

**UTILITY ADVISORY BOARD
MEETING
MONDAY, AUGUST 22, 2011**

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

MEMBERS ABSENT: James Hoffman, Frank Mazur

OTHERS PRESENT: Tom Jackson, Utilities Director
Steve Adams, Engineering Manager
Steve Leonard, Senior Project Manager
Sharon Knippenberg, Controller
Kristin Simeone, Finance Department
Councilmembers Keesling, Albers and Friedman
Councilmember Elect Carolyn Freeland
Terri Behling

CALL TO ORDER/ANNOUNCEMENTS

- A. Roll Call
- B. Next Scheduled Meeting
 - 1. September 26, 2011

APPROVAL OF MINUTES

- A. Regular Meeting - June 13, 2011
 - Mr. Sabatino MOVED, Mr. Fabian SECONDED approval. MOTION CARRIED UNANIMOUSLY.

NOTE: Item IV.A. was heard prior to Item III.A.

REPORTS

- 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 current flow over the spillway was 5.78 feet above mean sea level (msl) which equated to approximately 714.83 million gallons per day (mgd). He reported raw chlorides were very low at 102 milligrams per liter (mpl) due to the freshening of the water from the recent heavy rainfall, noting those numbers were close to the 40 year average and holding. He displayed the Utility Operational Data for July, 2011, as delineated in the agenda packet, briefly reviewing same, noting 7.9 mg had been recovered from the Aquifer Storage and Recovery (ASR) system. He stated the 40 year average rainfall for the month of July was 8.16 inches, adding the watershed had received 9.05 inches, which amounted to 79.6% of the historical total rainfall.

- Mr. Fabian questioned how the reservoir chart related to revenue.
 - Mr. Jackson replied the chart being displayed represented metered water from the plant, and the previous chart represented metered water at homes, advising flushing and other usages were not accounted for. He pointed out the billing data was not available until approximately 30 days after the usage.
 - Mr. Dauster inquired as to the total projected capacity for the ASR wells.
 - Mr. Jackson replied there was no such thing, explaining the ASR consultants had recommended storing approximately 200 mg per cycle in order to retain the maximum bubble and freshness; however, that number had been set as a target, and staff would not attempt to store water if it was not available. He stated the goal was to inject water with less than 500 Total Dissolved Solids (TDS) in the well in order to recover water with lower TDS; however, that was no longer an issue due to the variance.
 - Mr. Dauster questioned the projected amount stored.
 - Mr. Jackson replied in operational program 10, 154 million gallons (mg) had been injected and 92 mg had been recovered, reporting staff had begun injecting water down the well this month. He then displayed the Shell Creek Reservoir Level graph, as delineated in the agenda packet, noting the current numbers remained near the 40 year average. He stated depending on Hurricane Irene's path, the City could receive record rainfall in August. He recalled staff from the Southwest Florida Water Management District (SWFWMD) were the first to arrive at the City's water plant after Hurricane Charley to inquire as to the City's needs.
- B. City Council Action on Utilities Agenda Status
- Mr. Dauster confirmed there were no questions from members.
- C. Capital Projects Data Sheets – Priority Efforts
- Mr. Steve Leonard reported the Booster Pumping Facility (BPF) Relief Force Main went online last Thursday morning, noting there were a few start up issues to be resolved such as laying sod and pouring concrete around the valves. He confirmed the final budget was reflected in the report; however, there would be some minor reductions for materials not used. He point out the original budget included a land purchase that turned out to be unnecessary.
 - Mr. Dauster inquired as to the status of the Bal Harbor project.
 - Mr. Steve Adams replied on June 17, 2011, a purchase order was issued to the contractor, Stevens & Leighton, who began installing the force main on August 1st. He explained the difficulties involved with the first increment of the project, advising the contractor was currently ahead of schedule, and the anticipated completion date was

February 7, 2012. He stated the information was on the City's website and was updated every Wednesday.

- Mr. Sabatino inquired whether residents were concerned about sidewalks or driveways being disturbed and the responsibility for replacement of same.
- Mr. Adams responded extensive public outreach had been conducted a year prior to the project, and staff had met with many residents, adding all calls related to the project were being logged on an Excel spreadsheet; however, to date, there had been no difficulties with the expectation of receiving new sidewalks and/or driveways.
- Mr. Sabatino stated someone had mentioned an oil sheen on the water where they were driving the pilings for the new Burnt Store Road bridge.
- Mr. Adams stated he had not observed that particular pile driving; however, it was unusual to see any discharge in the water, explaining diesel fuel was injected into the hammer, which was a single cylinder diesel piston, causing it to fire.

