go adjusting the base rates and the base sales numbers and that is where they are fixed this year. Fiscal year 26, we are in the process of contemplating do we need a rate increase effective October 1. He does not have the answer for that this evening, but as we move through this process, our inclination is that we might need to nudge up our base rates a little bit for many of the reasons we have talked about, inflationary issues primarily and keeping pace with where the industry is. We will dig into that more next month when we talk about expenses. With the rates we have talked a little bit about rate comparisons and really this first thousand rate is the rule of thumb in the industry when you want to compare one utility to another utility and it is typically what is that first thousand kilowatts sold at.

His next chart showed pretty much all the power suppliers in the state of Florida and it comes from the Florida Municipal Electric Agency (FMEA). You can go to their website, www.publicpower.com and scroll through the options, go to books and publications click on that and then click down to rate comparison. Every month they update this comparison and this comparison is the most recent one done for March ’25. The next one, for April, will be coming out probably in a couple of weeks, but it shows the base point of where we are. Leesburg, right up to March 31st, our first thousand was $127.94, which he honestly thinks was a really super good number. The important line on here shows the average municipal rate is $126.86, so we were a little bit over the average, but just right about at the other dotted line shows you the average IOU rate. We are constantly comparing ourselves to other utilities, as well as Investor-owned utilities, which are Florida Power and Light, Florida Power Light Northwest, which used to be Golf Power up in the panhandle and then you have Florida public utilities, TECO and Duke. Really when you talk about the major investor-owned utilities it is Duke, Tampa Electric and Florida Power. He mentioned that in his career, this is probably the first time he has seen where the municipal utilities are doing much better than our investor-owned utilities. Typically, it is inverse of that, typically the investor-owned utilities are a little bit less expensive than us, so he added a couple of lines to the slide for reference to show that. Obviously, April 1st we increased the power cost adjustment, we had that discussion last month, we increased it the half a cent which equals $5 per thousand, so, our per thousand rate went up from $127 to $132. FMEA has not caught it yet that is why that is not on the chart. The yellow bar on the chart shows Leesburg actually halfway between Chattahoochee and JEA, so even with the five bucks or the increased power cost supply, he thinks Leesburg really can still boast of being a

