

**MINUTES
CITY OF LAKE WORTH
JOINT WORK SESSION WITH THE
CITY COMMISSION AND ELECTRIC UTILITY
ADVISORY BOARD
OCTOBER 14, 2014 – 6:00 PM**

The meeting was called to order by Mayor Triolo on the above date at 6:01 PM in the City Commission Chamber located at City Hall, 7 North Dixie Highway, Lake Worth, Florida.

1. ROLL CALL:

CITY COMMISSION:

Present were Mayor Pam Triolo; Vice Mayor Scott Maxwell; and Commissioners Christopher McVoy, Andy Amoroso, and John Szerdi. Also present were City Manager Michael Bornstein and City Clerk Pamela Lopez.

ELECTRIC UTILITY ADVISORY BOARD:

Present were Chairperson Lisa Maxwell, Ibrahim Chalhoub, Caroline Clore, and Peggy Fisher.

2. PLEDGE OF ALLEGIANCE:

The pledge of allegiance was led by Commissioner Christopher McVoy.

3. UPDATES/FUTURE ACTION/DIRECTION:

Mayor Triolo apologized for not attending the October 7, 2014, Commission meeting because it was her wedding anniversary. She asked for a moment of silence in remembrance of Edward J. Sherry who passed away.

A. Discuss the pros and cons of the power alternatives for the electric utility system

Chairperson Maxwell explained that on May 6, 2014, the Electric Utility Advisory Board (EUAB) presented the electric system timeline to the Commission for review. The timeline consisted of a forecast of dates and actions that coincided with the Orlando Utility Commission's (OUC) power supply contract.

The EUAB's timeline highlighted three alternatives for power supply: 1) rebuild and upgrade the Tom Smith Power Plant; 2) sell the electric utility; and 3) extend the current OUC contract. After discussion, the Commission directed the EUAB members to compile a list of pros and cons for each alternative then have further discussion with the Commission.

The purpose of this joint work session was to discuss the pros and cons of the power alternatives.

Based on the timeline, regardless of the alternative selected, she said the City would have to go out for a Request For Proposal (RFP) to continue to have purchase power supply for the City. She explained in detail the timeline for the various options and top five pros and cons for the below alternatives:

1. Long term purchase power agreement

Pros:

- Maintained status quo and delayed major decisions;
- Had the most flexibility in a changing industry;
- Allowed the Utility Department to implement a plan for long-term rate parity and infrastructure investment;
- Was a buyers' market in 2014, excess in supply capacity; and
- Opportunity to lock in fuel costs at lower levels and an opportunity to lock in fixed price supplies to reduce price volatility.

Cons:

- Tied the community contractually to years into the future while existing problems went unaddressed;
- Required a second tie line at an estimated cost of \$10 million;
- Continued transferring funds from the Electric Fund to General Fund;
- Continued to underutilize existing assets; and
- Had a probability of higher costs to resolve power issues in the future.

Lengthy discussion ensued regarding not having permission to use rights-of-way to access a second tie line, why the Commission just learned of the need for a second tie line, weaning the City from depending on the transfer of funds from the Electric Fund to the General Fund, use of commodity gas and paying for the gas pipe line, eliminating the transfer of funds into the General Fund could put the City at rate parity with Florida Power & Light (FPL), renewable energy costs were going down, and the need to extend the current purchase power supply agreement.

2. Build a new plant at the existing site

Pros:

- Potential to be the lowest cost power supply for customers and the best financial benefit to the City;
- Financial flexibility could move the City toward stability and the revenues stayed in the community;
- Bond interest rates were extremely favorable, historically low, was a good time to buy and the level of the City's utility debt was low;

- Saved the cost of a second transmission line and provided the option of a second transmission tie line when feasible; and
- Ability to be self sufficient would be a source of citizen pride and positive publicity to the City for innovation.

Cons:

- High cost of construction and concern for public sentiment;
- Committed the City to running a municipality-owned utility;
- Environmental concerns would be permitting licenses, greenhouse gas regulations, and environmental cleanup;
- Bound future generations to overall financial, legal, and operational obligations; and
- If political situation changed, it could limit growth.

Lengthy discussion ensued regarding how this would be the best financial benefit to the City, could drastically reduce the rates while still having competitive parity rates, could still sell the utility with the upgrades, the need for the second tie transmission line, efficiency of the current generations, limiting growth being a disincentive, needing to start the process to release a RFP to extend the short-term purchase power supply and need for Commission action, and FPL limiting their transmission capability into the City a few days ago.

