

**UTILITY ADVISORY BOARD  
MEETING  
MONDAY, June 28, 2010**

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

**MEMBERS ABSENT:** Jeff Weiler

**OTHERS PRESENT:** Tom Jackson, Utilities Director  
Steve Adams, Engineering Manager  
Sharon Knippenberg, Controller  
Steve Leonard, Utilities Department

**CALL TO ORDER/ANNOUNCEMENTS**

- A. Roll Call
- B. Next Scheduled Meeting - July 26, 2010
- Mr. Sabatino stated he would not be available for the July meeting.

**APPROVAL OF MINUTES**

- A. Regular Meeting - May 24, 2010
- Mr. Sabatino MOVED, Mr. Bennett SECONDED approval. MOTION CARRIED UNANIMOUSLY.

**STATUS REPORT**

**Note: Item 3.A. was heard after Item 5.A.**

- A. Utility Operational Data
- Mr. Tom Jackson reported according to the United States Geological Survey (USGS), the reservoir was 5.65 feet mean sea level (msl), which was greater than 500 million gallons (mg) of flow over the spillway. He displayed a graph of Shell Creek Reservoir Levels, as delineated in the agenda materials, briefly reviewing same, reporting the levels were well above the 40 year average. He drew members' attention to the Utility Operational Data for May 2010, as delineated in the agenda materials, briefly reviewing the monthly totals. He reported May had been a dry month compared to past years, noting 10.5 mg had been recovered from the Aquifer Storage Recovery (ASR) wells to mitigate some algae and other issues. He stated there had only been 1 inch of rain in May compared to the 40 year average of 3.2 inches; however, the total rainfall was currently at 118% of average, opining the drought was ending or had ended. He speculated the Southwest Florida Water Management District (SWFWMD) would lift the watering restrictions at their next meeting.

- Mr. Fabian opined the running average of raw water figure was incorrect.
- Mr. Jackson countered the figures were correct, explaining how the numbers were averaged.
- Mr. Bennett confirmed the current Total Dissolved Solids (TDS) was 515, estimating the water hardness was 14. He inquired how many months of each year the City's water was in jeopardy with TDS.
- Mr. Jackson explained it was not a simple inverse proportion, adding immediately following a long dry spell, agricultural irrigation would wash into the reservoir with the first rain of the season. He stated in normal rainfall years, there were 4 months during which TDS was problematic, adding during drought years, it could be as much as 9 or 10 months. He then announced according to staff's research, water hardness was currently 13.

B. Capital Project Data Sheet – Priority Efforts

- Mr. Sabatino inquired if the City would realize some savings on the Burnt Store Road project.
- Mr. Adams replied the final contract awarded came in below estimate.
- Mr. Sabatino commented the savings were not reflected on the data sheet.
- Mr. Adams advised that figure would remain unchanged for now due to uncertainties at this early stage of the project.
- Mr. Fabian inquired as to the number of phases for the Charlotte Park project.
- Mr. Jackson replied there were 2 phases, adding phase 1 was complete; however, phase 2 would not begin until a thorough evaluation of phase 1 had been conducted.
- Mr. Sabatino observed updates were not provided on some of the projects, such as Piper Road and Aqui Esta.
- Mr. Jackson stated he could include updates indicating there was nothing new to report.
- Mr. Fabian inquired if Hendrickson Dam would be completed on schedule in August.
- Mr. Jackson replied affirmatively.
- Mr. Fabian requested a tour of the facility when it was completed.

C. City Council Action on Utilities Agenda Status

- Mr. Dauster confirmed there were no questions.

**Note: Item 3.D. was heard prior to Item 3.A.**

D. Utility Fund Balance

- Ms. Sharon Knippenberg drew members' attention to the financial reports included in the agenda packet, briefly reviewing Revenue & Expenses as of May 31, 2010, noting although monthly revenues continued to be less than budgeted, they had stabilized; thus, staff had not further decreased the revenue projection. She reviewed the detail of

water and sewer billings, noting there had been decreases in water billings; however sewer billings were on track. She displayed the monthly comparison of water revenues FY06 to FY10, briefly reviewing same, stating the current projection would be the final projection for the year. She displayed the Utilities OM&R fund information, briefly reviewing same, concluding the figures had not changed.