competitive supplier. When you look back in our area obviously, you do not have a choice when it comes to power supply but people watch who is paying what so even at the 132 rates if you look at Duke, they are upwards of 160 for the first thousand, so Leesburg is beating them by about 30 bucks. SECO is not on this chart but SECO and Leesburg have been pretty equivalent the last couple of years. In our region, in Lake County the power suppliers would be Duke, Leesburg, SECO, which is about the same as Leesburg, and then the other power supplier is Mount Dora. Mount Dora is actually jamming right now at about 110 per thousand and here is a quick reason why. When you start seeing these lower numbers, with the exception of a couple, those are cities that are typically buying short term wholesale contracts. Leesburg is a long-term wholesale contract, we are with FMPA all-requirements project, and once you sign up with that you are pretty much there for your duration of where you are going to buy power for the long haul. There have been a couple anomalies where cities have left the all-requirements project, but they are few and far between and it is typically difficult. They have either gotten out of the power business altogether like Vero Beach who was in the all-requirements project or they have set up CROD, which is they hit a certain amount of purchasing that they have to take from the pool and then above that number they go somewhere else. When you see cities like Alachua, New Smyrna Beach, Homestead, and Mount Dora those are all cities that are buying short-term contracts, typically one to five years. They are buying capacity somewhere, could be buying capacity energy from FMPA or they could be buying it from another investor-owned utility. He actually ran into Mount Dora the other day and they are actually buying a spot contract from Duke. He needs to say this because the question, if I am in your shoes, is why are not we doing that right, because it is dangerous. It is dangerous because when you go out on the spot market you typically have, you are doing really good or doing really bad so you are getting energy super cheap or there is no energy to get because there is no capacity. Your price has gone out and so now you are weathering the storm, kind of alone. He would suggest that as these contracts run out you will start seeing these cities move back up in the line so, you are going to see a lot more variables in pricing going up and down and up and down as they can buy power on the market. Again, the market is not like today and then a new contract tomorrow, it is typically a short-term three-to-five-year deal-ish. Another example, Bartow buys actually surplus energy from the all-requirements project, long story, but that contract is going to be coming to an end and you will see Bartow start rising. Typically, if you see cities in our group, in our price range, on average those are typically cities that are going to be in the all-requirements project or they are going to have more long-term strategies so their pricing is more consistent. That is why you see the big increases on the investor-owned side these days because they are fighting the same issues that we are. The two issues that they are fighting these days are probably more inflation and more storm recovery issues where they have gone to the public service commission to start increasing their power cost adjustments, as well as their base rates. He does not think you are going to see the investor-owned utility prices come down so that is bad because the customers are not going to be seeing a break in the next couple of years in terms of their electric bills, but that is good because Leesburg comparatively is in a good position. **Board member Schwartz** asked what is a reasonable basis of comparison when you look at these? Is it for instance, based on the number of comparable customers to be able to see what is our rate versus their rate? **CM Minner** replied, he does not think the comparison is taking a residential customer at a thousand kilowatts, it is an apples-to-apples comparison. Your question gets more detailed because you are going to start getting into other issues like what their efficiencies are in system peaks and load issues that go into rate making. Maybe not so much on the investor-owned side but on the city side where there become divisions in municipal utilities between are you a generator of electricity or you just a purchaser of electric utilities. In the all-requirements project, there are 13, KUA is a generator, you have Fort Pierce, Lake Worth, we are in the all-requirements project. You can kind of spec out these cities Clewiston, Jacksonville Beach, Moore Haven, they are all grouped together. Quincy, Newberry, Chattahoochee, Havana, Fort Mead, and Key West. In our own pool we are right in the middle which is representative to that and that is why your question is technical because the way this wholesale pricing structure is. He does not think he is good one to provide that explanation, but we can bring FMPA. The way the all-requirements wholesale rate structure set up is if

you are a producer, a generator like KUA, and you are giving power back to the group, the group pays you for that. They take those base rates and they end up getting a credit so for some cities that have generation, like KUA, you see that they have a significantly De minimis lower cost than us, but that is because their composite on their wholesale is different. Typically, we come in and said we are buying power for $80 a megawatt, that is the group average, so KUA, who is in our group is going to be buying it for less than that and we are going to be buying it for a little bit more, so, that is how I try to answer your question. It is an apples-to-apples comparison because it is all those utilities based on a thousand-kilowatt sales, but then how those individual cities get to lower higher rates has a bunch of different matrixes. Leesburg has been in the middle of the bus, we were not always at the middle of the bus, probably the last five or six years we have been consistently in and even if we need a rate increase regionally and statewide, we will still be about the middle of the bus. His takeaway from that is Leesburg is competitive, Leesburg is providing a reasonably good price to our customers based on that data, and that is the statewide data.

Moving to a slide of the typical utility bill, he said that as members of the advisory board, he thinks the biggest thing to caution you on is when someone says they got a $700 electric bill. Chances are that is a city customer and they did not get a $700 electric bill. Showing the typical utility bill, he stated that on this utility bill there are six different utilities. There is an electric bill, a gas bill, a sewer bill, a trash bill, a storm water bill, and a water bill. At the end people look at that bottom number, think this example says $257 bucks, so they are going to say "I got a $257 electric bill." We are going to say "No you did not." You will get that a lot so, please keep that in mind when residents come to you and say "My electric bill was out of control." You have to know who you are talking to when that happens because we have three customers; the resident customer, the Fruitland Park customer, and the unincorporated customer. All those bills are going to be different.

