

**UTILITY ADVISORY BOARD  
MEETING  
March 28, 2011**

**MEMBERS PRESENT:** John Dauster, Chairman  
Steve Fabian, Frank Mazur,  
Terry Miller, Joe Sabatino

**MEMBERS ABSENT:** Howard Bennett, James Hoffman

**OTHERS PRESENT:** Tom Jackson, Utilities Director  
Steve Adams, Engineering Manager  
Steve Leonard, Senior Project Manager  
Sharon Knippenberg, Controller  
Councilmember Rachel Keesling

**CALL TO ORDER/ANNOUNCEMENTS**

- A. Roll Call
- Mr. Dauster announced Mr. Bennett had a medical emergency and could not attend the meeting.
- B. Next Scheduled Meeting
1. April 25, 2011

**APPROVAL OF MINUTES**

- A. Regular Meeting - February 28, 2011
- Mr. Sabatino MOVED, Mr. Fabian SECONDED approval of the minutes. MOTION CARRIED UNANIMOUSLY.

**REPORTS**

- A. Utility Operational Data
- Mr. Jackson displayed the United States Geological Survey (USGS) graph of the reservoir, as delineated in the agenda materials, reporting the current flow over the spillway was 5.22 feet above mean sea level (msl) which equated to approximately 131.5 million gallons per day (mgd). He reported raw chlorides were 174 milligrams per liter (mpl), noting same was normal for this time of year; however, the chlorides would be diluted by today's rainfall.
  - Mr. Dauster inquired if there was a minimum amount of water that needed to flow over the spillway to keep the salt water a certain distance from the dam.
  - Mr. Jackson replied the spillway itself was a salinity barrier, advising there was currently no requirement; however, the purpose of minimum flows and levels (MFLs) was to dilute salinity during the dry season. He then displayed the Shell Creek Reservoir Level graph, as delineated in the agenda packet, noting the current numbers were close to the 40 year average for the reservoir elevation and were normal. He

stated when the March 2011 data was included next month, the chart would look different due to today's rainfall. He displayed the Utility Operational Data for February 2011, as delineated in the agenda packet, briefly reviewing same, noting no Aquifer Storage and Recovery (ASR) water was recovered or injected during February, 2011.

- Mr. Dauster inquired as to the difference between a 3 month running and rolling average.
  - Mr. Jackson replied it was the same, adding he would correct the terminology and double check the calculations.
- B. City Council Action on Utilities Agenda Status
- Mr. Dauster stated Council's only action was appointing Mr. Mazur to the Utility Advisory Board (UAB).
- C. Capital Projects Data Sheets – Priority Efforts
- Mr. Steve Leonard provided an update on the Booster Pumping Facility (BPF) Relief Force Main project, noting construction had begun, adding although pipe was scheduled to be laid from the booster station from Henry Street to Golf Course Boulevard this date, the rain would delay that work. He stated a horizontal directional drill had been used to tunnel under the ditch at Henry Street with a jack and bore in order to push a 36" case under the road, explaining it was not easy to install a pipe 17 feet under the ground. He agreed to provide an updated completion date.
  - Mr. Fabian inquired if the City paid the railroad \$65,000 to tunnel under the railroad.
  - Mr. Steve Adams replied affirmatively, commenting no negotiating was permitted.
  - Mr. Dauster confirmed that payment was the City's share, inquiring how the City's portion of the cost was determined.
  - Mr. Adams explained those items were specified in the bid schedule, adding the City only paid for the work performed for its utilities.
  - Mr. Fabian inquired why the City was 71% complete for Piper Road but the County was 85% complete.
  - Mr. Adams responded the County had elected not to construct a 1200' stretch of road between Piper Road and Peace River Distributing, adding that represented 15% of the project; therefore, the percentages were skewed. He stated the City would be working on one small segment for another 30 days, and then all of the utility work that was being done at this time would be completed. He stated a new water main and a new force main had been constructed from Henry Street to the new Piper Road, adding it then converted back to the old lines at the Peace River location.
  - Mr. Fabian asserted he observed work taking place in front of Peace River, inquiring if that was now useless.

