

**UTILITY ADVISORY BOARD
MEETING
MONDAY MARCH 22, 2010**

MEMBERS PRESENT: John Dauster, Chairman
Howard Bennett, Thomas Carroll,
Joe Sabatino, Steve Fabian,
Thomas Kessler, Jeff Weiler

OTHERS PRESENT: Tom Jackson, Utilities Director
Steve Leonard,
Sharon Knippenberg, Controller
Bill Bareither

CALL TO ORDER/ANNOUNCEMENTS

- A. Roll Call
- B. Next Scheduled Meeting - April 26, 2010
- Mr. Dauster noted Mr. Fabian and Mr. Carroll would not be available for the April 2010 meeting, confirming no other members had a conflict.

APPROVAL OF MINUTES

- A. Regular Meeting - February 22, 2010
- Mr. Sabatino MOVED, Mr. Carroll SECONDED approval. MOTION CARRIED UNANIMOUSLY.

STATUS REPORT

- A. Utility Operational Data
- Mr. Tom Jackson displayed the United States Geological Survey (USGS) graph of the reservoir, as delineated in the agenda materials, reporting the reservoir level was 5.78 feet mean sea level (msl) which equated to 714.83 million gallons (mg) of flow over the spillway. He stated chlorides had been diluted by much rain and had been measured at approximately 134 milligrams per liter (mpl), adding 10.2 mg of water had been injected into the Aquifer Storage Recovery Program (ASR) wells last month, with a total of 163.6 mg of water now being stored in the wells for the current cycle. He explained the local weather pattern was being influenced by an el nino and a wet spring had been forecast; thus, it might not be necessary to recover water this year. He displayed a graph of Shell Creek Reservoir Levels, as delineated in the agenda materials, briefly reviewing same, stating there had been near record high rainfall this month, which was good news. He displayed the Utility Operational Data for February, 2010, as delineated in the agenda materials, briefly reviewing the monthly totals.

B. Capital Project Data Sheet – Priority Efforts

- Mr. Sabatino questioned the estimated cost figures for the Piper Road project, adding same had not been adjusted.
- Mr. Jackson replied staff was waiting for a confirmed figure from Charlotte County.
- Mr. Sabatino questioned how a notice to proceed could be issued if the numbers had not been agreed upon.
- Mr. Steve Leonard pointed out Charlotte County issued the notice to proceed, adding he would discuss same with Mr. Steve Adams; however, that figure would include the engineering fees as well as construction costs.
- Mr. Fabian confirmed the increase in water generated with the groundwater project would be incremental from 2mg to 8mg, opining same was expensive water. He questioned how that compared to the cost of a reservoir.
- Mr. Jackson replied staff was working on obtaining a cost per thousand as part of the PDR, adding the due date was April 17, 2010. He stated the preliminary numbers were being refined, adding with build-out based on current zoning and densities, it appeared a 2 billion gallon reservoir was needed to meet 2027 demand and resolve the Total Dissolved Solids (TDS) issue. He stated the engineer’s estimated cost for same was \$100 million. He stated the planning figure for the groundwater project proposed was \$28 million.
- Mr. Sabatino stated there had been no updates on the force main projects for six months, adding there should be some explanation for the delay.
- Mr. Leonard explained construction had begun on the East Side Sewer force main, adding the activity log was not updated with construction progress; however, that was referenced in the percent complete. He stated with regard to the Booster Pumping Facility (BPF) relief force main, staff had not been able to resolve the easement issue; therefore, there were no updates to provide.
- Mr. Sabatino suggested including a comment to reflect that.
- Mr. Dauster inquired as to the cost.
- Mr. Leonard stated the estimate was \$5.5 million; however, there was no construction cost available since it had not been sent out to bid.
- Mr. Jackson reported he had received an email from the State’s project manager ten days ago indicating he was amenable to the City’s use of the easement, adding the State was now conducting a legal review of same. He stated if he did not receive a response by April 15th, he would request the City Attorney take action, noting it was important to take advantage of the current bidding environment.
- Mr. Sabatino suggested sending a follow up letter to the State.

