

New Smyrna Beach Utilities Commission Regular Meeting

October 23, 2023

Participants: Chairman – Davenport, Commissioners Conrad, Smith, Kelly, GM – Bunch, Executive Manager/Clerk D Simmons

Public Participation – None

Approval of Consent Items: 7 items were presented and all approved.

- a) Minutes of Regular (Reorganizational) NSBUC Meeting Held 9-25-2023.
- b) Ratification – Granted and Accepted Third Party Utility Easements
- c.) Approval - Amendment No. 2 to Interlocal Fueling Agreement
- d.) Award Ratification – ITB No. 16-23 Lift Station No. 72 Rehabilitation (AMCON Development Group, LLC)
- e.) Submission – Annual Update Report for Red Flag Identity Theft and Prevention Program – FY2023
- f.) Project Approval – Smyrna Substation – Field St. Transmission Line (design services – Burns & McDonnell)
- g.) Approval – Extension to Developer’s Agreement – Oak Leaf Preserve (Old Mission Key, LLC)

General Manager’s Report – J. Bunch

Financial Status - September 2023(Preliminary/Unaudited) - E. Chavez

September FYTD 2023 Results (Preliminary)

- Change in net assets of approximately \$8.9 million. \$6.3M higher than prior year due to higher revenues (rates, customer growth, and purchase power adjustment), lower purchased power, increased capital contributions, higher interest earning, and MTM adjustments.
- FEMA Reimbursement (net)
- Offset by lower revenue due to increased purchase power reserve, increased operating expenses, slightly lower electric and water usage driven by milder fall-winter weather.
- FMPA managed investment earnings up \$0.6M driven by NSBU fixed maturity (approx 1 yr) investments and a more favorable interest rate environment.
- Electric consumption year over year is 1.2% lower vs. PY.
- 1.3% decrease in FYE Water consumption. Wastewater was flat.
- **Partial Reimbursement. Hurricane Ian occurred at the end of Sept. 2022 (FY2022) and continued into the early part of October 2022(FY2023). Hurricane Nicole occurred in November 2022.**
 - Power was restored to customers impacted by Hurricane Ian in record restoration time (98% restored in three days.) and Hurricane Nicole was restored completely in three days.
 - Hurricane Ian totals costs were approximately \$4.5M and were incurred between two fiscal years. Approximately \$1.6M was accrued in FY2022
 - NSBU Team (Accounting, Electric, and Water) processed the supporting documentation to FEMA to get the individual FEMA (Hurricane Ian) projects obligated with FEMA.
- **In the fastest time in the history of NSBU, our Hurricane Ian FEMA projects were obligated, and an initial payment was received in Sept. 2023 for \$2.8M.**
- NSBU Accounting Team continues to work with FEMA for the remaining reimbursable Hurricane Ian costs. \$1.4M of the remaining reimbursable Hurricane Ian costs of \$1.6M was received from FEMA on October 23rd.
- Hurricane Nicole cost compilation and supporting documentation are in progress with FEMA and updates will be provided as developments occur.
- **September ’23 Operating Income/(Loss)** is \$0.4M less than Sept. ’22 driven by over-recovery adjustment which reduces revenue and increases PP reserve, higher operating expenses, slightly lower electric and water usage partially offset by increased revenue (rates, updated fuel and PP cost adjustment and continued customer growth), and lower purchased power. Total FYTD Electric kWh sales are 1.2% lower than prior year driven by mild weather and hurricane impacts.

- Sept. 2023 OVER-RECOVERY balance is \$3.8M which is above the target of \$3.0M. September FYE over-recovery of \$3.8 reflects a \$1.4M improvement from Aug. and \$6.2M improvement since October month-end. Trending is expected to continue based on the current energy market and the lower cost of natural gas which favorable impacts NSBU Purchase Power.

September FYE 2023 Change in Net Assets

- September '23 Change in Net Assets were \$8.9M which was \$6.3 higher than Sept. '22. and is driven by increased revenue (rates, updated fuel and PP cost adjustment and continued customer growth), lowered purchase power, MTM adjustments, increased capital contributions, FEMA reimbursement(net) and interest earnings partially offset by over-recovery adj. which reduces revenue and increases PP reserve, higher operating expenses, slightly lower electric and water usage. Total FYE Electric kWh sales are 1.2% lower than the prior year driven by mild fall-winter weather.
- The Sept. '23 FYE were \$9.3M, which is \$5.1M higher than the previous year. The FYE capital contributions comprised of \$5.33M cash (\$2.8M FEMA and \$2.5M other capital contributions), \$2.0M easements, and \$1.9M in contributed assets.

