

**Laura Aldrich**

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**From:** Laura Aldrich <townclerk@irshores.com>  
**Sent:** Thursday, August 18, 2016 5:38 PM  
**Subject:** 8-18 News Alert & Council Agendas  
**Attachments:** 8-16-16 BMB Remarks at COVB Council.pdf; 8-17-16 Mayor's Stmt re FPL Offer To Vero-Partial Sale.pdf; 8-25-16 Regular Town Council Meeting Agenda.pdf; 8-25-16 DB Reg EE Pension Decl of Rtns Agenda.pdf

**Importance:** High

Dear Residents and Interested Parties,

Mayor Barefoot has written a statement regarding the outcome of the meeting this week whereby FPL offered the City of Vero Beach \$30 million for Indian River Shores' portion of Vero Beach's electric system. His comments made to the Vero Beach Council are also attached, and are very well worth reading for a better understanding of what has transpired in recent years.

Also please find the agendas for a Pension Board meeting and the regular Town Council meeting to be held next Thursday, 8-25.

There are just a couple of news tidbits:

- The **Building Department** is incorporating new software, and has periodic conference calls for training. We apologize if you happen to come to conduct business at a time the office is closed during one of these extended calls, and ask that if you are just dropping something off for them to please leave it in the Postal Center. You may also leave a voice mail or email ([building@irshores.com](mailto:building@irshores.com)) any questions.
- There are **sample ballots** for the **August 30 elections**, and a chart of candidates on our website (see [Government- Elections](#)). The [IRC Supervisor of Elections website](#) ([voteindianriver.com](http://voteindianriver.com)) also has an abundance of information. Last Sunday's paper had a full page (9A) devoted to many candidates.
- If you are scheduled for **household trash pickup on Mondays**, please be aware that your trash will not be picked up on **Labor Day, September 5**, and will resume as usual on Thursday, September 8.

Thank you for your continued interest in matters concerning the Town.

Respectfully yours,

**Laura Aldrich, MMC**  
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August 18, 2016

## FPL OFFER FOR TOWN'S PORTION OF VERO'S ELECTRIC SYSTEM

Dear Friends and Neighbors:

It is likely that you now know that [Tuesday \(Aug. 16\) was indeed a disappointing day](#) for all customers of the Vero Beach electric utility. By a 3-2 vote, the Vero City Council rejected FPL's \$30 million dollar cash offer to purchase Vero's electric system in our Town. It's unfortunate that 3 of the City Council members (Kramer, Winger and Old) ignored the unanimous recommendation of their own Utilities Commission and turned their backs on \$30 million in cash that could have benefited the City and all its electric customers.

FPL made this substantial cash offer after the Chair of the Florida Public Service Commission ("PSC"), back in July of this year, deferred consideration of our Town's petition until September, and then publicly encouraged the parties to try to resolve their dispute in the interim. To demonstrate our commitment to a settlement, as you know, our Town Council previously voted to participate in FPL's offer by contributing \$3 million dollars through an electric bill surcharge to be paid over a 3-year period by our residents currently served by Vero Beach.

I was initially optimistic that a "partial sale" of Vero's electric system in the Town would be something that the Vero City Council could support since Mayor Kramer had previously expressed an interest in a partial sale model several years ago, and had indicated that an appropriate price for a partial sale would be approximately \$3,000 per customer. My optimism was buoyed by the fact that FPL's \$30 million offer for the 3,000 customers in our Town amounted to an investment of approximately \$10,000 per customer, which more than tripled the price-per-customer that Mayor Kramer had previously deemed suitable. Furthermore, the offer more than doubled, on a price per customer basis, the highest sales price of all other electric utilities sales transactions that the City's own consultants could identify in their nationwide survey. Perhaps most importantly, the City's own Utilities Commission reviewed FPL's offer and unanimously recommended that the City accept it. As part of that review, the Vice-Chair of the Utilities Commission, Bob Auwaerter--one of our country's leading experts in municipal bond finance-- independently analyzed the offer. Mr. Auwaerter's analysis, which was shared with the Utilities Commission and the Vero City Council, demonstrated that the \$30 million offer far exceeded reasonable estimates of the City's potential costs, and would have left millions of dollars in reserves that could have been used for everything from lowering electric rates to substantially reducing the City's unfunded pension liabilities.

I hope you can see why I was shocked when Mayor Kramer rejected FPL's offer out of hand.

A \$30 million cash offer like this doesn't come around often. The City missed a tremendous opportunity to benefit its citizens and all of its electric customers both inside and outside the City. That's truly unfortunate. What's also unfortunate is by rejecting FPL's \$30 million cash offer for a partial sale, the City has seriously jeopardized any possibility that its entire electric system can be sold.