The first bill shown was for the typical city customer. They think that bottom number is their electric bill, it is not, and that is super important to point out. That is why all the red arrows. If we break it down, the typical city electric bill shows the two portions of your electric bill, the electric charge and the base charge. This customer only used 740 kilowatts, so below a thousand, it actually does exist, people actually use less than 1,000 kilowatts. So, for this consumption you do not see this base sales go to the over 1,000 KW. Everybody pays the base $15 and then the 9 cent over the usage and that is your fixed cost. This is the portion of the bill, the fixed cost, that the commission sets and that you will be recommending on during the budget process come October first. The second cost is of course the bulk power cost, which is adjusted by the city manager. Right now, we are at 2.5 cents so, obviously, this is a bill that went out after April 25, so that is what the 1/6th portion of a city bill looks like.

A Fruitland Park bill is going to now start looking more like if you are a typical customer in a municipality or municipal corporation. Going to get an individual bill on power, so on this person's bill they are going to go down the bottom and say "My power bill was 166 bucks." And I'm going to say it was with taxes so, let's talk about those breakdowns. This is a Fruitland Park bill and this customer is at 1,040 kilowatts, so, that thousand thing is looking pretty good right now. This is actually a house in Wing Spread, this is not your (Marc) bill, but it is a Fruitland Park bill. You see the base charge of 15 bucks, you see thousand, then you see the over a thousand, and then you see your power cost adjustment, so their electric consumption portion of this bill is $138.56 for 1,040 kilowatts. Now let's start talking taxes. Municipal corporations in the state of Florida are permitted to levy two types of taxes; a franchise fee and a utility tax. Not all cities do that and that is important to know. Most cities do have some type of utility tax. Most cities use their utility taxing powers up to the maximum which is ten percent.

Jumping back to the city bill on taxes, he said, you want to look at the bottom part of the bill where the taxes are at the end. So, we hit you on electric, gas, trash, sewer, water, and then we hit all the taxes down

at the bottom. We have pretty much the same thing as Fruitland Park but for the franchise fee. Everybody pays the governor, the Florida gross receipts tax which he thinks is like 2.3%. If you are in a municipal corporation, you typically have a utility tax that is for electric and water. Think it is electric, water, and gas 10% of the sale and then you have a franchise fee. Think we talked a little bit about franchise fees but for a quick reminder, electric service is considered a municipal service by state statutes and by state statutes if it is a municipal service, the municipal corporation has the franchise to sell you that service.

So, what cities do across the state of Florida is on all types of services, whether they provide it or not, if they are not the direct supplier like the city of Leesburg, you will see on your bill a franchise fee and a tax. The purpose, they are different even though they look the same, but a tax is a tax and a franchise fee is a franchise fee. A franchise fee in this case is a charge to the entity who is providing the service in that municipal corporation where the statutes say that they are the sole provider of that service so A, it is the right to provide that service, and B, it is the right to use the public easements and rights of ways. In this case, Fruitland Park pays a franchise fee to us, or we pay to them a franchise fee so in Fruitland Park there is an 8% franchise fee. The typical franchise fee is 6% so, Fruitland Park is 2% higher and is a typical. So, on a Fruitland Park bill you are going to get the city bill, then you are going to get your gross receipts tax, the city tax, and then the franchise fee of 8%. The city of Leesburg, has a service agreement with the city of Fruitland Park, think it is a three to five-year rolling franchise agreement, where they renew that every year and at the end of that agreement, we either A, renew it or B, the city of Fruitland Park has the right to buy the infrastructure, which typically we would not advise. The city of Leesburg also has a franchise fee agreement with Duke so, if you are not on the city system, the city of Leesburg will charge 6% and most other cities in the state have that same franchise fee.