- Mr. Jackson agreed.
 - Mr. Kessler questioned the cost of 15 additional weather days for the Hendrickson dam project.
 - Mr. Leonard replied staff had not processed any change orders; therefore, he would need to research same.
 - Mr. Jackson reported the weather had not put the project behind schedule and the contractor had not requested additional weather days.
 - Mr. Leonard recalled that was related to sheet pile delivery in September, 2009; however, it had no affect on the project schedule.
- C. City Council Action on Utilities Agenda Status
- Mr. Sabatino pointed out the sheet did not list February 17, 2010.
 - Mr. Jackson noted there had been no recent items on the City Council agenda.
 - Mr. Bennett confirmed staff had not received any feedback after Councilmember McCormick's presentation.
- D. Utility Fund Balance – (To be distributed via Email)
- Ms. Sharon Knippenberg distributed and displayed several sheets of financial data for the month of March 2010, reporting 41.3% revenues received during the first 41.7% of the year. She explained the reduced revenue trend was likely a result of increased rainfall, the current economic conditions and visitors returning to the north earlier than usual, adding staff continued to research the issue, including inspection of certain meters.
 - Mr. Dauster inquired how staff flagged the problem meters, questioning how that was relayed to utility for action.
 - Ms. Knippenberg replied staff had defined the level for flags to be raised; however, those flags needed sharper definition, noting staff always kicked out zero billings and any with major differences; however, there were so many more this past month that staff felt they needed to research the issue. She stated finance staff worked closely with utility staff, adding the work order system that was in place was very responsive.
 - Mr. Kessler opined staff should not spend too much time analyzing the situation, adding rainfall was likely the reason. He stated the real challenge was what to do about the decreased revenue.
 - Mr. Jackson reiterated staff was proactive to variant readings in the system, noting February's 3.9 mg of water flow was unusually low. He then stated many plants had been lost to winter frosts this year; however, at some point residents would replace those plants and begin irrigating again.
 - Mr. Dauster stated the monthly information was not provided; thus, members had no

basis of comparison.

- Ms. Knippenberg reminded members that when the financial reports were revised last year at the Board's request, the month-to-date information was removed; however, staff carefully monitored that monthly information, adding the month-to-date projection and a month-to-date actual comparison was listed in the footnotes.
- Mr. Sabatino suggested changing the focus to expenses.
- Ms. Knippenberg opined the current revenue trend would continue until the normal rainy season began, adding staff assumed they would be back on track beginning in June, when the rainy season typically began. She stated the pro forma would show the amount of lost projected revenue for the current year, as well as the affect that would have on the 2011 budget. She pointed out staff had already begun working on reducing expenses at every opportunity for the current year as well as for 2011, concluding staff believed they could move forward with the existing five year Capital Improvement Program (CIP) because they would be able to reduce expenditures. She stated staff had anticipated receiving an additional \$206,000 and had adjusted projected income in October, 2009, adding that figure was being negated along with an additional smaller amount of the original 2010 budget.
- Mr. Bennett questioned whether the el nino weather pattern was projected to continue.
- Mr. Jackson replied he had not read any projections that far out; however, he would be watching for them.
- Mr. Fabian questioned why the annual projection was still above budget.
- Ms. Knippenberg agreed the annual projection had not been adjusted, adding it would be reflected in the March reports.
- Mr. Sabatino opined increased rates caused customers to cut back usage.
- Mr. Kessler suggested the capital projects be reviewed to determine whether any could be delayed.
- Ms. Knippenberg stated staff began the year needing \$11.9 million for projects; however, that figure was being reduced each month as bids came in or as projects were delayed, adding when staff presented the 2011 budget in the next few months, she would provide spreadsheets depicting the revenue flow and when financing would occur.

BUSINESS ITEMS

- None.

DISCUSSION ITEMS

- A. PRMRWSA Phase 1-A Pipeline
 - Mr. Jackson reported the Peace River Authority met with staff a couple of weeks ago and

indicated they had a tremendous surplus of water and when the pipelines were constructed, they had no intention of purchasing water from the City, and would not support the City's grant application to Southwest Florida Water Management District (SWFWMD). He stated SWFWMD had a cooperative funding mechanism which included taxes collected by the Peace River Basin Board, the Manasota Basin Board and the Governing Board, adding application was made to access those sums of money for projects that benefited the region. He stated approximately two years ago the City was granted funding for the ground water plant, adding the Phase IA pipeline would make the City a regional partner. He explained in 2005, the Peace River Manasota Regional Water Supply Authority (PRMRWSA) could not build facilities fast enough to meet the demands stated by their members who gave 7 year projections that put them running out of water in 2010 or 2011 without developing another source. He stated at that time, the City stated there would be additional water in Shell Creek with some minor modifications to the plant and that with construction of a pipeline, the City could make that water available to the region, adding the City expanded the plant from 8mg to 10 mg, which was funded with 50% grant funds. He stated that work was completed on schedule and was waiting on a pipeline, adding several proposals had been voted down. He stated all of this was based on PRMRWSA needing the City to become regional with the pipeline, adding the City had modified its permit to allow the City to sell them up to 2 mgd. He stated staff had learned a few weeks ago that the Authority had done their next major phase of expansion which took their plant to 48 mgd, adding they had constructed and filled a 6 billion gallon reservoir; however, their customers were not using water either and there was a surplus of water. He stated PRMRWSA had the power to authorize who received funding, adding they had publicly and privately announced they would not support the City's application for Governing Board funding. He stated members had likely heard City Council's reaction and outcry, adding this was similar to a beauty contest where one of the contestants was the chief judge. He stated SWFWMD had no permit issues with the City's project, adding staff would be meeting with the senior funding people tomorrow to make a case for same.