#### DISCUSSION ITEMS

##### A. FY2010/2011 Budget

- Ms. Knippenberg drew members' attention to the Capital Improvements Program (CIP) data, as delineated in the agenda materials.
- Mr. Jackson explained the five-year CIP had been streamlined to include only necessary programs and projects. He offered to answer questions.
- Mr. Fabian inquired as to the utility relocation item budgeted at \$20,000 per year.
- Mr. Jackson replied same was for relocating water lines during construction projects such as road work, clarifying same was not tied to a specific project.
- Mr. Sabatino commented some project costs were less than projected, inquiring if any projects could be moved up without changing the Utility's financial situation.
- Mr. Jackson replied those issues were discussed on a regular basis due to the sensitivity of cash flow; however, he was not aware of any projects that could be moved up at this time, advising it might be necessary to delay certain projects to allow for borrowing for the Reverse Osmosis (RO) plant. He then drew members' attention to the Utilities OM&R Fund Departmental Expenses, as delineated in the agenda materials, stating almost every division had reduced labor costs. He explained staff was still evaluating the needs of the wastewater plant, stressing it was necessary to maintain sufficient operator staffing; however, he did not wish to contract out those positions as that would be costly. He stated the cost of chemicals had increased and had exceeded what had been budgeted, advising some unexpected capital expenses had been incurred, including the replacement of a large blower at the water plant. He stated costs had increased in four areas, including non-departmental, billing & collections, the Water Plant (WP) and the Waste Water Treatment Plant (WWTP), noting 78% of the increase was non-departmental, which staff could not control.
- Mr. Dauster inquired what had caused the non-departmental debt service in the projected budget for FY 2011 to increase by \$500,000.
- Ms. Knippenberg explained debt service was now being paid for more with user fees than impact fees, adding at the beginning of 2010, staff estimated it would be necessary to finance \$11 million worth of capital projects; however, incurring new debt had been postponed. She stated although staff had budgeted to pay for debt service,

the projection did not include same, clarifying the correct debt service figure was \$360,000 rather than \$500,000. She stated a portion of the \$2.322 million debt service was for the force main project as well as the design work for the RO Plant. She stated the \$2.860 million debt service projected for 2011 was based on financing the first phase of the RO Plant as well as the other projects budgeted for that year.

- Mr. Sabatino inquired as to the amount for the RO plant.
- Ms. Knippenberg replied \$278,095 was for the design work and the beginning of the construction, adding \$334,419 was for other projects. She explained \$2.2 million was existing debt. She reported administrative charges had increased to approximately \$2.2 million for the next year, adding same was a dynamic number and represented an overall cost for all staffing services. She pointed out capital projects had not been included in the administrative charge calculation in the past; however, that was now being included.
- Mr. Fabian inquired if Information Technology (IT) costs were included in the administrative charge.
- Ms. Knippenberg replied affirmatively.
- Mr. Fabian voiced concern the utility administrative costs continued to increase.
- Ms. Knippenberg stated the administrative cost had decreased in 2009 and 2010; however, it had increased in 2011 due to the additional \$3 million in operating costs.
- Mr. Fabian inquired whether Police and Fire were part of the administrative charge.
- Ms. Knippenberg replied in the negative.
- Mr. Sabatino inquired if there was anything that could be done that was not being done.
- Mr. Jackson replied staff closely monitored non-departmental charges, pointing out all departments had reduced their budget at the direction of the City Manager. He stated operationally, labor at the WP was dangerously low for properly maintaining the facility, adding it would be necessary to remedy that in the 2011 budget and subsequent years. He pointed out the plant was 40 years old and became more difficult to maintain every year due to its age, reiterating staff was always looking at opportunities to save money, such as more efficient, cost saving ways to read meters.
- Mr. Dauster inquired how the RO plant would shape the budgetary process if the project was delayed.
- Ms. Knippenberg replied the 3% increase planned for FY 2011 would allow operations to continue for the next 4 years without rate increases, pointing out the five year CIP did not include the RO Plant. She stated in 2015 staff would be considering a 5 ½% rate increase, since by that time reserves would have been drawn down to an unacceptable level, adding although the depleted reserves might be called into question, staff could

demonstrate they had always been intended to be used to mitigate and cushion rate increases.

- Mr. Fabian inquired how much had been spent on the RO Plant to date.
- Mr. Steve Adams replied the purchase order with Tetra Tech in the amount of \$1.2 million was for the Preliminary Design Report (PDR) for the phase 1 effort as well as permitting for a ground water source supply and deep injection well, reporting 50% of those funds had been used to date. He stated the remaining funds would be used for an on-site, exploratory ground water well, adding hydrologic testing would be necessary to demonstrate to SWFMWD that the design of the well was correct.
- Mr. Dauster inquired if there was sufficient power at the site location to run an RO plant.
- Mr. Adams replied the facilities on Washington Loop were sufficient to meet the City's needs; however, a transformer system and distribution panel would need to be installed.
- Mr. Sabatino opined it had been unnecessary for 3 Tetra Tech staff to come to the meeting for a 12 minute presentation, asserting for the level of detail provided, one person would have been sufficient and more cost effective.
- Ms. Knippenberg completed reviewing the budget information. She pointed out staff had been able to spend less on capital; however, a larger capital expenditure figure to maintain the plant would be included in the five year pro forma. She then stated staff was proposing to use operating reserves to fund the negative operating expenses figure, concluding the cuts that had been approved were helping to close the gap between revenues and expenses.

