

**UTILITY ADVISORY BOARD
MEETING
MONDAY, JANUARY 24, 2011**

MEMBERS PRESENT: John Dauster, Chairman
Howard Bennett, Steve Fabian,
Terry Miller, Joe Sabatino

OTHERS PRESENT: Tom Jackson, Utilities Director
Steve Leonard, Senior Project Manager
Kristen Simeone, Financial Analyst
Sharon Knippenberg, Controller
Mayor Harvey Goldberg
Jim Hoffman

CALL TO ORDER/ANNOUNCEMENTS

- A. Roll Call
- B. Next Scheduled Meeting
- 1. February 28, 2011

APPROVAL OF MINUTES

- A. Regular Meeting – November 22, 2010
- Mr. Fabian MOVED, Mr. Bennett SECONDED approval of the November 22, 2010 Minutes. MOTION CARRIED UNANIMOUSLY.

REPORTS

- A. Utility Operational Data
- Mr. Tom Jackson, Utilities Director, displayed the Utility Operational Data report for December 2010 as delineated within the agenda material, advising the stage height for Shell Creek reservoir was 5.26 feet above mean sea level (msl), which equated to approximately 159.83 million gallons per day (mgd) of flow over the spillway, stating this year, as last year, rainfall was keeping the reservoir at or slightly above the 40-year historical average. He displayed a graph depicting Shell Creek reservoir levels from December 2009 through December 2010, as delineated within the agenda material, briefly reviewing same. He revisited the Utility Operational Data Report for December 2009 through December 2010, pointing out the raw water withdraw was 118.990 million gallons (mg) with a raw water peak day withdraw of 5.16 mgd, advising recovery from the Aquifer Storage and Recovery (ASR) was approximately 18 mg and that staff was performing maintenance work using withdraws from the ASR to smooth out flows. He added Water to Town represented 141.274 mg with an average day of 4.557 mg and peak day to town being 5.7 mg. He then directed the Board's attention to the December 2009 daily average use, pointing out current daily average

usage was almost 400 thousand gallons over same. He went on to review wastewater flows and rainfall totals, offering to answer questions regarding same.

- Mr. Dauster stated, the raw water monthly amount and the water out of the ASR, amounted to approximately 137 mg, questioning the 141.274 mg figure for Water to Town.
- Mr. Jackson replied there was approximately 7 mg of storage throughout the system, which was most likely full at the end of the month, and resulted in the higher number. He added figures tended to fluctuate due to same, but would most likely balance out in a twelve month period.
- Mr. Fabian asked for clarification on the disparity between the December 2009 and December 2010 wastewater monthly flows.
- Mr. Jackson responded in December 2009 there was almost 4 inches of rainfall, creating a large difference in the totals.

B. Capital Project Data Sheet – Priority Efforts

- Mr. Sabatini opined the bid for the Relief Force Main appeared very good.
- Mr. Steve Leonard, Senior Project Manager, agreed, stating staff did some last minute value engineering which contributed to the favorable bids.
- Mr. Sabatini asked if Phase II of Charlotte Park was planned for the current year.
- Mr. Jackson replied staff was working on same, stating some streets needed to be addressed as a result of the Aqui Esta Widening Project. He advise the question would be better answered once the budget was finalized.
- Mr. Dauster asked when Phase II of the Piper Road extension was to begin.
- Mr. Jackson replied he was not certain and did not want to speculate.
- Mr. Sabatino voiced disappointment in the problems regarding the Jones Loop Road and Burnt Store Road crossing and the challenges with the Railroad regarding same. He asked if the City had any influence on the outcome.
- Mr. Jackson offered to speak to the City Manager in an effort to bring same to City Council.
- Mr. Harvey Goldberg, Mayor, voiced his concerns, stating he asked the City Manager to speak to the County Administrator to devise a plan for approaching State and Federal Legislators.
- Mr. Sabatino expressed support of seeking legislative relief, questioning if it would be helpful for the Board to make a motion.
- Mr. Jackson replied a motion would formalize the Board's position and show support to City Council in their efforts to move forward.

- Mr. Sabatino MOVED, Mr. Bennett SECONDED recommending the City prepare a formal request that Legislative relief be pursued through Charlotte County to resolve the dispute.
- Mr. Fabian opined the issue at hand was not a Utility Advisory Board (UAB) matter.
- Mr. Sabatino WITHDREW his MOTION.
- C. City Council Action on Utilities Agenda Status (Presentation by Finance)
 - Ms. Sharon Knippenberg, Controller, displayed an overhead of the Utilities Items on City Council Agenda, as delineated within the agenda material, stating same was the beginning of the City Manager's budget process, advising in December Finance staff prepared proformas for all the City's major funds, which provided a five-year long-range plan based on current information and future assumptions. She noted same was developed prior to the Current Annual Financial Report (CAFR). She pointed out the 3% rate increase for 2011, stating last year's budget book showed a need for an additional 5.5% increase in 2015; however, that information was from July of 2010 after City Council and UAB discussed to postponing the Reverse Osmosis (RO) plant expansion. She stated at that time, results of the request for an exemption or variance to go forward with the RO plant were not known.
 - Mr. Sabatino commented the debt projection over the next five years did not include funds available for the RO project.
 - Ms. Knippenberg clarified the term used in the proforma regarding the 5.5% rate increase for 2015 was "delayed", adding the 2016 proforma would be available in April 2011. She opined there would be a need for rate increases, offering different scenarios and variables that could cause the proforma to change.
 - Mr. Dauster asked if the 3% increase were taken out, whether the proposed budget could go forward.
 - Ms. Knippenberg replied said question was raised by City Council, stating the City Manager directed staff to work on same. She offered to copy the Board on changes when available.
 - Mr. Bennett questioned the cause of the million dollar increase in use of prior reserves.
 - Ms. Knippenberg explained 2010 to 2011 operating expenses went from \$13.5 million to \$14.5 million, with numbers moving in 2012 to 2013 from \$14.5 million to \$15.6 million, showing a compounding of shortfalls in operations and a lack of revenues to recover.
 - Mr. Sabatino asked what kind of growth percentages were used in the current revenue forecast.