D. Utility Fund Balance

- Ms. Kristin Simeone displayed several financial reports for July, 2011, reporting revenues were at 87.7% for the fiscal year with 83.3% of the year elapsed. She stated departmental operating expenses were under budget, adding capital expenses and debt service were almost fully spent due to the schedule of payments. She stated there had been one transfer for utility construction and one transfer was pending that would bring the total to \$2 million. She stated year-to-date water billings were at 114% and sewer billings were at 103%, adding for June and July, water revenues were \$138,000 over projected and sewer revenues were \$43,000 over.
- Mr. Fabian stated there were two months left in the budget year, questioning if the current annual projection of \$14 million would change.
- Ms. Simeone opined it would be slightly higher based on the June and July information. She then completed reviewing the monthly data, offering to answer questions.
- Mr. Fabian inquired if the 3% rate increase was included in the budget.
- Ms. Simeone replied affirmatively, opining the lifting of watering restrictions also resulted in additional revenue.

NEW BUSINESS

A. SWFWMD Update - Terri Behling

- Mr. Jackson introduced Ms. Terri Behling of SWFWMD.
- Ms. Behling provided a brief description of her experience with SWFWMD and an explanation of the organization's purpose, scope and territory. She explained there had been problems with appointments for the eight local Basin Boards, noting those Boards had now been sunsetted as they were considered an extra layer of unnecessary

government. She advised changes would occur to the cooperative funding program; however, SWFWMD was still committed to having a \$40 million cooperative fund for the next five or six years, adding new legislation had reduced that fund from the previous \$140 million by changing the cap from a millage rate basis to a maximum revenue collected basis. She stated SWFWMD was now capped at \$107 million per year, adding when property values went up, the organization would have to keep reducing their millage rate so they did not exceed the cap; thus, they would not be able to take advantage of growth. She stated the issue might be revisited during the next legislative session. She stated merging the Basin Boards into the Governing Board would save approximately \$350,000 annually, adding the Governing Board still needed to make a number of decisions on how to move forward with cooperative funding. She stated there was a concern that local input would be lost; however, the Governing Board was looking for local input, suggesting if a local committee was formed, the Governing Board member that represented the locality, Mr. Albert Joeger, could serve as a member of same. She stated that would benefit the Governing Board members who were not familiar with local projects as the Basin Board members were. She stated Mr. Dave Moore, SWFWMD Executive Director, had resigned and no replacement had been appointed as yet, adding the choice had been narrowed to two candidates, and a selection would likely be announced at the next meeting. She stated SWFWMD anticipated receiving input on the selection from the Governor's Office as well as the Florida Department of Environmental Protection (FDEP). She explained FDEP had hired two additional staff to coordinate state water policy development and to work closely with the water management districts. She stated SWFWMD's budget would now be reviewed by FDEP in addition to the Governor and the legislative process, adding all three entities had line item veto power.

- Mr. Sabatino stated according to an article in the Herald Tribune regarding SWFWMD, their budget had been decreased by \$210 million, voicing concern this area had suffered losses for almost half that amount.
- Ms. Behling replied they had calculated a 36% budget cut; therefore, she could not be sure the article was correct. She then stated SWFWMD had been making budget cuts and not filling positions through attrition, adding they had a plan to reduce their staff to 770 by the end of next fiscal year; however, they had received direction from the Governor's Office to accomplish that immediately. She stated 30 to 40 employees would be laid off within the next few weeks, adding additional layoffs were being discussed. She agreed SWFWMD took the biggest hit of the five water management district in terms of percentage, adding unlike the other districts, SWFWMD did not have

any debt. She stated they had been criticized for having monies allocated for several projects that were not moving forward, explaining reserves had been carried forward for several years; however, because they were under contract for those projects, those funds could not be spent elsewhere. She stated Tampa had returned \$30 million in funds, but those reserves had to be spent in the basin where the funds originated, adding the Peace River Basin had very little in reserves and not enough to cover the medium ranked projects for the coming fiscal year's budget. She concluded it would be a challenge to decide how to equitably distribute the available funds.

