

**UTILITY ADVISORY BOARD
MEETING
SEPTEMBER 28, 2009**

MEMBERS PRESENT: Joseph Sabatino, Chairman
Thomas Carroll, John Dauster,
Thomas Kessler, Jeff Weiler

MEMBERS ABSENT: Howard Bennett, Steve Fabian

OTHERS PRESENT: Tom Jackson, Utilities Director
Steve Leonard, Senior Project Manager
Sharon Knippenberg, Controller
Ed McCampbell, Operations Manager
Steve Adams, Engineering Manager

CALL TO ORDER/ANNOUNCEMENTS

- A. Roll Call
- B. Next Scheduled Meeting - October 26, 2009

APPROVAL OF MINUTES

- A. Regular Meeting of August 24, 2009
 - Mr. Weiler noted page 8 of the minutes specified the Board was asking for additional time to evaluate the Groundwater Reverse Osmosis (RO) agreement with Tetra Tec; however, the agreement had already been approved by City Council.
 - Mr. Sabatino expressed concern regarding same, suggesting the issue be addressed under Business Items.
 - Mr. Dauster MOVED, Mr. Carroll SECONDED approval of the August 24, 2009 minutes. MOTION CARRIED UNANIMOUSLY.

STATUS REPORT

- A. Utility Operational Data
 - Mr. Tom Jackson, Utilities Director, displayed the United States Geological Survey (USGS) graph of the reservoir, as delineated in the agenda material, reporting the reservoir level was 5.5 feet mean sea level (msl), which equated to 375.19 million gallons (mg) of flow over the spillway per day. He stated raw chlorides were low at 75 milligrams per liter (mpl), which was well below the maximum allowed of 250 mpl. He reported a cold front was expected in the next few days which could bring some additional rains to the watershed, announcing the reservoir was in great condition. He reported 139 mg had been injected into the Aquifer Storage & Recovery (ASR) wells as of this date, noting the consultant's recommended target was 200 mg.

- Mr. Dauster recalled a previous discussion regarding an arsenic problem in the ASR well.
 - Mr. Jackson clarified the arsenic was in the monitoring well rather than the ASR well, pointing out staff checked arsenic levels in the recovered water on a weekly basis. He continued by displaying the Shell Creek Reservoir level graph, as delineated in the agenda packet, announcing the level had exceeded the 40 year average on several occasions.
 - Mr. Sabatino opined rainfall levels for September 2009 would dramatically surpass the September 2008 level, reducing the water deficit.
 - Mr. Jackson displayed the Operational Data for August 2009, as delineated within the agenda material, reporting the following: 162.995 mg of raw water had been treated, with a peak day of 6.2 mg; 59.8 mg had been stored in the ASR system; water to town was 100.736 mg, with an average of 3.25 mg per day; wastewater flows were 60.76 mg, with an average day of 1.96 mg. He noted August 2009 rainfalls exceeded the average, and reported rainfall was approximately 83% of normal levels.
- B. Capital Project Data Sheet - Priority Efforts
- Mr. Kessler opined a cover sheet for each of the capital projects would be helpful in summarizing the data for the Board's review.
 - Mr. Steve Leonard, Senior Project Manager, displayed a cover sheet he had created for the Board, explaining same included approximate start and end dates, cost estimates and current activities.
 - Mr. Carroll suggested including the status of the project schedule.
 - Mr. Sabatino opined the cover sheet was a good start; however, it did not address whether total capital expenditures were over or under budget as a planning informational tool.
 - Mr. Leonard explained it combined the five year Capital Improvement Program (CIP), inquiring if the Board desired a breakdown by year and/or by project. He pointed out many projects were financed by debt servicing, without funding to move to other areas.
 - Ms. Sharon Knippenberg, Controller, interjected staff was now able to delineate specific projects by year, offering to supplement the Utilities Department timelines with financial data.
 - Mr. Kessler opined the Board's responsibility was to advise City Council of any difficulties with utility projects, expressing his desire for a method of detecting any early indicators of budget problems. He suggested a quarterly or semi-annual review of the five year CIP.

- Ms. Knippenberg displayed a Utilities Construction Fund Proforma Schedule of Revenues and Expenses, as delineated within the agenda material, providing a brief explanation of same. She announced this information would be disseminated to members on a quarterly basis, advising internal controls were in place to ensure all projects were within budget.
- Mr. Sabatino expressed a desire to avoid micromanagement, requesting the Board be advised if a project ran into difficulties.
- Ms. Knippenberg advised the information would be tracked by account number rather than by project in order to provide a more manageable quantity of numbers; however, problems could be noted. She opined the key to an advance warning system as staff's observance of any over budgeted item prior to issuance of a purchase order.
- Mr. Kessler suggested a combined analysis of financial and technical aspects be provided to members.
- Ms. Knippenberg acknowledged an executive summary could be provided on a fiscal year basis.
- Mr. Leonard offered to provide members with an overall summary once a project reached 85% completion, detailing funds originally budgeted, expenses to date and any anticipated additional expenses. He added the Board would specifically be consulted in the event any project was over or under budget.
- Mr. Sabatino stated he would appreciate the information as long as the data could be easily manipulated without creating an additional workload for staff.
- Ms. Knippenberg reminded members all information discussed this date was contained in the budget book and on the City's website. She referred to the Schedule of Debt Service, as delineated within the agenda material, pointing out the amounts to be financed in years 2010 through 2013 were \$14,600,000, \$7,600,000, \$7,300,000 and \$8,500,000, respectively. She added projects which came in under budget would help alleviate the extensive financing as stated.
- Mr. Sabatino contended interest rates were at a historic low, suggesting it might be appealing to finance projects being contemplated within the next year or two.
Ms. Knippenberg explained the market was currently not favorable for municipal bonds.
- Mr. Carroll suggested it might be advantageous to borrow money when construction costs were low.
- Mr. Weiler reiterated the Board should have reviewed the RO contract before City Council approved same.