To make matters a little more complicated, he showed an unincorporated bill, which looks similar but is actually a hybrid because you may receive water or water and gas service from the city of Leesburg. In Fruitland Park the only city of Leesburg service that you would be receiving is electric. The difference now as we serve in the county is you still see the same use charges, here this particular customer though has the surge protection, so their bill was 122 for 861 kilowatts, but down at the bottom you see the same gross receipts percentage usage that goes to the state, but instead of a franchise fee or a utility tax you see the Leesburg surcharge. The counties political subdivisions do not have some of the same powers as municipal corporations so, the counties do not have a franchise fee, the counties do not have a utility tax, hence there is none. What cities have done historically in the electric industry specifically is on customers that are in unincorporated areas, we have a surcharge in lieu of a tax so that is a 10% surcharge, not a 10% tax. So, at the end of the day, just because this is the end of the billing segment of the presentation, this $15 ends up in the city general fund and this $122 ends up in the electric fund. When we start looking at the budget documents because you will see in the electric revenues the surcharge is blended into residential sales or whatever sales category you are, but then you will see a deduction in the expense line for the equivalent. Then in the general fund you will see a revenue and an expense for the surcharge so, the surcharge is actually not electric money that surcharge is electric money that goes to operating and paying debt, paying supplies, paying the wholesale numbers.
Board member Schwartz asked, you stated that surcharge is 10%, what am I missing? The math is important shouldn't it be like $12 and change? **CM Minner** replied, yes, it is 10% because you got that extra five bucks in there, so, it is 10% on the customer charge and the use charges. Neither math was adding up, so, CM Minner said he would double check the figures and have an answer at the next meeting. **Board member Schwartz** asked if he could go back really quickly to the franchise fee for clarification. The city of Fruitland Park sets the franchise fee and the utility is basically billing the customer back for whatever that amount is. You said it is typically 6%, Fruitland Park is charging 8%. Any idea why there is a difference and has that been pretty consistent? **CM Minner** responded no, he could speculate, but the honest answer is no, he does not know why and Fruitland Park has always been

8%. **Electric Director (ED) Brad Chase** added that in Wildwood, the Villages of St. Catherine is 6%. **CM Minner** said he does not know how the number of 6% came into being, but if you look at every municipal corporation's franchise agreement with their supplier it is 6% and it has been that way forever. His guess is probably that cities would do as much as they can to generate as much revenue as they can and that was the level of non-push back. The non-municipal utilities, including the municipal utilities, do not like to have the franchise because people see it as an adder on to the electric bill right and it that's not the true cost of electric because the city is doing this quote unquote tax on you. He would guess that when cities started getting out of the electric business what we saw is back in the 60s and probably the late 50s as Florida became more urbanized, cities started getting out of the electric business and they started franchising it to whoever the closest or territorial provider was and when they signed off on those agreements, they kept the 6%. **Board member Schwartz** stated to be clear that is a dollar for-dollar transfer like Leesburg is not up charging that 8%. **CM Minner** replied that is a dollar for-dollar transfer. On this Fruitland Park bill that $12.75 goes to Fruitland Park, we might keep a percentage of that but it is like an administrative fee, pretty minimal. **Board member Schwartz** asked that for the next meeting, if he could provide an explanation because the numbers are not working. **CM Minner** agreed to get him an answer. **ED Chase** added that on there with the bill we have gas, electric, sewer etc. GRU is going through all their pains, with the state is revising their bill so the GRU bill will just have electric and not be coupled with the city of Gainesville, which increases the cost for the city of Gainesville having to do a separate bill. CM Minner agreed that everybody is a little bit different there as far as process of billing.