- Mr. Sabatino stated the three major categories for cuts were less environmental monitoring, elimination of conservation land purchases and fewer drinking water projects, questioning how those would impact the Peace River Basin and the City.
- Ms. Behling replied it was fortunate for this area that the Peace River Manasota River Water Supply Authority (PRMRWSA) had completed a 6 billion gallon reservoir, adding same would be helpful to the entire region in times of drought. She stated the changes would affect the City's reservoir expansion, adding the Governing Board would have to make decisions regarding priorities. She reiterated it would take some time to determine how to address the changes, acknowledging there would be an impact on the Peace River area. She stressed local input was needed.
- Mr. Dauster inquired what entity should come before the Governing Board.
- Ms. Behling replied that would be a decision for the local municipality; however, it was important for someone to represent the basin at those meetings.
- Mr. Sabatino inquired if SWFWMD would have enough funding to do their job.
- Ms. Behling replied some streamlining would be necessary; however, they had done a good job managing their resources in the past.
- Mr. Sabatino inquired what percentage of cooperative funding the City could expect to receive.
- Ms. Behling replied with uncertainty, adding with only \$40 million to spend among 16 counties, funds would have to be prioritized. She stated it would be important for the local utilities to select only their most important projects for submission.
- Mr. Jackson agreed the Basin Board had valuable local knowledge of the City's utility, voicing concern when the City had a project for funding, they were just another face in the crowd. He stated he hoped SWFWMD would create some type of recommending committee at the basin level, agreeing to include a discussion regarding same on the next Utility Advisory Board (UAB) agenda.
- Mr. Dauster inquired whether the City was considered a single entity or a part of Charlotte County.

- Mr. Jackson replied City projects were reviewed independently.
 - Mr. Fabian inquired how to involve Mr. Joerger at the local level.
 - Ms. Behling suggested members contact Mr. Joerger and invite him to a UAB and/or City Council meeting, noting he had met with the Charlotte County Commission when he was first appointed. She stated she would provide staff with Mr. Joerger's contact information.
- B. Automatic Meter Reading (AMR) Lean Sigma Project (Discussion)
- Mr. Jackson explained automatic meter reading (AMR) was an improving technology, adding although it was becoming more reliable, it was not becoming less costly. He recalled a six sigma team made up of several staff looked at the feasibility of AMRs back in 2010, adding although Charlotte County would be saving quite a bit using AMRs, they were able to reduce their meter reader positions from 12 to 2. He stated the City had only 2 meter reader positions, adding the cost was \$200 per meter for 11,000 meters; therefore, the cost savings was not worth the investment. He offered to provide a copy of the team's report, briefly explaining the project and noting that after evaluating all the variables and costs, it was decided not to expend funds for a pilot program at this time. He stated staff had done other things to reduce costs, including purchase of the GEM car, which would be available after the meeting for members to see, adding the car was very effective for reading meters in dense residential areas. He concluded staff would continue to consider AMRs, but he did not recommend moving forward at this time.
- C. Strategic Plan (Discussion)
- Mr. Jackson drew members' attention to the Mayor's letter and 2011 Strategic Plan Progress Report, which called for input from advisory board members, adding he would be happy to provide same to the City Manager.
 - Mr. Sabatino suggested mentioning the changes to SWFWMD and how the City should move forward with providing input for important projects.
 - Mr. Jackson stated given Ms. Behling's discussion, and staff's knowledge of SWFWMD, he would develop some language regarding same to the City Manager, adding the goal was to protect the City's interests and insure needs were met.
 - Mr. Dauster inquired if the Board should take action or if they should defer it to City Council to establish some kind of liaison between the City and SWFWMD.
 - Mr. Jackson responded this was a fairly new concept, adding the District had not worked out the details. He stated after staff received more information, structure and guidance from SWFWMD, UAB could discuss it and make a recommendation to City Council.

- Ms. Miller inquired if this type of shake up had occurred to water districts in other states and how it had been handled.
- Mr. Jackson replied with uncertainty, adding he would research same.