- Mr. Jackson explained he advised the City Manager of the Board's concerns; however, the contract had already been included on the City Council agenda by that time, adding the City Manager's opinion was the Board's concerns were specific to the contract language; thus, he requested the Procurement Division Manager provide a response to same for City Council's review.
- Mr. Sabatino requested the Board be advised via electronic mail when these situations occurred in the future, expressing disagreement with the City Manager's opinion. He asserted the contract language was not boilerplate, stressing the Board was displeased with not having the opportunity to express their concerns to City Council.
- Mr. Weiler confirmed City Council could approve the contract regardless of the Board's input.
- Mr. Jackson stated he would attempt to avoid this situation in the future; however, should it occur, he would notify members of same in advance. He pointed out Mr. Fabian had attended that specific City Council meeting, adding that was an appropriate time for members to raise any concerns for discussion.
- Mr. Carroll opined this was another example of a breakdown in the process of the Board fulfilling its role of making recommendations to City Council, asserting there should be a process in place which was understood by all parties, including the City Manager. He explained the Punta Gorda Isles (PGI) Canal Maintenance Advisory Committee (CMAC) had a process for representing their interests to City Council.
- Mr. Jackson concluded he would relay the Board's concerns to the City Manager.

Note: Business Items were heard prior to Items C and D.

C. City Council Action on Utilities Agenda Status

- Mr. Jackson announced a discussion would be added to the Board's October 2009 agenda subsequent to City Council approving the cost analysis on fluoridation.
- Mr. Carroll opined it made more sense to determine if fluoride was desired prior to expending funds on a cost analysis.
- Mr. Jackson concurred, stressing the philosophical issue should preclude engineering and financial concerns.
- Mr. Sabatino questioned the cost of the analysis.
- Mr. Jackson replied between \$30,000 and \$50,000, explaining it was necessary to evaluate the current levels of fluoride in the system as well as to size pumps, dosing units and storage tanks. He stated he wished to provide the best estimate possible.

D. Utility Fund Balance

- Ms. Knippenberg announced revenues received to date were greater than projected, opining the year end figures would be positive; however, staff was concerned in that

several projects were not yet completed and had thus requested funds be carried over to the following year. She stated after all vendors' invoices had been received, Finance Department staff could determine whether it was possible to carry forward those funds, adding same required approval by the City Manager.

- Mr. Dauster inquired whether the City maintained a minimum reserve, noting the operating reserve was being reduced by \$200,000 on the annual projection.
- Ms. Knippenberg explained the City's policy was to reserve 5% of operating expenditures or 5% of revenues; however, for the Utilities Department, staff preferred to reserve a 3 to 6 month cash flow needed for operating expenses, advising the current \$4 million reserve exceeded same.
- Mr. Sabatino opined it was necessary to keep rate increases in mind, adding if a certain comfort level was reached, it might be possible to modify proposed rate increases.
- Ms. Knippenberg advised carryovers required extensive explanations before being approved.
- Mr. Jackson advised when staff attempted to complete projects early, it was likely due to a resulting cost savings.
- Mr. Knippenberg stated staff's most critical concern was the financial strength of the utility when going to market a bond, explaining Moody's Investors Service had reviewed the City's A1 bond rating and would be issuing the revised rating shortly.
- Discussion ensued regarding the bond rating system.

Note: Business Items were heard prior to Items C and D, Status Report.

BUSINESS ITEMS

- Mr. Weiler reiterated his earlier comment regarding his understanding the Board would have been provided additional time for further review of the Tetra Tech contract.
- Mr. Jackson reiterated the Board's concerns had been relayed to the City Manager; however, the subject item had already been placed on City Council's agenda. He stated the issues raised by the Board were related to the boilerplate, adding their concerns would be referred to Councilmembers by the Procurement Division.
- Mr. Sabatino suggested electronic mail advising members of same should have been provided in order for them to consider attending the City Council meeting. He contended one of the issues was a contractual dollar amount specified in the agreement, expressing displeasure in not having the opportunity to relay their concerns.
- Mr. Jackson apologized for same, declaring the Board would be notified immediately if a similar event occurred in the future so as to allow members to directly address City Council. He noted Mr. Fabian was in attendance at that Council meeting.

- Mr. Carroll opined the process of being an advisory board to City Council had faltered in this case.

DISCUSSION ITEMS

- Mr. Jackson announced the area would soon be experiencing cooler weather. He mentioned information regarding fluorides would be provided to the Board at their next meeting.

MEMBER COMMENTS

- Mr. Dauster asked if staff felt it would be appropriate to invite Mr. Michael Markgraf, local dentist, to the Board's next meeting in light of the above mentioned fluoride issue.
- Mr. Jackson replied Mr. Markgraf was certainly welcome. He explained the discussion would focus on cost findings.
- Mr. Sabatino noted he would be seeing Mr. Markgraf this date, offering to extend an invitation. He thanked the Utilities Department for their donation of water, coolers and ice to a recent event of the St. Vincent De Paul organization.

ADJOURNMENT

- Meeting Adjourned: 10:04 a.m.

Joseph Sabatino, Chairman

Karen Smith, Recording Secretary