

**New Smyrna Beach Utilities Commission Regular Meeting
June 24,2024**

Participants: Chairman -. J Davenport, Commissioners: L Conrad (by phone), J Smith, CEO – J. Bunch, Counsel -T. Cloud, Executive Manager/Clerk- D. Simmons

Safety Message by Chris Miller – NSBU Outage Management System (OMS) – Enhancing Safety and Improving Communications. Mr. Miller is the new Manager of Systems Operations. The program has improved the overall safety of the public and employees. The system provides real time tracking of outages and is designed to help improve the customer experience. It collectively works with the new AMI (Advanced Metering Infrastructure/Smart Grid Technology) system producing accurate outage data.

Public Participation: Three residents spoke.

- The spouse of an NSBU employee expressed displeasure with Mr. Bunch's retirement package.
- The Chairperson of the Silver Sands Community Septic-to-Sewer Project thanked the commission for choosing an engineering and design company for the project. He emphasized the importance of the new Lift Station placement and that the design of the stations adheres to the aesthetics of the community.
- The final speaker was upset that the office for Customer Service has been closed, with drive thru and phone service available. Her working hours are not compatible with the Customer Service hours. There is a telephone pole in her yard needing removal. She was directed to call Customer Service and they would issue a removal ticket for her request.

Approval of Consent Items. 10 items were submitted and all approved.

- a. Minutes of Regular NSBU Meeting 5-28-24
- b. Project Approval and RSQ No. 08-24 Award –Silver Sands Septic-to-Sewer (Kimley-Horn Associates)
- c. Project Approval Lift Station no. 14 Electric Replacement (Design Services – Tetra Tech)
 - * Commissioner Hawes asked about the approval of \$21.6M for the entire project. Ms. Couillard stated she needs approval to get the project started with the engineers on design. She has been actively working on obtaining grants and she has acquired \$7.5M to date and is working on obtaining \$14.0M balance from various agencies. Ms. Couillard stated, any costs over \$75.0T will go before the commission for approval so each expense along the way will be reviewed for approval. Communication importance was also discussed when Ms. Couillard explained that the engineering firm would be the liaison with the community each step along the way.
- d. Project Approval – Reconstruction Lift Station No. 35 (Design Services – Tetra Tech)
- e. Approval – Agreement for Storm Services with Haugland Energy Group, LLC (FMPA Master Services
- f. Ratification -ITB No. 17-24 – 750KCMIL Cable – Emergency Purchase (Tri-State Utility Products, Inc.)
- g. Amendment No. 3 to Interlocal Agreement for Fueling Services (back-up) from County of Volusia
- h. Project Approval – Substation Protection Standardization Project (SEL Engineering Services, Inc.)
- i. Project Approval – TSM/Filed Street Transmission Line Rebuild Project
- j. Approval – Agreements for Continuing Professional Services (Quanta Technology, LLC and Fishkind Litigation Services, Inc.)

General Manager's Report -J. Bunch

Mr. Bunch reported on the extended power outage that occurred from Saxon to South Beachside on June 14, 2024. It was the result of two underground feeder lines exploding due to a failure and fault in the box. Several teams were called to address the issue and repair the feeders. It was originally estimated that it would take 5-6 hours after Pike Electric fixed the feeders. The line that feeds the South Beachside runs under water requiring extra time to repair. Steps are being taken to mitigate the event happenings again. The plan is to have a feeder on the north side pick up the power from the southside and vice versa. so that prolonged outages would be minimized. A new feeder line will be installed under the river and is part of the 5-year Capital Improvement plan.

Financial Status – May 2024 – E. Chavez

May 2024 FYTD Results reflect a change in net assets of approx. \$2.0M

- Change in net assets \$0.3 higher versus prior year driven by the following factors:
- Higher revenue primarily water and reclaimed (rates & usage), lower purchased power, increased capital contributions, and MTM adjustments.
- FEMA reimbursement (Ian & Nicole) almost 100% collected.
- Offset by lower electric revenue due to increased purchased power reserve, increased year-over-year depreciation, lower capital contributions and lower fuel and purchased power revenue adjustment due to recent decrease from \$21.30 to \$7.00 per 1,000kWh, effective with the first billing cycle in Jan. 2024.
- Electric year-over-year consumption +1.3% is up slightly vs. the prior year.

May water consumption is as follows:

- 2.4% increase in water volume vs. prior year
- Wastewater is 2.7% higher than the prior year and Reclaimed 8.9% higher vs. prior year.

May Purchased Power is \$51.99 per MWh

- \$1.29 or 2.4% lower than the \$53.28 per MWh Budget and approx. 17% Less than the prior year.