UNFINISHED BUSINESS

- A. GA-16-11 An ordinance of the City of Punta Gorda, Florida, amending Chapter 17, "Public Utilities", Punta Gorda Code, Article I, "General Provisions: Water Rates", amending Section 17-7, Subsections (a), (b) and (c) by decreasing water system charges; amending Section 17-18, Subsections (a) and (b) by decreasing wastewater system charges; providing for conflict and severability; and providing an effective date
- Mr. Dauster stated the Board had received four proformas, noting he had requested that Ms. Sharon Knippenberg spend a few minutes reviewing same.
 - Mr. Sabatino opined members were being asked to either support a rate reduction of 3% or use those funds to reduce debt.
 - Ms. Knippenberg stated in July staff developed the proforma for the utility system, at which time City Council decided to reduce rates by 3%, adding this proforma reflected that reduction; however, no other changes were made at that time. She stated in subsequent proformas, members would see other changes.
 - Mr. Fabian inquired as to the \$1.1 million for renewal and replacement of infrastructure.
 - Ms. Knippenberg replied during discussions with UAB regarding the Capital Improvement Program (CIP), staff had explained a set amount was budgeted for renewal and replacement of lines. She stated it made sense to identify those capital projects that would be pay as you go, adding when staff presented that to City Council, they agreed; therefore, it was now part of the new policy of funding capital projects for the first \$1,120,000 to come out of user rates and not be funded by debt.
 - Mr. Fabian inquired if a new CIP had been developed based on this change in philosophy.
 - Ms. Knippenberg replied the revised five year CIP had been presented to UAB back in the spring, adding staff had now simply reorganized the data by putting recurring projects at the top and one time projects at the bottom.
 - Mr. Fabian inquired if the items listed in the bottom line under alternate funding were the projects that would be financed.
 - Ms. Knippenberg replied alternate funding primarily meant financing and operating reserves whenever possible. She then displayed the Utilities Fund Capital Improvement Program FY 2011 - FY 2015, explaining the original fiscal year 2011 CIP budget of 12.1 million had been reduced to \$8 million, adding staff originally forecasted a need

to finance \$4.4 million; however, since then City Council had approved using an additional \$1 million of fund balance. She stated \$2 million of operating reserves had been used against that \$4.4 and an additional loan of \$1 million from reserves had been authorized; however, it was not yet certain whether that would be done as a transfer to avoid additional debt, adding as of this date, no debt had been proposed, which saved \$350,000 in interest expense. She stated that additional \$1 million would be shown in the next proforma. She stated the base proforma delineated the debt service, with the key focus being user rates and new debt, adding the base proforma included a need for \$7 million of new debt for 2011 and 2012. She displayed the 2nd proforma, briefly reviewing same. She stated City Council questioned whether to reverse the 3% rate increase or identify another use for the funds, such as avoiding debt, adding if that additional \$1 million was put into the proforma, it was possible to meeting the targeted reserve of \$1 million until 2016 when the reserve balance would be \$810,000. She said although that was less than \$1 million, staff was comfortable with this proforma. She stated \$300,000 could be saved over the life of the debt, which was 20 years, by taking that extra \$1 million and paying that as cash right now.

- Mr. Sabatino inquired if any of the CIP projects involved cooperative funding.
- Ms. Knippenberg replied in the negative. She reviewed the third pro forma, noting one Councilmember had questioned what would happen if the 3% rate increase was retained and used for capital projects in order to avoid debt, adding with all other assumptions remaining the same, there would be \$3 million in operating reserves in 2012 instead of \$1 million with an additional \$800,000 in 2015. She said the result was a savings of \$1.8 million in debt service over 20 years. She briefly reviewing the fourth scenario, noting same was similar to number three; however staff was not asking the Board to consider option 4 at this time. She stated staff was comfortable with scenario 3, concluding City Council was asking for Board input with regard to reducing rates by 3% or retaining the increase and using it to reduce debt.
- Mr. Sabatino inquired if rates could be changed at any time and if so, how much notice was required to implement a change.
- Ms. Knippenberg replied rate changes were done by ordinance, which took approximately 45 days. She stated it could be done at any time; however, staff preferred things to be well planned and thought out, and anything that significantly impacted customers to be included in the budget process, adding same provided for ample notice and proved that staff had considered alternatives and formulated an action. She stated rates could be changed in an emergency; however, this decision

could be delayed until January, adding in that way it was kept in the public eye and sudden changes were avoided.