- Ms. Knippenberg responded she believed the first year was .5%, 2013 was .75% and 1% in both 2014 and 2015, advising same was very conservative.
- Mr. Sabatino stated when looking at the first 3 months of the current fiscal year the City appeared to be substantially ahead in revenue, opining if same held throughout the year, there would be a significant impact.
- Ms. Knippenberg cautioned assumptions based on only 2 or 3 months' information could be deceiving.
- Mr. Fabian questioned if holding to a 1.1 debt ratio, as delineated in the agenda material, would jeopardize funding and the interest rate regarding same.
- Ms. Knippenberg responded by reading an excerpt of the *City Managers Information Sharing*, into the record as delineated in the agenda material.
- Mr. Fabian asked if the City held a Standard & Poor's (S&P) rating of AA.
- Ms. Knippenberg responded the City's rating was AA-.
- Mr. Fabian asked what steps needed to be taken to raise the rating.
- Ms. Knippenberg replied a combination of factors, such as having a strong operating reserve, the ability to react quickly to downturns in the economy with rate adjustments, and showing a strong five to ten year Capital Improvement Program (CIP) with an understanding of future growth factor requirements.
- Mr. Fabian commented it appeared administrative fees were among the fastest growing percentages in the proforma.
- Ms. Knippenberg countered administrative fees were growing at the same percentages as other operating expenses.
- Mr. Sabatino asked if the City was doing anything significantly different to maintain the percentage of reserve needed to keep the current rating.
- Ms. Knippenberg answered the reserve balance this year was \$5.9 million, stating the projected reserve for 2015 was below \$ 1 million. She stated same was an intentional choice to draw down on reserves and finance debt as little as possible. She stated staff was not necessarily where they wanted to be with an established policy, but had a good guideline and would be working on same throughout the year.
- Mr. Sabatino questioned how comfortable staff was with the current capital budget.
- Ms. Knippenberg responded staff was working on a proforma for the CIP addressing what appeared to be great economic conditions, offering to include a more detailed explanation of same on the next UAB agenda. She continued with a review of service costs, explaining additions to the budget process regarding same.
- Mr. Bennett requested an explanation of page 8 of the budget book.

- Ms. Knippenberg explained, the numbers on page 8 reflected the overall Utility Fund, clarifying overall figures were compiled from various divisions within the Utilities Department, including a non-departmental division not identified in the agenda material.
- Mr. Sabatino asked if the \$862,167 depicted on page 39 was a sum total of the Utility Departments administration overhead.
- Ms. Knippenberg responded the division titled "Administration" included Utility staff and operating expenses, adding there was also a budget division titled "non-departmental", which included expenses such as paying for debt service and contingencies not identified with any specific division of the Utility Fund.
- Mr. Fabian clarified the \$862,167 Total Utility Administration item fell under Operating Expenses and was not part of the administrative fee.
- Ms. Knippenberg went on to review the remainder of the long range plan.
- Mr. Dauster asked if the CRA Loans depicted on page 44 were in anticipation of Infrastructure Sales Surtax (ISS) money coming in.
- Ms. Knippenberg replied affirmatively, explaining the feasibility of same.

D. Utility Fund Balance

- Ms. Kristin Simeone, Financial Analyst, reviewed the December 2010 financial report, as delineated within the agenda material, stating water and sewer revenues were trending higher than projected. She pointed out water inside the City for December 2010 had the largest increase this fiscal year, while December of last fiscal year showed the largest decrease, resulting in higher revenues than anticipated.

NEW BUSINESS

A. Booster Pump Facility (BPF) Relief Force Main

- Mr. Jackson stated although staff was very pleased by the bids submitted for the BPF, due to opinions of both the City Attorney and the Charlotte County Attorney, purchase of right of ways (rw) would not be necessary as anticipated; therefore, the estimated cost of the work was somewhat inflated.
- Mr. Sabatino questioned the difference in cost regarding same.
- Mr. Jackson replied approximately \$1 million was allotted for the acquisition of real estate and related costs.
- Mr. Leonard displayed a presentation of the BPF Relief Force Main, as delineated in the agenda, offering a detailed description of same. He explained in 2000 problems with overflows at both the booster pump and master pump lead to installation of larger pumps at the master location in 2003. He stated in 2005 during design of the

upgraded booster station, capacity of the existing line was compromised and to date had not fully recovered.

