

**AGENDA MINUTES
MEETING
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.