Jumping into the power cost adjustment, the first portion of the presentation kind of shows where our rate structure is and we are kind of hanging in there. So, kind of the next component into revenue is our power cost adjustment and the whole purpose of this chart, again if you go to our website this information is on there. The city's website www.leesburgflorida.gov, at the very top is electric rate watch, click on that and then we start showing you all the stuff and this is updated. The bigger box is kind of the important one for this discussion, the smaller box which you cannot read is kind of everything we are comparing, at what our base rate is, what the power cost adjustment is, what our recovery is, and what our balances are. We changed this year just to kind of show you our estimated versus actual in each of the primary categories that make up how we get to the power cost adjustment. The first one is wholesale cost from FMPA all the way through the end of the fiscal year, so we anticipated our bill from FMPA was going to be about 46 million bucks this year. He explained the over - under on our estimates and actually we are pretty good. We were up a million or so and we come into our recoveries over anticipated so October was actually kind of a bad month even though we paid less than we anticipated, we did not recover. Over recovery means we charged too much and under recovery meaning red, we did not charge enough. All things being equal we would like to see this zero, but you know you are never going to hit that so we try to smooth it out. So, even though our power bill was down by 200 grand, we did not over recovery as much as we thought. At the end we want to keep 3 million in the power cost reserve account. This chart then shows kind of what we anticipated, so, at the end of October we thought we were going to have about 4.1, we had 3.6, but then we made it up in November and that was the month where we had that big credit coming back from FMPA. Our energy rate went really low that month, which is why we ended up over recovering. When we over - under recover that goes boom right back to the customer because it enables to keep our bill steadier. At the end of the first quarter, we thought we were going to have about 4 million in the power reserve account and we had 4.05 so we are only about 40 grand off, so that looked pretty good. The summer is typically good because we have high sales, high consumption even though we peak in the summer, we keep up with the kilowatt usage. What all of this means really in English is we were only about 200 grand off our projection which in that account is actually a really good number. We should have our April numbers in the middle of the month, so the purpose of this is to say we are pretty much right on course where we anticipated with the power cost adjustment. That is an important part of rate making because we do account for it as a revenue and it does affect your bottom line when you pay the bill. His hope, if we were going for a rate increase was

maybe we could bring the power cost adjustment down in the fall and then if your base rate goes up a little bit you are going to have a net neutral increase in your bill, but the city would have extra revenue to start covering some expenses in the electric fund. That is to be determined. One of the mechanisms we are going to be looking at is our revenue numbers, $75 million is what we anticipate as a revenue, right now that line is 75.3. So, 99% of all the electric fund money comes from charges for services, we have some other stuff in here interest, revenues, recovery, some miscellaneous stuff but pretty much everything is coming from those charges for services and the primary charges for services, residential and we have a couple of big commercial customers. There is kind of a super easy formula that we use to come up and to figure out where our overall revenues are going to be, and that formula is 60% of the revenue is your wholesale costs. All of these numbers give us enough historic trends that we can kind of proportionalize each one of those lines because our commercial and our residential accounts and our industrial accounts are all pretty, historically, similar so, it really becomes a pattern of ratios. If you can figure out what our wholesale number is going to be then you can back into what our revenue stream is going to be. This year although you cannot see these numbers, we are pretty much spot on. When we break it down month by month by month, if you take a fiscal year and divide it you are supposed to bring like 12.2% each year right, so 12.2 times 12 get your 100% of revenue, but our months are pretty historic. We know in January we should capture 7% of our revenue, in July we should capture 15%, and so then we break those comparisons down. Did not bring those today because it just gets too complicated, but we are starting out fiscal year 26 thinking we will probably bring in about 75.1 million. To focus in on what our wholesale cost numbers are, our projection from FMPA for fiscal year 25, which goes from October till September, they are projecting that our costs are going to be about 45 million bucks, so that is how we start setting our revenues. When we talk next month and break down into expenses, hopefully expenses will be 75.113 million, to be determined next month. Brad is still putting together his expenses, think they are polishing that off with Brandy tomorrow and then it will be in front of me and then back to you guys by June. Then we will really start breaking it down into some more detail.