September 2023 FYE Results - Capital - September FYE Capital Expenditures

- \$11.4M -**Major projects** include: Electric Reliability Improvement Program (ERIP); Lift station #3 Upgrade Project, Lift Station (# 5, #12, #73 and #79). Replacements and Improvements (#10), Line 17 Rebuild, Glencoe Wells (#2 & #3) upgrade, Airport Static, N. Glencoe Rebuild (EL), 5th Street Bridge, Barracuda Bridge, Glencoe Water Treatment Plant Improvements, Fiber Loop Installation, Saxon Force Main Replacement (WW), and I95 Pioneer Trail Interchange.
- **\$9.7 - Annual projects** included: Gravity sewer lining, tools & equipment, pumps, transformers, air conditioner replacements, and new business electric and water installation.
- **Monthly FYTD Purchased Power Costs** are on a stable/downward trend due to lower natural gas process a resulting in the purchase power coming down.
- **The Cumulative Over/Under-Recovery balance vs. Fuel & Ourchase Power Cost Adjustment Factor.**
 - The over-recovery continues on a downward trend with the long term target at year end to be at \$5.0M in the over-recovery position. September 2023 over-recovery of \$3.8M reflects a \$1.4M improvement from August and \$6.2M since October month-end.

October 2023 Purchasing Manual Updates: General Counsel Cloud reviewed and provided input on the Purchasing Manual revisions. A substantial overhaul was completed a few years ago. **Key Changes to NSBU Purchasing Manual Section V.** The threshold for capital Purchases has been increased from \$1,000 too \$3,000.

- New competitive Bidding exemption: Contractual services for technical and specialty services but not limited to: Engineering, surveying, architectural, accounting, legal, medical land and real estate related purchases, IT Cybersecurity for Information Technology (IT/Operational Technology (OT) systems, IT Consulting Services and other highly specialized services
- New competitive Bidding Exemption: Contracts for services related to banking, merchant, underwriters, bond counsel, disclosure counsel, ratings agencies, financial advisor(s) and purchasing card services.
- New construction Continuing Services Agreement Award requirements: Any agreement of more than \$75,000 will require Utility Commission approval. Planned work estimated more than \$250,000 will be bid to ensure the most competent and cost competitive vendor is selected. Emergency work awarded to a contractor is required to receive emergency approval from the CEO or his designee. The top priority is to mitigate loss to life or mitigate damage to the Utility or customer property.
- New auditor – recommended language related to leased property reporting amounts. Lease item examples are printers, plotters, specialty printing equipment, etc. The UC owns all “big Ticket” items.

Section XI. The Protests and Disputes Section has been updated. The outdated language from the ABA(American Bar Association) Model Procurement Code has been removed at the recommendation of counsel and replaced.

Section XII: Modified surplus property consistent with the City Interlocal Agreement of November 22, 2021.

General Counsel and Staff recommended approval of the new Business Agenda Item 7-a, approval of Resolution 2023-04 Purchasing Policies and Procedures as submitted. Unanimous approval by the Commission.

Presentation – NSBU’s FY2023 Organizational Accomplishments and Enterprise Metric Results – GM-CEO and VP-CFO
CEO Bunch gave a high-level overview of the number of strategic accomplishment, operational and customer experience improvements that were realized across NSBU’s business in FY23. They are on-track achieving the Utility of the Future Vision, continued cyber security focus on critical IT assets, improving safety programs, culture, and performance as well as a positive human resource environment to attract and retain talent. He reviewed the following topics.