- Mr. Sabatino stated the Board did not take action at the June meeting because they asked Mr. Jackson whether there were any capital projects that could be moved forward, adding Mr. Jackson said he wanted six months to review the existing force main system.
- Mr. Fabian inquired as to the average water use per month.
- Ms. Knippenberg replied 7,600 gallons.
- Councilmember Friedman opined the way this was imposed on the Board was unfair, adding nobody asked the UAB last October about whether the rate increase was necessary. He suggested the data being shown had been collected and presented in order to attempt to justify previous actions, adding this was not a matter of proformas or a question of the best way of doing things. He stated until February, when he indicated the last rate increase was unnecessary, none of the Councilmembers had voiced concern or questioned the City's debt or the CIP, adding this all out rush was the result of an attempt to rationalize not giving back the 3% increase that nobody was saying was necessary in the first place. He stated rates were raised 3% last October; however, that increase was approved more than a year prior, adding nobody looked at it, including UAB, staff or City Council; however, it did not matter whose fault it was. He stated in January, when Council reviewed the long range financial plan, he questioned why it was necessary to increase the rates by 3%, adding he provided proformas that indicated the increase could be reversed and that rates could be raised by approximately 9% five years in the future. He pointed out staff had confirmed his data was accurate. He stated in February, City Council suggested reviewing it again during the budget process with potential rate adjustments in October, 2011, adding after Council agreed to the 3% reduction, there was an attempt to retain the funds due to capital projects and debt service, which was never mentioned prior to February. He maintained there was an attempt to trivialize it by saying it was only so many dollars per month, stressing the point was whether the increase was necessary. He added unless there were overbearing concerns, it was necessary to return those funds, adding conditions had changed since February as a result of the budget process. He displayed Chart I (proforma 1 with 3% rate increase), stating same showed what staff and City Council knew as of last October when rates were increased, explaining the only difference was his adjustment to reserves which resulted in a balance of \$1 million in 2015. He said the total debt service of \$13.48 million was anticipated when rates were raised. He displayed proforma 1 with 3% rate reduction, stating the debt service for

the same period of time was about \$10.1 million thru 2015. He stated based on the latest information provided, debt service was down \$3.3 million, or 24%, adding revenues of \$36 million were originally projected; however, the revised projection, with the 3% rate reduction, was \$39.4 million. He stated the capital requirements were down by \$3.2 million or 26%, adding rather than being a question of financial or rates of return, this was purely a policy decision. He stated what had happened since the rate increase made it far more unnecessary than it was, and the question was whether to keep it or give it back to the ratepayer. He stated the Board was entitled to its opinion; however, this was not a technical matter that required their input. He stated if there had been no rate increase for the last several years, revenues suddenly went up, capital and debt requirements went down and there were excess reserves, he would likely not recommend a rate reduction; however, that was not the real world situation, adding Council allowed this rate increase to go through; however, had more review been done, it would have been evident it was not necessary. He stated conditions had changed markedly over the last 6 months, so it was that much less necessary, reiterating the City owed it to the ratepayer to give it back whether it was \$.50 or \$4.00 per month. He stated the final point was the 3% rate increase amounted to less than \$400,000, adding in terms of total debt that equated to \$1.50 per customer per year. He opined the fact that 3% only means an increase of \$30 per year per customer was being trivialized.

- Mr. Sabatino interjected 20,600 rate payers equated to \$20 rather than \$1.50.
- Councilmember Friedman clarified the debt was spread over 20 years, adding that would cost no more than \$30,000 per year. He asserted the reasoning presented for not reversing the 3% was to avoid borrowing \$400,000, opining nobody had done the arithmetic and nobody wanted to admit something was done unnecessarily. He stated \$1.50 per year for the next five years equated to \$7.50 that everyone was going to save, adding customers would save that over the next 20 years; however, most customers were not concerned about what was going to happen 20 years out. He stated if the City had a problem with debt getting too high, a rate increase might be necessary; however, the debt was one quarter less than it was when the increase occurred, reiterating back in February, staff indicated the reasoning was to reduce debt; however, according to the proformas, the debt was not being reduced at all. He stated the debt service was now being paid down, but nobody had looked at it until February, maintaining the increase was not necessary as conditions had improved markedly. He concluded the question was whether to do the right thing and reverse it, or to hold onto it and keep from borrowing \$400,000 which meant a savings of \$1.50