Before moving to the next slide, so you have a feel for it, we are looking at where our rate structure is, looking at where our power supply cost number is and how much cash we have there, 3 million. The next component is how are we doing overall with our cash, which is the Electric Fund Case Reserve chart. The last couple years he has been a little bit worried about the electric fund so this chart is really the composition of where our unreserved electric cash is. If you go back to COVID, we were sitting around 20 million and as we came out of COVID that is kind of where we saw inflation start to hit us and the utility absorbed those costs. Probably about March of 23 is when he started yelling at Brad to spend less and you see we have started to catch up here probably in this fiscal year. Ultimately, he would like to see this number sit around 15 million, then the question becomes where should it sit and that is really anybody's rule of thought there. The government finance officers' association (GFOA) says 90 days of operating capital and FMPA is 90 days operating capital they wanted cash and so probably somewhere between but what we want, we do not want to see the ups and downs, we want to see steady cash just sitting in there. Use it if we need to and typically where we are going to use that is in case of a storm and in storms, we see our cash depleted typically in the neighborhood of one to three million bucks depending on where that happens. Ninety days cash for the general fund is 75 million times 25%, that number is like 18.75, so it is going to be 25% without power cost is where we get that number. Actually, this chart shows you where we are as far as the GFOA 90-day cash number so as long as we are in this about the $9 million mark, right now we are sitting just about 11. Couple things on this chart, the blue shows renewal and replacement, the green shows reserve cash and there is not a lot of difference functionally at your level between the blue and the green bar, so, that is pretty much all free cash. The difference is the depreciation number, what becomes the renewal and replacement number so that goes blue but they function for Brad as far as spend ability the same, but the concept is to build your cash through renewal and replacement. We try to keep a beat on what that is from our depreciation entries and then what is left over from when Brad does not spend, you see the last quarter we have been actually

doing pretty good and starting to catch up. The orange in the chart are our encumbrances, so this is why Brad is going to be looking at this number thinking $11 million, I am doing really good, but I am going to be looking at this number and saying you are not there yet. So, those encumbered expenses of about $6 million of encumbered expenses that we were scheduled to spend but have not spent yet, so really so we are not sitting at eleven, we are really sitting at seven, but that number is not going to all go out the door at once. The greatest example of these encumbrances right now are the subdivision agreements that Brad has signed off on or now the city commission. In Fruitland Park that is Arbor Park, the big subdivision off Euclid Road, actually coming in off Martin Luther King, so coming off a Leesburg Road to go into the Fruitland Park subdivision. It is a pretty big subdivision, think about 163 houses in phase one and believe it is like 500 total. **ED Chase** added that it is going to go all the way to CR 468. **CM Minner** said we have done the first phase of our portion of expense where we do these developer agreements. We have not done the developer agreements with you all, we should, maybe do that after the budget during the summer when we have nothing else to talk about. The utility has a cost, when we build a subdivision and that cost, we typically think we are going to return our investment in four years, so we have got wires, hardware, poles, and whatever to put in and that is what is represented in this yellow box. The auditors do look at our bond or not our auditors, but the rating firms look at us on a quarterly basis, they call us monthly. We did just get downgraded he thinks from an A to an A minus. Not a huge significant downgrade but if we were going out to shop for debt then we would see probably that kind of downgrade is literally a couple points, so even a couple of points is not a huge increase if we were going to borrow, but we do not like, obviously, to see our ratings go down. There is really a balance between where we want our cash flow and the rating firms did notice the drop and that was the biggest reason they downgraded us from the A-to-A minus. There is a happy medium where that needs to sit and his inclination is that we are getting better, but he would like to see that number really solidify at 15 million so that is why as we move into this fiscal year; we really need to talk about rate structure. If this number continues to increase and remember this is through February, so that is another component of finishing off all those expenses. We talked about expenses for wholesale purchasing which is a couple months ahead or almost pretty close to real time, but the actual expenditures that the department makes paying personnel, paying for equipment, that takes accounting, we are in May, not quite 90 days to catch up with that, so he anticipates that February number is going to hold steady-ish, but we do not know until all the accountants are finished off Brad's books. Put all those things in the hopper for our revenues, and we are probably looking at the electric fund being around 75 million. We need to look at Brad's expenses and shift through those to see, kind of grade the wants and needs, and then go back to see where we are in terms of the rate structure, because in the next couple months, when we will really put the formulas together working with you all to determine whether we keep the rate where it is or whether we might need an increase for October One.