- Vision, Mission, and Core Values
- Modernization Projects, CX (Customer Experience) and Business Improvements
- Electric reliability Improvement Program (ERIP) Goals
- Improving Electric Grid reliability and Resiliency
- Water and Wastewater Modernization Projects
- IT and Cyber and Physical Security
- Safety
- Human Resources
- Governance, Compliance and Environmental
- Western Utility Complex (WUC) – vendor performing updated appraisal of NSBU assets and several and assets to offset potential move of Canal St. HQ Bldg and Fleet/Facilities Operations Bldg. to WUC. Updated status will be reported at joint Commission /City meeting scheduled for January 2024.
- Scorecard and KPI performance: Indicators: 26 of the 28, or 93% of KPI’s (Key Performance Indicators) met or exceeded with two exceptions.
- Electric Reliability CAIDI restoration time 68 min. vs. 55 min target. (Red)
- Cybersecurity Training participation (yellow) at 83.9% vs. goal of 85%.
- Positive area Metrics include Safety, Water and Wastewater, all customer KPI’s superior relative to peers and benchmark and HR Data are all positive.

Overview – NSBU’s FY2024 Goals – GM-CEO and VP-CFO These include the Vision, Mission and Core values, Future Strategy, Electric and Water Modernization, Human Resources, Safety Compliance and Environmental, Governance Deliverables, IT and Cybersecurity, and the Western Utility Complex (WUC)

New Business

Approval – Amend/Revised UCNSB Purchasing Policies and Procedures Manual – Resolution no. 2023-04 Reviewed and **unanimously approved.**

Project Approval – GWTP (Glencoe Water Treatment Plant) Expansion Pellet Softening Process

Tom West led the review of this project. The PC/Stantec team was introduced highlighting their strong expertise in this specialty having completed over \$1B in utility plant related projects over the last 10 years using the Progressive Design-Build delivery method. Stantec has the knowledge of the NSBU system and PC Construction has 65 years specializing in the delivery of water treatment plants. A pilot project was done on 2020 with positive results by softening water PH, softened water alkalinity minimizes corrosion potential in the distribution system, softened water iron reduction up to 75%, significantly reduced water turbidity, and met water quality requirements with less chemicals.

Project drivers include increased capacity, Class I reliability, Increasing O&M costs (chemicals, lime residuals, disposal), Environmental Stewardship, and reaching equipment service life. The Business Case Evaluation evaluated 4 alternatives for the softening process.

Key Takeaways of the Pellet Softening Technology:

- Chemicals: about 45% less than options that include lime softening
- Energy: over 95% less than membrane options and 50% less than lime softening.
- Labor: nearly 50% less than lime softening, comparable to membrane softening
- Residual Management: Over 75% less product to dispose than lime softening

- 20 Yr. NPV analysis; pellet softening is \$7.6M less than line softening, and \$22.6M less than membrane softening.

Architectural drawings of the current and future sites were shown, the project timeline and the Progressive Design-Build model reviewed. The advantages to the Progressive Design-Build include.

- Single contract managed by the owner.
- Performance guarantees available.
- Innovation from the PDB team allows for potential cost savings.
- Easy cost determination throughout the process
- Owner has more control and input assess through design up until the Guaranteed Maximum Price (GMP) project can start with less technical and procurement planning leading to potential administrative and schedule savings.

Mr. West summarized the project as proven technology, the team meets NSBU qualifications for a Progressive-Design Build (PDB) project per RSQ 11- 23, and Engineering will return to the commission for final project cost approval once Guaranteed Maximum Price is determined. Costs goals are to utilize as much of the Capital Connection fee as possible. **A motion was made to approve the award of RSQ No. 11-23 to PC Construction/Stantec Team and approve initial funding of \$1 million to complete the necessary engineering design to reach final project cost. Motion was approved.** This project will return to the Commission for a final project financial approval.

Time for Commissioners

Commissioner Smith – He would like to bring to attention that he sees city irrigation watering city streets. He would like the staff to work with the city, prior to the joint meeting in January to come up with a plan to save the wasteful use of potable water watering city streets. He also asked to add an agenda item for the next meeting to get an update on the Silver Sand Sewer to Septic project.

Commissioner Kelly – Commented on what a great job everyone is doing on achieving good KPI's and appreciates the focus on cyber security.

Commissioner Conrad – There had been a lot of ground covered in these meetings and she appreciates the staff's answering all questions and the ability of the commissioners to ask questions.

Chairman Davenport – Thanked Commissioner Smith for asking for an update on the Silver Sands project. It is important.

Meeting Adjourned