- Mr. Sabatino inquired if it would be appropriate for the City to withdraw its support of the interconnect project, questioning if the City should delay the RO project until it was able to qualify for the 50% grant funding. He opined it might be useful to hold a workshop to discuss these matters. He then suggested all of the utilities within SWFWMD should collectively request the restrictions be lifted, reiterating he did not see any point in pursuing the interconnect or the RO plant. He stated he would like to see the State Authorities try to enforce something when their own regulators weren't

supporting something they were trying to do, opining the City may have a few more bargaining chips than they realized; however, it was necessary to move forward in a judicious manner.

- Mr. Jackson reminded members the City was under an administrative order by the Department of Environmental Protection (DEP) to solve the TDS problem by 2011; otherwise, the City would be subjected to daily fines and possible enforcement action, adding if it was not for that fact, the Board would not be having this discussion because staff would have long before now come to UAB and said this makes no sense at this time. He stated the 2 mg was not additional capacity due to the loss of the ASRs. He clarified they were replacing one source for another of a higher quality treatment. He disagreed that the pipeline should be delayed since that was the key to future funding, reiterating the City had to be a regional partner in order to qualify for SWFWMD funding. He stated the interconnect might evolve into something else, such as an emergency interconnect, which was how it started out, reiterating that pipeline should not be put on hold and would serve the City well sometime in the future. He stated he understood Councilmembers' apprehension that having the pipeline would give SWFWMD a reason to reject City projects and force the utility to purchase water; however, that was not the attitude being projected by SWFWMD at this time.
- Mr. Fabian inquired if receiving water from across the river would resolve the TDS problem.
- Mr. Jackson replied in the negative.
- Mr. Bennett inquired as to the status of North Port.
- Mr. Jackson replied they were approximately one year ahead of the City, adding staff communicated with them on a regular basis because they were doing similar projects. He then stated the preliminary design report would be completed early in April, 2010; therefore, he would have more information on the cost with and without funding.
- Mr. Weiler stated Charlotte County's TDS was higher than the City's, adding he was uncertain if that helped the City in any way.
- Mr. Jackson replied affirmatively, stating SWFWMD had requested a water balance for blending water as part of the application.
- Mr. Weiler questioned if there was anything less than an RO that the City could do such as membrane filtration.
- Mr. Jackson replied staff had requested the consultant to look at reaching the goal in the most cost effective way.
- Mr. Fabian inquired if the neighbor to the south had been taken off water restrictions.
- Mr. Jackson replied affirmatively, confirming they were in another district with a

different ecology and geology.