- Mr. Dauster asked what measures were being taken to avoid a reoccurrence in the new design.
- Mr. Leonard replied better placement of air reliefs for better vertical control.
- Mr. Jackson added as a secondary benefit, the new relief force main would allow staff to take the old line out of service to better identify existing defects.
- Discussion ensued regarding design of the new relief force main
- Mr. Leonard reviewed the remainder of the presentation. He then asked the Board for a recommendation to accept the bid from E.T. MacKenzie of Florida, Inc.
- Mr. Fabian asked what a "PIG" was.
- Mr. Leonard replied it was a device designed to be pushed through the force main to clean out debris, he then clarified staff did not approve use of the pipeline inspection gauge (PIG).
- Ms. Miller asked if the new line would have capacity to accept the PIG.
- Mr. Leonard responded it did by design, reiterating staff had no intention of using a PIG.
- Mr. Bennett MOVED, Mr. Sabatino SECONDED recommending approval of the contract award to E.T. MacKenzie of Florida, Inc. MOTION CARRIED UNANIMOUSLY.

UNFINISHED BUSINESS

A. Cross Connection Control Status and Update

- Mr. Jackson advised the Department of Environmental Protection (DEP) had made no progress in clarification of hazard classifications which could change requirements for backflow prevention devices as previously discussed. He recommended no changes be made by the City regarding same. He suggested a cost comparison between an in-house plumbing contract for yearly inspections of backflow devices for commercial and multi-family properties, as required by the City, and hiring an outside plumbing contractor for same. He suggested a minimal monthly fee be added to utility billings for costs incurred if the City assumed responsibility for such inspections.

BOARD/ COMMENTS

- Mr. Sabatino requested an update of the RO plant delay.
- Mr. Jackson reviewed the City Manager's Update to City Council, as delineated in the agenda material, stating staff was preparing a written request for a five year relief exemption, as required by DEP, explaining same.

- Mr. Dauster recalled a conversation regarding the RO plant needing to be in place to show the City's participation in a regional water supply system for funding, requesting clarification on same.
- Mr. Jackson explained the City currently had a draft funding agreement in place for 50% funding; however, that funding was not based on regional cooperation but on the need to implement Minimum Flows and Levels (MFL). He stated the MFLs for the City were still in draft form, adding DEP would determine when MFLs would be implemented. He stated DEP was trying to time the City's ground water facility project, adding they were willing to fund the ground water facility because that would be the solution to MFLs. He stated it was necessary to coordinate the timing of same, opining if the City did not build the plant, DEP would not provide any funds regardless of regionality. He concluded DEP's Senior Management understood and was willing to work with staff.
- Mr. Dauster clarified same related to Total Dissolved Solids (TDS), asking if it involved water as well.
- Mr. Jackson replied DEP might give the City a waiver until the plant expansion was necessary to meet growth demands rather than building the facility just to resolve the TDS issue, stating DEP understood same was a secondary, esthetic standard and that asking the community to spend a lot of money to simply meet that standard giving the current economic conditions did not make sense.
- Mr. Sabatino stated recently Charlotte County and the Southwest Florida Water Management District (SWFMD) resolved differences on the pipeline connection across the Peace River, asking status of same.
- Mr. Jackson said he received an e-mail advising of an upcoming status meeting, stating he should have the results of same by the next meeting.
- Ms. Miller asked if staff anticipated DEP would require the City go forward with design plans.
- Mr. Jackson replied in the negative, explaining once a certain economic trigger occurred, DEP would require an application for a construction permit, at which time a schedule would be determined.
- Mr. Bennett stated although no formal motion was made regarding the Burnt Store Road improvements, he hoped staff would take the discussion into consideration.
- Mr. Jackson offered to relay same to the City Manager.
- Mr. Fabian opined it would be beneficial for members to go on line to the City's website and read through the budget for better understanding.

- Ms. Knippenberg stated there were copies of the Budget Book in the City Clerk's office and the Library for public viewing.

CITIZENS' COMMENTS

- Mr. Jim Hoffman asked for clarification regarding DEP proceeding with residential requirements for backflow prevention.
- Mr. Jackson answered residential requirements had been in Florida's Plumbing Code since the 1980's and were also part of the City's building requirements, stating yearly inspection of residential backflow preventers was not required and his recommendation was not to change same.
- Mr. Fabian asked if the preventer had to be located near the street.
- Mr. Jackson responded negatively, stating DEP recommended it be placed behind the meter; however, there was no requirement for placement.
- Mr. Hoffman explained he received a letter from the City requiring installation of 5 preventer devices above ground on his multi-family property adding the yearly inspections of same were costly. He opined if he had to comply with said requirements all properties including residential should also. He offered to share the results of his research and suggestions for changes regarding same.

ADJOURNMENT

- Meeting Adjourned: 10:46 am

John Dauster, Chairman

Perri Turner, Recording Secretary