- Mr. Adams replied the County had decided to convert four lanes to two and direct traffic down to the existing Piper Road intersection, adding two years from now, the County would complete the remaining 1200' along with the intersection.
- D. Utility Fund Balance
  - Ms. Sharon Knippenberg displayed several graphs of financial data for February, 2011, reporting revenues were 45.5% with 41.75% of the year expired, explaining that equated to 111% of expected revenues. She noted sewer charges were more predictable, and were at 102% for the year. She stated staff expected to be approximately \$400,000 above the annual budgeted revenue at the end of March, 2011, adding the March report would be adjusted to reflect same. She reported expenditures and operating expenses were slightly below budget at 35.9%. She briefly reviewed the line item detail page for revenue types, noting inside revenues were exceeding budget while outside revenues were below budget. She commented the numbers were good and staff was cautiously optimistic about the budget; however, if conservation measures were taken, that could change quickly. She stated after reviewing the preliminary March figures, it appeared they were trending similar to the positive figures in January rather than the decreases experienced in the month of February, agreeing that was likely due to the lack of rainfall during March.
  - Mr. Mazur inquired as to the \$400,000 difference.
  - Ms. Knippenberg replied it was predominantly due to dry weather and the lifting of the watering restrictions.
  - Mr. Mazur inquired if this reflected any impact on annexation.
  - Ms. Knippenberg responded annexation was hard to pinpoint, adding she would have to look at the specific meters. She stated annexations would typically occur in lower utilization areas, noting the heaviest water users were in Punta Gorda Isles. She stated the most recent annexations were already City utility customers, explaining the City could actually experience reduced revenues after an annexation since the user would no longer pay a surcharge for being outside the City limits.
  - Mr. Mazur inquired how many customers had signed up to pay their utility bill electronically.
  - Ms. Knippenberg replied a customer survey regarding same had been done, adding she would provide more information at the next meeting.
  - Mr. Dauster noted a pro forma had been included in the agenda materials, requesting staff review same.
  - Ms. Knippenberg displayed the pro forma, stating same included the rate increase that was implemented October 1st but no rate changes for the next 4 years, noting only

very small growth numbers had been included. She stated this was scenario 4 that had been discussed previously, adding earlier in the year it had not been clear whether the \$1 million loan to the construction fund should be a transfer or be included in the financing this year; however, it was clear now that it could be utilized and factors indicated staff should consider increasing that to \$2 million. She stated staff was still evaluating the numbers after modifying the revenue projection by \$400,000, adding when that was included in this pro forma along with the \$2 million and the reduction in debt service over the next 4 years, they would know whether it was appropriate. She stated staff was also waiting for the Bal Harbor Project bids to come in.

- Mr. Sabatino inquired if the proposed changes to the employee pension would have any affect on the utility budget.
- Ms. Knippenberg replied pro formas were not revised unless City Council directed staff to do so, adding the budget alternatives would soon be released to City Council and the City Manager would include same in his report. She stated Council would discuss the alternatives to balance the general fund at their April 6<sup>th</sup> meeting, adding any time decisions were made that impacted personnel and staffing, it affected all funds of the City. She stated after receiving guidance from Council, staff would be developing the draft budget during April and May and would know sometime after that point what the impacts would be.
- Mr. Fabian inquired if the 9.5% increase for pension included in the budget was the number being used across the board.
- Ms. Knippenberg replied that number was provided by the actuary for the general employees, noting the numbers for police and fire were even higher at more than 11%.