- Mr. Kessler reiterated the capital projects should be reviewed to see if any could be delayed.
- Mr. Jackson stated staff would begin developing the CIP tomorrow, adding same would be reviewed by the Board.
- Mr. Sabatino asserted from a strategic standpoint, it was necessary to proceed on multiple fronts, adding those were some of the things the City had more control over and should be done immediately. He asserted some of the problems the City was having were regionally generated, opining more dialogue needed to take place at the State level. He inquired if it was realistic to expect the Environmental Protection Agency to try to enforce something that another agency was discouraging municipalities to do.
- Mr. Jackson recalled he had provided members with a copy of the TDS memorandum, adding staff was instructed by City Council to send that memorandum to the Legislative Delegation. He stated he had drafted a letter for the Mayor's signature pointing out how critical an issue this was and what the impact was in terms of dollars.
- Mr. Dauster asked Mr. Jackson to comment on the interconnect.
- Mr. Jackson explained the difference between the Phase I and Phase IA pipelines, noting the Phase I pipeline project had been terminated. He stated the Phase IA pipeline which would cross Shell Creek just east of the City and tap into the City's system with a tank, adding that tank could be filled by the City for the County to pump it north into their distribution system. He stated rather than being a plant to plant connection, it was tying distribution systems together, which could be more problematic, adding the Phase IA pipeline was being sent out to bid. He stated staff had preferred the Phase I pipeline since it was cheaper and was easier to operate. He reiterated staff was meeting with SWFWMD representatives the following day, adding he would provide the Board with a summary afterwards.
- Mr. Fabian confirmed the City had signed an interlocal agreement for the Phase IA pipeline which gave them control over the sale of water.
- Mr. Sabatino stated staff had the optimum leverage right now, asserting in 30 days they would not have that if they proceeded with the current timetable. He stated Charlotte County had negotiated a more favorable agreement with the Regional Water Board, suggesting the City do the same; however, it had to be done in the next couple of weeks.
- Mr. Jackson agreed Charlotte County had been effective at negotiating a different pipeline and trading that for funding dollars.
- Mr. Dauster questioned how to get SWFWMD to release the watering restrictions so that

the City could sell some of the excess water going over the dam.

- Mr. Jackson replied it was necessary to write the Governing Board, adding SWFWMD staff had recommended lifting the watering restrictions; however, the Governing Board had ignored that recommendation.
- Mr. Sabatino MOVED, Mr. Carroll SECONDED recommending a letter be sent to City Council within the next 48 hours which included all of the points that could potentially be used to negotiate the situation and to suggest moving forward on multiple fronts at the same time while the ability to influence the situation was present.
- Mr. Dauster inquired if City Council was aware of the situation.
- Mr. Jackson replied affirmatively, adding the City Manager kept them abreast of items.
- Mr. Sabatino interjected there was no downside to sending the letter, adding he had not heard any objections to doing so.
- Mr. Dauster asked if Mr. Sabatino was willing to draft the letter.
- Mr. Sabatino replied he would draft an outline for the Chairperson, adding it would emphasize the importance the UAB placed on the issue. He stated it would impact the ratepayers for the next ten years and the Board could not sit idle.
- Mr. Dauster stated he felt members should review the letter after it was drafted.
- Mr. Jackson opined members were in agreement on the bulleted points.
- Mr. Kessler suggested writing a letter to the Governing Board asking that the restrictions be lifted.
- MOTION CARRIED UNANIMOUSLY.

NOTE: Mr. Bennett left the meeting at 10:22 a.m.

- Mr. Fabian requested members be copied on the letter.
- Mr. Sabatino questioned the status of the discussion on the galvanized fitting and a notification process for residents.
- Mr. Jackson stated he was still working on same.
- Mr. Sabatino stated the issue would be carried over to the next meeting.
- Mr. Weiler stated with regard to the I&I study, if the numbers were based on the previous year's rainfall, it would be 376 mg; however, the total was only 697 mg total. He contended while it may be conservative, more than half of the flows were I&I. He stated the operating numbers equated to \$5.80 per thousand totaling \$2.4 million, opining it was likely higher than that as those were savings. He maintained same should be considered when the CIP was developed.
- Mr. Jackson stated the City currently budgeted \$300,000; however, he was being asked to save money.
- Mr. Weiler stated he was looking for ways to save money rather than suggesting more

money be spent. He asserted more than half of the waste water being treated was ground water and rainfall, adding it was pretty basic math. He acknowledged it was not a cheap thing to fix, adding the plant capacity was over 50%. He suggested the consultant respond, adding he was making it more simplistic than it was. He stated it cost money to treat waste water.

- Mr. Jackson stated he was reluctant to ask the consultant to respond as that cost money, opining staff could work it out.
- Mr. Bill Bareither voiced concern with the requirement to have a backflow prevention device on his meter, adding he obtained an estimate of \$500. He questioned why this was not enforced when the building was constructed, asserting the City should have to correct their own problem by installing the meters on the water system; however, Mr. Jackson said it could not be done as it was too expensive. He suggested if the residents were going to be forced to pay, the City should increase water rates by \$1 or \$2 per month or some other payment plan.
- Mr. Jackson clarified it had been determined that Mr. Marither only had to move the one he had to the correct line.
- Mr. Marither agreed; however, he had a separate meter for the sprinklers and the pool, adding he had paid \$569 to make that change.

ADJOURNMENT

- Meeting Adjourned: 10:31 a.m.

John Dauster, Chairman

Karen Smith, Recording Secretary