I was in a long line of people who rose to address the City Council and by my count the majority was in support of the City accepting the FPL offer. A copy of my remarks is attached for your reference. It is understandable, after the protracted drama surrounding the City's electric utility, that there are many differing opinions from passionate people who only want what is best for all. But while opinions vary, the figures were crystal clear: FPL's \$30 million cash offer was incredibly generous.

After nearly three hours of public comments, Mayor Kramer proposed asking FPL to increase its offer by more than 50%. FPL Vice President for External Affairs and Economic Development Pam Rauch responded and made it very clear to the City Council that its \$30 million proposal was the company's final offer and that there will be no additional negotiations.

The decision of Mayor Kramer and Councilmembers Winger and Old to reject FPL's \$30 million cash offer means that we now will proceed with our case before the PSC. The PSC will consider our petition on September 13, 2016, and we will continue to be vigilant in protecting our residents from unconstitutional intrusions, excessive rates and other unregulated monopoly abuses. Meanwhile, I will continue to keep you informed.

Thank you.

Brian M. Barefoot  
Mayor

Good morning and thank you for the opportunity to speak. My name is Brian Barefoot, I'm your neighbor, and I have the honor of serving as Mayor of the Town of Indian River Shores.

I'm here to encourage the City Council to approve the \$30 million cash offer from FPL.

First let me say that I understand the words of caution that I have heard from some of you over the last couple of weeks. You want to make sure a sale protects your remaining customers and keeps them "whole."

FPL's cash offer of \$30 million does just that. As you just heard, it has been independently analyzed by Bob Auwaerter, who serves as Vice Chair of your Utilities Commission and is one of our country's leading experts in municipal bond finance. Your own Utilities Commission has reviewed it and unanimously recommended that it be approved. It's also been analyzed by our consultant, a former chairman of the Florida PSC. They all agree that FPL's offer far exceeds what the City would require to protect its customers.

I appreciate Mr. Wright's presentation about the \$42 million, now \$47 million, "make whole" number. But I'd ask that you step back for a moment to look at how that number has changed over time.

- In early November of 2014, Councilwoman Turner asked for City Staff to analyze the rate impact on the loss of the Shores customers. Not a sale mind you; a loss of customers. Staff found that the loss of the Shores customers would have a negligible rate impact.
- FPL then made an offer to purchase the system in the Shores for \$13 Million cash, which more than covered the negligible rate impact that the City had calculated at that time.
- Faced with that offer, then Mayor Winger commissioned a new "analysis" which put the rate impact at around \$65 Million.
- Our consultant reviewed that analysis and concluded that it grossly overstated the rate impact of a partial sale of the Shores system, and contained a number of flawed assumptions.
- Your consultants adjusted some unsound assumptions that we brought to their attention, and revised the estimate -- and I thank them for doing so. Those adjustments alone would have brought their estimate well below FPL's \$30 million cash offer. But your consultants, instead, made other adjustments that brought their estimate back up to \$42 million.
  - For instance, the discount rate in their original estimate was set at 4.16 percent. This discount rate changed to 3 percent in the new estimate. That one apparent arbitrary change added millions to the rate impact calculation.

There are several other examples of assumptions that make the \$42 million estimate artificially high.

Look at how your consultant's rate impact numbers have bounced around. From "negligible" to \$65 Million to \$42 Million and now to \$47 Million. Their numbers are all over the board, but they all say the same thing -- "NO!"

Your consultant's rate impact analysis also includes several important assumptions that contradict what the public is being told. They are told that Vero's electric rates are going down, yet embedded in your

**consultant's rate impact analysis is an assumption that there will be systematic rate increases over the next 30 years regardless of whether the Shores customers were to leave.**

At some point you've got to ask yourselves: **WHAT IS GOING ON HERE?**

Then there is the matter of these so-called "contingent liabilities." Given that the City's consultants have now quantified the Shores' portion of those liabilities to be \$4.8 million, that means that all of the City's customers -- resident and non-resident alike -- are responsible for contingent liabilities of more than \$53 million for the system as a whole. If that were true, those numbers would have to appear somewhere in City's financial statement. But those contingent liability numbers are not there, not even in the footnotes.

If you accept your consultants' projections today you are effectively pronouncing that the City's electric customers — inside and outside the City limits-- are on the hook for \$53 million in contingent liabilities. But what you're also doing is killing -- once and for all -- any possibility that the entire system will be sold.

**But it doesn't have to be that way.**

"Contingent liabilities" is really just another way of making an excuse NOT to do something. It's a red herring. It's another way of saying "what if?"