#### **NEW BUSINESS**

##### A. FY 2012 CIP

- Mr. Jackson displayed the 2012 Capital Improvement Program (CIP), as delineated in the agenda packet, noting City Council had requested the Board review same.
- Mr. Sabatino questioned whether the numbers reflected the trend of lower construction costs.
- Mr. Jackson replied in the negative, pointing out the only project that could be affected was the Bal Harbor bid, which closed in the next few weeks. He then began a line by line review of the CIP budget, beginning with the Water System, explaining some of the numbers were based on past estimates and could be adjusted if necessary; however, they were place holders for planning purposes. He stated \$25,000 was budgeted for the Water Use Permit Update/Reuse and was required once every five years, noting \$75,000 was budgeted for a Water & Wastewater Master Plan Update; however, if there

was not significant growth, this could be a much less intense effort and the figure could be reduced. He stated as a condition of the Water Use Permit the City was required to submit a Hydro Biological Monitoring Plan data intensive report every ten years, noting the next report was due in 2015 and \$50,000 was budgeted for same. He stated \$25,000 was budgeted in 2013 to hire an engineer to inspect the earthen portion of the Hendrickson dam that was south of the spillway that went to the water treatment plant and north of the spillway that extended north one half of a mile, noting this type of comprehensive inspection was done every 3 to 5 years and laid out what types of repair and maintenance activities were required. He stated City Council put the ground water plant on hold; however, there were three projects that were needed to upgrade and extend the life of the existing plant for another ten years, adding same included \$200,000 in 2013 for Supervisory Control and Data Access (Scada) hardware improvements, \$900,000 in 2016 for the Water Treatment Plant main generator and \$1 million in 2016 for a raw water pump station upgrade. He stated \$20,000 had been budgeted annually for small utility relocation projects, noting same were usually requested by Charlotte County or the Department of Transportation. He explained water main upgrade projects included \$300,000 annually for Charlotte Park as well as repairs to 2-inch water mains, noting Phase I of Charlotte Park had been completed. He stated other projects included \$100,000 annually for other water main renewal and replacements as needed, adding \$1.098 million was budgeted for a new 12" water main on Florida Street in 2014 to correct a weakness in the system; however, if there was no development in the area, that could be delayed. He stated \$700,000 had been budgeted for repair and replacement of an existing 6" asbestos line to a 12" water main on Airport Road to correct a hydraulic bottleneck. He reviewed the amounts budgeted annually for the Wastewater System, which included \$100,000 annually for gravity sewer replacements, \$200,000 annually for lift station renewal and replacement projects, \$100,000 each in 2014 for pumps at lift station 43 and an upgrade to lift station 61, \$100,000 in 2015 for an upgrade to lift station 62 and \$100,000 in 2016 for an upgrade to lift station 64.

- Mr. Adams displayed several photographs of a lift station, briefly explaining same, noting many lift station projects were completed in-house by staff, which brought a lot of value to the utility.
- Mr. Sabatino queried whether there was a difference in cost when projects were completed in-house.

- Mr. Adams replied projects cost less when completed by staff since the only charge was for materials, opining the cost for labor would be equal to an outside source; however, the quality and decision making process was better controlled.
- Mr. Mazur inquired if this could be used as an example to do a business case study for the Board next month.
- Mr. Jackson agreed.
- Mr. Sabatino stressed he did not want to spend a lot to come up with the answer.
- Mr. Mazur opined it should not be difficult to do.
- Mr. Fabian asserted it was necessary to include overhead.
- Mr. Jackson continued the review of the Wastewater System CIP, stating \$300,000 was budgeted annually for waste water collections system improvements, which was the inflow abatement program, adding \$100,000 was budgeted annually for force main projects. He stated other budgeted items included \$100,000 in 2015 for residual management, \$250,000 in 2013 and 2015 for tank coating for the master pumping facility and booster pumping facility respectively, \$40,000 in 2014 for renewal of the deep injection well permit, \$2,460,000 in 2012 for the final design to meet high level disinfection standards for water going into the deep injection well, \$120,000 in 2015 the deep injection well mechanical integrity test and \$75,000 for renewal of waste water treatment plant permit.
- Mr. Fabian asserted Vasco Street was in poor shape, adding he was told it was not being repaired because the utilities needed to be upgraded.
- Mr. Jackson countered Vasco was not on the list of street projects to be done.
- Mr. Fabian stated the total CIP for 2012 was \$3,680,000; however, the pro forma indicated \$7.7 million.
- Ms. Knippenberg explained that was due to \$3.6 million worth of projects being carried over from 2011 to 2012, noting that figure might decline when final bids were received.
- Mr. Dauster inquired if there were any projects in the CIP that could be moved up to take advantage of the favorable economic climate.
- Mr. Jackson responded he looked at it from the perspective of how long the project could be delayed to put off additional costs.
- Ms. Knippenberg replied it was necessary to consider whether timing of the replacement was appropriate and if financing was available, adding since current operating expenses exceeded current operating revenues, CIP projects would need to be financed. She stated because of the favorable reductions in estimated project costs due to the current economy, it was necessary to weigh those considerations, opining

