

**AGENDA MINUTES  
MEETING  
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 Schwartz  
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 reductor 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 advises 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 Scharz 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.