So let's play WHAT IF:

- What if you don't do this deal and a hurricane damages or destroys your system in the Shores? Would having immediate access to \$30 million cash seem like a good deal then?
- What if, as a result of our constitutional challenge, the City is found to have no right to exercise extraterritorial powers in our Town? Would having \$30 million cash on hand seem like a good idea then?
- What if, as a result of an anti-trust lawsuit, the City is found to have no right to operate an unregulated monopoly in our Town? Would having \$30 million in the bank seem like a good investment then?
- What if solar power costs continue to fall -- or your electric customers begin to switch to natural gas-- and you see a significant drop in your revenues? Would having \$30 million in the bank seem like a good investment then?
- What if your own Utilities Commission is correct, and the immediate cash infusion of \$30 million results in a significant net benefit to your citizens inside and outside the City?
- What if your unfunded pension and healthcare liabilities were reduced by more than 50% if you chose to use the funds in that manner? I suspect those firefighters, policemen and City employees would be delighted to know those benefits that they have earned over the years are that much more secure.

We can all play the "contingency" game. But there's nothing contingent about \$30 million in cash. That's not a "what if." FPL is ready and willing to cut a check in an amount that would more than double the City's most recent revenues.

Mayor Kramer, I also must respond to the unofficial counter offer that you sent me last Thursday. You suggested that relieving ourselves of the excessive rates we have paid for years will provide a benefit to our residents, and that we should gladly pay the City to receive this benefit. Mr. Mayor, while your letter

confirms that ALL of your customers, both inside and outside of the City, have paid far more than they should for far too long, your letter really misconstrues the foundation of our dispute.

The \$2 million savings figure you cite is my “one year” estimate of the excess our citizens have paid versus rates charged by FPL due to years of poor management decisions that you and your fellow council members have acknowledged. In fact, as we have advised the PSC, we estimate that, over the last 10 years, the residents in our Town have paid over \$16 million more than they would have if served by FPL. You’re asking now that our residents pay a **BONUS** for the City’s mismanagement.

**That’s like saying Volkswagen buyers should pay extra to get the emission controls they already paid for but didn’t receive.**

I want to say to the people in this room, the residents of our Town, the City and the County who are here today or watching on TV or online, FPL’s offer is a good deal. This is an incredibly generous deal that puts \$30 million in cash into the City’s coffers. This deal triples the per-customer cost that Mayor Kramer himself proposed as a suitable price when first suggesting a partial sale. It more than triples the highest per customer price paid in the State of Florida. It also more than doubles the highest comparable nationwide sale the City’s own consultants could identify in their research.

I think it is safe to say that everyone in this area, both inside and outside the City, would like to see the City get out of the electric business and sell its entire system to FPL. In fact, I believe there is a resolution that you’ll be considering later in the meeting that is designed to help to facilitate the sale of the City’s entire system.

But, as I mentioned, your vote today could seriously jeopardize the sale of the entire system. If you affirm your consultants’ projections today and reject FPL’s \$30 million offer, you’re saying that all of the City’s electric customers— both resident and non-resident -- are on the hook for \$53 million in contingent liabilities. No one is going to pay that kind of money. So let’s be honest here. What you would do—and I think everyone needs to know this—is you would be killing—once and for all -- any possibility that the entire system will be sold. This isn’t just a “poison pill”: it’s the **MOTHER OF ALL POISON PILLS**.

Mayor Kramer and councilmembers, FPL’s \$30 million cash offer not only provides financial benefits to the City, it provides a real opportunity to end a dispute that has plagued our communities for almost a decade. At the end of the day we’re neighbors, we share common values and it would nice if we could resolve our differences and work together for the common good.

I thank you again for allowing me to speak today. I encourage you to accept the unanimous recommendation of your Utilities Commission and vote to accept FPL’s \$30 million cash offer.



MAYOR  
BRIAN M. BAREFOOT

VICE MAYOR  
GERARD A. WEICK

COUNCIL:  
MICHAEL B. OCHSNER  
RICHARD M. HAVERLAND  
THOMAS F. SLATER



TOWN MANAGER  
ROBERT H. STABE, JR

TOWN CLERK  
LAURA ALDRICH

TOWN ATTORNEY  
CHESTER CLEM

6001 State Road A1A, Indian River Shores, FL 32963

**AGENDA**  
**DEFINED BENEFIT GENERAL EMPLOYEES PENSION BOARD**

Thursday, August 25, 2016  
8:45 a.m.

1. **Call to Order**
  - a. (Pledge of Allegiance & Invocation to be performed at following meeting)
  - b. Roll Call
2. **Minutes Approval**
  - a. January 28, 2016 Meeting
3. **Declaration of Returns**
4. **Public Comments**
5. **Adjournment**

Date Posted: 8/18/2016

This is a Public Meeting. The Town of Indian River Shores does not transcribe verbatim minutes. Should any interested party seek to appeal any decision made by the Council with respect to any matter considered at such meeting or hearing, he will need a record of the proceedings, and that, for such purpose he or she may need to ensure that a record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based. Anyone who needs any type of special accommodation for this meeting may contact the Town Clerk at 231-1771.