Board member Schwartz asked without getting into a conversation about politics, but how might tariffs impact expenses moving forward on some of your materials and equipment? Like your car, all those metals, all the steels, and all the mineral, copper and those type of things? **CM Minner** replied it is to be determined. We are just starting to see that now in the economy with the tariffs that just went into effect, last month or so. We are now starting to see the impacts on that in the housing market, you know they are saying the slowdown in the housing sales is due to tariffs catching up. Auto industry is saying the same thing, so in the months to come, long story short, where we are going to see it is that chart here. If those prices on meters, wire, poles, and all those things start to increase because of tariffs we are going to see unexpected expenses and we are going to start seeing the electric department expenses exceeding our estimates because of that, which will eventually get passed on to the customer. **Board member Schwartz** asked if there any strategy or an opportunity to buy now, buy and stock up on materials? **CM Minner** replied we probably missed that bus to a degree and then that becomes the next question, how much do you want to stock up on and spend cash to put in the barn while it is not earning. He thinks we have a good blend of that in fact probably where we disagree a little bit because Brad likes to sit on

materials more than I do because I rather see it in cash and he would rather see it in materials. Our material number is up typically our warehouse number, used to hang around two to four million in assets and now we are hanging around six to eight and we try to manage that. The other thing about buying ahead of time, too, is lead times. Some of these things are just hard to get so we try to keep stuff on hand as much as we can and then reordered as we go. Think Brad does a pretty good job of that and the tariffs is another added level of frustration, hopefully that balances out in the future, but he would not go on a spending spree to stock up on stuff now, because it is going to hit us there with pushing out cash and it sits in the barn so and then when do we use it? So, then when the storm comes, he would not say we are sitting on 11 million, probably, sitting closer to seven million, so how much of that seven are we going to spend and then we get hit with the storm in the summertime. Ultimately it goes back to the customer and that is what you see the investor-owns doing too, so most of these costs are getting passed back on to the customers. He thinks our job is to really contain as much of that as we can and ultimately, we are probably going to have to increase a little bit, but what that number is he does not know. He would venture to say it is going to be from zero to ten percent increase. Do not want to say yet until we start seeing Brad's numbers and seeing what this next quarter does and see how it impacts cash. **ED Chase** added to your point, we are still pulling on inventory because some of the lead times went to two years on stuff, we used to get in seven weeks, so we do have some inventory that we are leaning on, but six, seven, eight months down the road if all these things hit, that bulk we built on is sitting in the warehouse. We are going to keep pulling from but eventually we are going to have to start buying again and those higher costs, we cannot absorb it much longer. **CM Minner** thinks we have been doing a really good job of absorbing those costs. Our rate right now is 132.95. When he first came here 13 years ago, our rate was 133 going up 5% to 142 and we stopped that last increase and actually went down. So, he has been here 11 plus years now and we are lower than we were 11 plus years ago; who else has done that? That is something folks need to remember as well, so even if we go up say 5% now, we are going to be at that 142-ish level, which is still pretty competitive and just barely above where we were in 2013. He thinks we have done a pretty good job controlling the rate as much as possible, especially these last three or four years, which have just been super crazy.

Board member Schwartz said it might have been on your fuzzy FP&L sheet but the cash on hand, is that invested somewhere, somehow earning something? **CM Minner** replied yeah, it is bank notes, do not know what the number is, not huge, we have been doing better, maybe we get one or two percent, not a great number, but it is public money. That number has been as great as five to six percent and then when interest rates were down, it cost money to have to have a secured account, not a lot but a couple points and so now we are back in that one or two percent range where we have been for the last couple years. We are actually seeing our interest on investment numbers go up so when we do get the budget numbers out to you look at that one in the revenue line and you will see a little bit of that trend, most everything is all secured and nothing crazy, but making decent numbers.

Chairperson Braton thanked the city manager for his presentation.

4. ROLL CALL:

The board had nothing further to discuss.

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.

With a motion made by Board member Schwartz and a second by Board member Burge-Bosbous the meeting adjourned at 6:38 p.m.