**Note: Item 5.B. was heard after Item 3.C.**

**B. Backflow Preventer & Maintenance Requirements**

- Mr. Jackson drew members' attention to the Florida Administrative Code Rule provided in the agenda packet, noting he had previously emailed Board members in order to provide some clarification on the issue of backflow prevention. He explained backflow prevention was required in residential areas, adding every utility was required to perform hazard assessment. He stated staff was close to completing a hazard assessment, adding he was also awaiting the Department of Environmental Protection's (DEP) policy memorandum on this issue; however, it was uncertain when that would be forthcoming. He stated all of the information would be presented to the Board when it was available, adding options would also be presented at that time. He reported the City of North Port was several months ahead with their process, adding they had related some of their experiences to City staff, which was helpful. He stated the initial installation of the most complicated device was approximately \$100 to \$200, adding the City could possibly negotiate a favorable price for same. He stated by law, the

devices had to be certified, adding that process had caused some confusion. He explained the City's commercial customers had been sent a letter regarding meeting the standard, noting a few residential customers had received letters in error; however, those residents had been contacted again to explain the error.

- Discussion ensued regarding backflow prevention.
- Mr. Dauster inquired whether it was possible DEP's rule would never be finalized.
- Mr. Jackson replied at some point, DEP would have to decide how to handle residential cross connections, pointing out building permits being issued under the new plumbing code required that backflow preventers be installed.

#### C. Emergency Contact Information

- Mr. Jackson distributed the text that would soon replace the existing information on the City's website, as delineated in the agenda materials, noting he had been working with IT staff on the technical aspects of the phone lines. He clarified the new information was effective immediately.

#### D I&I Costs

- Mr. Steve Leonard displayed the Wastewater Inflow Cost Evaluation, as delineated in the agenda packet, briefly reviewing same. He stated the cost per thousand gallons of treated water varied with the flow, explaining with greater flow, the cost was less per thousand gallons because labor and electricity were such large cost components. He stated that became more obvious when the annual budget of \$6.19 per thousand, which was collection and waste water added together, was compared to the incremental cost over and above that. He stated disinfection chlorine was a flow proportional chemical, noting more chlorine was used when it rained. He stated hydrogen peroxide, the odor control chemical, was inversely flow proportional, and cost \$4 per gallon, adding 250 gallons were used per day; however, staff could turn that chemical off during heavier rains because of the freshness of the water. He reported \$280,000 was budgeted annually for odor control chemicals, adding \$11,000 was spent on chlorine. He stated staff had reviewed 2 years worth of plant data and compared the months to determine how much more it cost during the rainy season, adding it was independent of flow. He explained when water entered the main plant, it was subject to gravity flow; however, water had to be pumped down the deep injection well. He stated during periods of high flow, the water was allowed to overflow to the pond, adding during lower flow periods, it was then pumped from the pond back to the plant. He stated the highest month of operations of the pond return pump station had been included in the evaluation, adding the annual cost for electricity for the WWTP was approximately \$390,000; however, that included the Master Pumping Facility (MPF) and Booster Pumping Facility (BPF), which

were also flow affected. He stated the monthly cost for the plant fluctuated \$2,000 to \$3,000 per month; however, there was no correlation with flow, adding the MPF and BPF and the pond return station definitely correlated with flow. He stated in March 2009, the cost of electricity was \$342,000 with less than an inch of rain; however, in March 2010, \$345,000 was spent with ten inches of rain. He stated flow was 57 mg versus 82 mg, adding when that was broken down into the cost per thousand gallons treated, it was \$0.135 per thousand. He stated according to his calculations, the total cost to treat the water for the month of March was \$3,292; however, he believed that number was low. He stated it cost \$6.19 on an annual average to treat the water, which was calculated by dividing the budget by the amount of last year's flow. He stated he was unsure how that additional water could be treated for \$0.135.

- Mr. Jackson likened it to driving a truck, adding most of the energy and money was spent getting the truck up to 40 miles per hour. He stated he did not spend 50% more to increase the speed to 60 mph. He stated since the plant was already going 40 mph, the costs were not going to be linear in magnitude but rather linear in water treated. He stated Mr. Weiler was concerned about the City pushing up against the upper limit of the treatment capacity and it becoming necessary to expand the plant; however, the City was only at 50% capacity. He stated approximately \$400,000 was expended annually repairing the major components of inflow and infiltration in order to maintain the system and preventing it from deteriorating further. He stated each year was a new year as it was a constant cycle of evaluation and repair, concluding he would not suggest expending an additional \$400,000 in order to save \$3,000.

#### **PUBLIC COMMENTS**

- None.

#### **MEMBER COMMENTS**

- Mr. Fabian commented it was necessary to be careful about requesting staff to spend too much time on those types of issues, pointing out the department was short staffed.
- Mr. Sabatino stated there were areas near Madrid and Tripoli that had a foot or more of standing water after a heavy rainfall, questioning the status of Public Works' repairs in that area.
- Mr. Jackson replied he would pass that on to Mr. Rick Keeney, Public Works Director.
- Mr. Sabatino questioned what types of safeguards were put in place in response to the issue of scrap metal being sold by employees.
- Mr. Jackson replied an investigation was conducted and the appropriate disciplinary measures were taken, adding a clear policy and procedure had been established. He stated the Procurement Division was requesting bids from vendors to pick up the scrap

from a secure location at the City.

**ADJOURNMENT**

- Meeting Adjourned: 12:02 p.m.

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John Dauster, Chairman

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Karen Smith, Recording Secretary