Cumulative Over/Under Recovery vs. Fuel & Purchased Power Cost Adjustment Factor

- The trend represents the current over recovery position of \$7.4M which is \$2M greater than the target. This is favorable if costs rise and NSBU can absorb the costs and not pass them onto the customers.

May 2024 Operating Income/ (Loss)

- May '24 FYTD operating loss of \$3.5M is \$2.7M greater than May '23. Driven by over-recovery adj. which **reduces revenue and increases PP reserves**, higher year-over-year depreciation and lower fuel and purchased power rev. adj. (\$21.30 to \$7.00) partially offset by +increased revenue primarily water and reclaimed (rates & usage), lower purchased power.
- May 2024 OVER-RECOVERY balance is \$7.4M which is ABOVE the target of \$5.0M, reflect a \$0.4M decrease from April 24.
- FPPCAC = Fuel and Purchased Power Cost Adjustment Clause. Targeted reserve is 15% to 20% of annual purchased power costs (est. \$5M+. Hot weather equals increased revenue.

May 2024 Change in Net Assets

- May '24 FYTD Change in Net Assets was \$2.0M which was \$0.3M higher than May '23. May FYTD is driven by increased revenue primarily water and reclaimed (rates & usage), FEMA reimbursement, lower purchased power, MTM adjustment, and increased capital contributions partially offset by over-recovery adj. which **reduces revenue and increases PP reserves**, lower fuel & purchased power rev. Adj. (\$21.30 to \$7.00), and increased depreciation.
- May Capital Contributions were \$1.9M, which is flat with the prior year. The May capital contributions comprised primarily of cash, easements, and contributed assets.
- May 2024 FYTD Results – Capital

May 2024 capital expenditures \$12.4M

- \$6.4M – Major Project spend includes: N. Glencoe Rebuild, EL). GWTP Chemical Improvements, Smyrna Substation Circuit 32, ERIP Phase III, I95 Pioneer Trail Interchanges, LS#3, #12 Reconstruction and Work & Asset Management (WAMS) implementation, COB Elevator Upgrade
- \$6.0M – Annual project spends includes: gravity sewer lining, transformers, and new business electric & water installations, vehicles, transformers.

Mr. Chavez will detail his transition to interim CEO and how the Finance operations would continue. He has elevated the Director of Finance, Lori Merchant, to handle a lot of the financial responsibilities to maintain the proper segregation of his Interim CEO role and Finance. The Finance staff will continue to support her ensuring the continuance of all checks and balances.

Western Utility Complex (WUC) Strategy Presentation – J. Couillard

Since first presented in January, MS. Couillard has been working with Hank Fishkind, the consultant, to review and develop a proposal for the use of property known as the Western Utility Complex on SR 44 the current Utility Headquarters on Canal St., the Swoop Street Fleet maintenance building and the Smith Street Field Operations building. Mr. Fishkind's assignment was to evaluate the replacement and updated possible sale costs for the Canal St. headquarters, the Swoop Street Fleet building and the replacement of the obsolete Smith Street field operations building. Mr. Fishkind determined there are four strategic options.

1. Renovate existing facilities
2. Renovate and sell excessive land on the Western Complex,
3. Relocated to the Western Complex and bulk sell land
4. Relocate to the Western Complex, install more infrastructure and sell the remaining land.

Mr. Fishkind thinks the best plan would be #4 above - sell the Canal Street HQ with the City's approval, develop the Western Complex and sell any remaining, excess lands. All associated costs were reviewed. Option #4 results in the lowest out-of-pocket cost at \$8.5M. Mr. Fishkind proposed sale of 900 plus acres of the Western Complex leaving 77 acres to build the NSBU headquarters and Fleet Operations campus; 148 single family units; 2 apartment complexes with a total of 275 units; 15 restaurants & bars; 150,000 sq. ft of retail and 106,000 sq. ft. of office/service uses. The budgeted costs total \$112M offset by \$104M in land sales for a net cost of \$8.0M. Timelines were reviewed with the maximum exposure to occur in 2025. The next steps proposed were to consider approval of the strategic plan and schedule a joint meeting of NSBU and the City. The projected timeline would be started with land use permitting and zoning (Q3 of 2024) with a move in for the new HQ and Flet Operations in July 2026.

There was much discussion among the Commissioners asking for more details. A decision cannot be made without agreement from the City Commission and the solicitation of public input. Options for the county to possibly lease space in a new headquarters was discussed. A motion was made to schedule a workshop with the City Commission. Counsel Cloud emphasized the need for transparency to the public so that the NSBU is not perceived as pro development but is working to make the best financial decision for its customers.