this was a good time to look at each individual project and determine how long it could be delayed, especially since there were excess funds at this time and bidding was favorable. She stated staff would be working on the budget over the next two months, adding no decisions were expected this date.

- Mr. Dauster stated if City Council was open to considering that, it was worth spending some time discussing it; otherwise, it would be a waste of time.
- Ms. Knippenberg stated the Board had been invited by City Council to look at the current revenue structure, review the five year CIP and offer recommendations.
- Mr. Sabatino stated Council also requested the Board review the rate increase that was implemented last year, suggesting Mr. Jackson make recommendations to the Board about which projects could be moved up. He opined it would be easy to do a cost benefit analysis to see if a project was worth moving forward, adding rather than the advisory board doing that, he would rather have staff make a recommendation. He suggested there were a couple of years left to take advantage of the window of opportunity; however, five years might be a little more risky.
- Mr. Jackson stated staff would have a dollar value for the Bal Harbor project in the next few weeks. He stated it was necessary to have a final design for the filters before that could be bid, opining that would be completed in September or October. He stated he would take a look at the pump project and bring that back; however, he was not in favor of borrowing money to try to save money as staff could find out at the end of the repayment that more money had been paid than saved.
- Mr. Sabatino stated that was a valid concern; however, it might be more prudent to take advantage of a window of opportunity that would not exist in the future.
- Mr. Dauster questioned the cost of borrowing, noting municipal bonds were not paying well at this time.
- Ms. Knippenberg stated the Finance Director had suggested that given the magnitude of the amount that would be borrowed, it would be more favorable to borrow based on an agreement with the bank rather than issuing bonds, adding that would mean short term borrowing of 20 years or less, and preferably 10 or 15 due to the amount of interest paid beyond that point. She stated it was a complex issue, confirming members wanted to discuss the CIP again at the next meeting from a slightly different perspective than had been used in the past and to look at taking some opportunities that might be available right now.
- Mr. Mazur inquired as to the borrowing capacity.
- Ms. Knippenberg replied staff would provide some ratios at the next meeting.

### UNFINISHED BUSINESS

- Mr. Dauster inquired as to the status of the exemption.
- Mr. Jackson replied a draft exemption was in the Office of General Council for comments, adding staff had commented. He stated he would contact the DEP for an update, opining a final decision would be received this week.

### STAFF COMMENTS

- None.

### COMMITTEE/BOARD COMMENTS

- Mr. Mazur thanked staff for the tour of the facilities, inquiring where the maintenance garage appeared in the budget.
- Ms. Knippenberg replied fleet consisted only of one full-time mechanic and a part-time clerk and was a separate division on the expenditure side, adding same was included in miscellaneous under revenues as the total was now less than \$20,000. She advised most departments had obtained contracts for that type of work.
- Mr. Jackson explained fleet was only doing routine maintenance on cars and light trucks as well as some emergency road service. He stated the part-time clerk tracked the maintenance records for the police vehicles, which were serviced at Lincoln Mercury.
- Mr. Dauster recalled Mr. Hoffman had requested a discussion regarding the back flow valves.
- Mr. Jackson stated that would be discussed at the April meeting.

### CITIZENS' COMMENTS

- None.

### ADJOURNMENT

- Meeting Adjourned: 10:30 a.m.

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John Dauster, Chairman

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Karen Smith, Recording Secretary