Comment/request summary:

1. Requested the City Manager provide an update on the limited transmission capability by FPL.
3. Sell the utility

Lengthy discussion ensued regarding the City's financial obligation to the Stanton I and II and St. Lucie Plant bond debts and obligation to pay for their future maintenance, Vero Beach already spending upward of \$2 million in the process to sell their utility, getting through three major hurdles in the process to sell the utility because of municipal bonds, and when the City obligated itself to the Stanton I and II and St. Lucie Plant's debt.

Commissioner Amoroso left the meeting at 7:21 PM.

Pros:

- Increase commercial competitiveness with adjacent cities (rate structure similar to neighboring municipalities), attract more businesses and residents, and had the potential to shorten real estate sales' times;
- Simplified City government responsibility and reduced the City administration, maintenance, and information technology costs;
- Forced the City to live within its normal ad valorem revenue stream;

- Ad valorem tax and base revenues would rise from private company paying taxes on the utility property and the City collecting a franchise fee from a private provider; and
- Removed the electric utility issue from politics.

Cons:

- Lose the "cash cow" (\$8-9 million per year revenue to the General Fund), loss of profitable enterprise, lose the ability to earn money with the electric utility, and once the utility was gone, it was final;
- Legal uncertainties, expense of lawyers and consultants, legal hurdles of existing debt and operational obligations, and expense of overcoming them;
- Loss of pride ownership of its electric utility;
- Loss of local rate control; and
- Loss of independence and flexibility to serve residents.

Commissioner Amoroso returned to the meeting at 7:24 PM.

Lengthy discussion ensued regarding the City learning to live within its means without revenue transferred from the Electric Fund to the General Fund, only choice was to extend the short-term power supply purchase, selling the utility not looking like the practical alternative because of three major hurdles, there was no motivation for FPL to purchase the utility, looking at all of the alternatives on their own level and watching Vero Beach's process to sell their utility, and making the right decision now.

Chairperson Maxwell commented that new invaluable information would be coming in December that could crystallize the Commission's decision. She said the information would provide the market value of the utility and recommended the Commission not make any decision until they received the information.

Comment/request summaries:

1. Commissioner Amoroso commented that Seamon Corporation was looking to develop in the City and requested they talk to the EUAB members; requested the EUAB be involved in the discussion on use of the landfill; commented that he was concerned about a \$2 fee charged to customers paying their utilities bills in person, and supported moving forward with the RFP process.
2. Commissioner Szerdi requested research be done on who served on the Lake Worth Utilities Authority, the City posturing itself to use another similar board, supported the EUAB providing in-house monitoring, and said he liked the look of the new utilities bill.
3. Vice Mayor Maxwell thanked the EUAB members for their input and presenting their information in a format that was easy to understand. He

requested their presentation be uploaded to the City's website and communicated into the community. He commented that he had been asking the Village of Palm Beach elected officials to offer a representative to serve on the EUAB. He asked if the EUAB was on pace with their timeline.

Chairperson Maxwell replied that the members were on pace; however, if the City had a catastrophic loss then there would need to be a totally different discussion. The hardest thing would be digesting the RFP and how the Commission wanted the members to proceed. She said the utility plant needed to be either rebuilt or repaired.

4. Vice Mayor Maxwell asked if the members were getting everything they needed, including support from the City in a timely manner. He commented that their timeline was aggressive.

Chairperson Maxwell replied that the members had their share of frustration and had no problem communicating their frustration. The Electric Utility Department staff and director were aware of their frustration. She commented that the EUAB board secretary was now sending updates to the members to open communication. She said the biggest problem was communication between the staff, between members, and the Purchasing Department. She requested all City departments be responsive and said there was a need for better communication.

5. Mayor Triolo commented that she interviewed a potential EUAB applicant to serve on the board. She requested an EUAB monthly report, made by its members, be included on the Commission's agenda.

Chairperson Maxwell offered to provide an update to the Commission every other month.

6. Commissioner McVoy commented that he was impressed with the work done by the members, the Commission were learning information that was based on knowledge and not opinion, and the members' service was providing a major contribution to the community.
7. City Manager Bornstein commented that it was important to create a separate Electric Utility Department, staff was revolving and there were many battles, the organization was still messed up, staff appreciated the members' expertise and time, and the members were making a difference.

Chairperson Maxwell thanked the community for all of their support.

4. **ADJOURNMENT:**

Consensus: To adjourn the meeting at 7:53 PM.



PAM TRIOLO, MAYOR

ATTEST:



PAMELA J. LOPEZ, CITY CLERK

Minutes Approved: November 4, 2014



A digital audio recording of this meeting will be available in the Office of the City Clerk.