Commission Counsel's Report – General Counsel T. Cloud

Mr. Cloud mentioned the Florida Good Government law and that he can arrange for an on-line half-hour briefing on the subject.

Old Business:

GM -CEO Executive Recruitment – Tentative Timelines

Ms. Carrizales outlined the Recruitment Firm Selection process starting with the June 10, 2024 distribution of an RFP and culminating with a contract signed with a selected Executive search firm by Aug. 21, 2024.

New Business:

Approval – Consideration of NSBU's FY2025 Budget and Capital Improvement Plan FY2025-2034 (Res. No. 2024-01) -E. Chavez

FY2025 NSBU Budget Presentation – E Chavez

Mr. Chavez highlighted that the overall FY2025-FY2034 budget reflects key guiding principles. "Our Vision, Mission, and Values drive how we operate to serve our customers and the community – now and in the future."

FY25-FY34 10- year Capital Improvement Plan

The proposed (CIP) is "consistent with and supported by long term strategy and risk prioritized in the projects critical to NSBU's infrastructure and Modernization Program." - \$287.1M

- The current CIP reflects an increase of \$56.1M over the prior CIP.

- The increase is primarily for projects totaling \$16.7M of which \$4.7M are Electric Major projects- Also due to updated project mix and estimates on several significant Modernization Roadmap initiatives planned over the last several years.
 - Advanced Metering Infrastructure (AMI) and Smart Grid network including full development of electric and water meters,
 - Grid reliability Project (Electric),
 - Water Quality Improvement projects at 3rd Ave and South Beach Pump Stations, and the Glencoe Water treatment Plant (GWTP) Pellet Softening Project.
- Capital Connection Fee (restricted) will fund \$18.5M in growth-related water and wastewater projects over the 10-year period (“Growth funds Growth”.)
- The budget also reflects several Interagency Projects which are managed by the State, County and City regulatory bodies who set the project plan and execution schedule which are separately tracked as NSBU does not control when the projects will begin nor their progress. The current Interagency Project totals \$10.0M over a 10-year period.
- The Finance team employs extensive challenge processes with each director and their staff to ensure a cost- effective O&M Budget. It reviews headcount, year-over-year cost trends, costs per unit, and a bottoms-up cost estimate approach - not “last year plus X%.”
The Capital Budget of \$38.9M reflects Major Initiatives including
 - \$4.7M for the Transmission Loop Project (Initial Spend), South Causeway Subaqueous, and Interagency projects (Washington Streetscape Project and I-95 Pioneer Trail Interchange.)
 - \$4.9M Water major projects include – GWTP Pellet Softening Project, Water Quality Improvement Project Phase 1, and Interagency projects (Washington Streetscape Project and North Atlantic Ave. water main improvements.)
 - \$6.7M Reclaim (includes wastewater) major projects include Water Reclamation Facility (WRF) Improvements – Biosolids (Screw Press) liquids reduction, various Lift Station reconstruction and improvement projects
 - \$0.4M Common major projects include – NSBU enterprise-wide Work and Asset Management System (WAMS) and Automated Vehicle Location Service (AVL).
 - AMI/WAMS projects total \$9.9M including the start of the AMI electric and water (pilot and next phase) meter replacement.
 - Annual projects total \$12.3M include normal annual preventative and reactive capital work IE new business, pole replacement, heavy duty vehicles, breaker replacement program, proactive sewer relining etc. to maintain infrastructure.

A motion was made for the NSBU Commission to approve the FY2025 Budget Submission. The budget must be submitted to the City of New Smyrna Beach by close of business Friday June 28, 2024. There will be 2 readings of the Ordinance approving the NSBU Budget September.

Presentation – Modernization Journey and Next Steps – J. Bunch & E. Chavez

Mr. Bunch presented the Success Journey and Next Steps. He reviewed the background and history and the Vision, Mission, and Values Statements. He discussed how the Modernization Programs are a path to the “Utility of the Future.” He discussed improvements to the customer experience and how the rebranding of NSBU led to successes. He then outlined the path forward and the next steps needed to continue the successes achieved.

Presentation – Appreciation of Extraordinary GM-CEO Leadership (Res. No. 2024-02) – E. Chavez/Chairman Davenport

Chairman Davenport read a resolution thanking Mr. Bunch for his successful 6 years of leadership to the NSBU and how he had helped turn around the business model and perception of this utility. An award was presented to Mr. Bunch and a standing ovation from all senior staff present followed. Mr. Bunch thanked everyone for helping make his journey successful.