- a year, questioning if it was better to pay \$30 per year every year in order to save \$1.50 a year. He stressed the fair thing to do would be to give it back.
- Mr. Dauster questioned if there would be a balloon rate increase at the end of that period of time.
 - Councilmember Friedman replied rates would need to increase at some point regardless of what happened.
 - Mr. Dauster voiced concern regarding customers being unhappy about large increases in the past, adding if rates were not increased incrementally, that could happen again.
 - Councilmember Friedman reiterated a rate increase was inevitable, adding the question was whether customers should pay \$3 every year for the next five years or just pay \$6 or \$7 in year six. He stated his point was it was not a matter of doing that, but rather if this was a steady state environment where there had been no increase in all these years, and consideration was being given to returning the increase, that would really be germane and consideration could be given to retaining same and making an adjustment. He reiterated that 3 months after the rate increase it was acknowledged that it was unnecessary and conditions had continued to improve. He inquired if it was not the right thing as the guardians of the ratepayer, to say it was unnecessary, things were much better now than when it was implemented and it should be given back. He reiterated that was policy rather than something UAB should be burdened with but Council had asked, and as citizens and ratepayers, they could give it their best. He asserted it was not a question of financial need but of doing the right thing.
 - Mr. Fabian questioned the other revenues in the proforma.
 - Ms. Knippenberg replied it was interest earnings, insurance recovery, rental income and investments.
 - Mr. Dauster inquired if reserves affected the City's ability to borrow.
 - Ms. Knippenberg replied there were many key factors that affected the City's rating, recalling staff had provided the most recent rating to the Board this past winter. She stated they considered level of reserves, the willingness of the legislative body to increase rates when needed and the adequacy of planning, adding reserves played a part; however, they would not identify their formula, which was very suggestive.
 - Mr. Sabatino inquired as to what impact paying down the debt would have on rates beginning 2016.
 - Ms. Knippenberg replied she did not have a CIP for 2017; however, if all the assumptions for 2016 remained the same using proforma 2, a 9% increase would be necessary.

- Mr. Sabatino recalled members had discussed the appropriate minimum reserve of \$1 million, adding Mr. Jackson had indicated other municipalities were considering alternative ways of determining appropriate levels of reserves. He voiced concern regarding an absolute number given the volatility of revenues, expenses and capital projects.
- Mr. Jackson commented the rating agencies looked at the total picture, reiterating same was very subjective. He clarified the information he shared was from a conference which was attended by several rating and bonding agency representatives who presented information related to their criteria, adding that was a moving target and it depended on who you spoke with.
- Mr. Sabatino inquired if a debt reduction would affect the City's bond rating favorably for borrowing purposes.
- Ms. Knippenberg replied there was no easy answer, explaining the rating agency would consider the ability to repay the debt, which involved numerous calculations. She stated the trend of the previous 3 or 4 years of decreasing expenditures and increasing revenues would be considered favorably, adding the City had retained its rating because it had been reactive to the environment and raised rates when it was necessary. She stated the third favorable component was a growing fund balance. She stated anything that deviated from that caused the agencies anxiety, opining they would not like to see a trend of reducing the fund balance.
- Mr. Sabatino inquired if she was saying it could adversely impact the rating.
- Ms. Knippenberg replied if that happened, staff would argue that it was based on long range planning and needs, adding it was important to have a budget process that was well thought out. She advised it would be difficult to improve the City's current rating because they were such a small entity.
- Mr. Sabatino recalled the Board was involved several years ago when the 15% rate increase was approved, adding they had also approved the 3% rate increase in order to smooth out big ups and downs. He asserted a number of protocols had been changed and staff had done a commendable job of providing members with different financial data to avoid surprises, adding members were not going to let themselves get burned again. He assured Councilmembers that they had implemented a number of changes that should greatly minimize that event from ever occurring again.
- Councilmember Albers opined it was interesting that the decision makers were trying to influence the recommending body, adding he agreed with Councilmember Friedman that until February, everyone had done a poor job by not recognizing that the City had \$6 million in reserves but continued to borrow money. He stated he would not let that

happen again. He stated with the correct proforma, a convincing case could be made to reduce or increase rates, adding it was a philosophical question. He stressed what mattered was doing the right thing now rather than discussing what happened in the past, adding there was no right answer as it was a matter of opinion. He stated if rates were not increased and \$400,000 was borrowed, repayment was compounded each year and was not just for one year.

- Mr. Sabatino stated assumptions drove the conclusion, adding members had reviewed a lot of numbers over the last number of years. He said whatever snapshot was taken at a point in time was based on the available information, adding the conclusion would either be too high or too low, so it was necessary to consider a range of outcomes. He stated the difference between the operating reserves for the four proformas was about \$56,000 per year on average over the five years, adding even modest changes to the assumptions would change those figures; thus, the numbers were not going to drive the decision. He agreed it was a matter of philosophy, adding it was necessary to best serve the ratepayers by reducing debt and lessening the impact of future rate increases.
- Mr. Fabian agreed it was a philosophical question, opining the year-end projection for this year was low, and that would affect everything in the future.
- Mr. Fabian MOVED to recommend approval of the ordinance to reverse the rate increase.
- Motion DIED for lack of a second.
- Mr. Sabatino stated in today's uncertain economic times, it was preferable to reduce debt.
- Mr. Sabatino MOVED, Ms. Miller SECONDED recommending that City Council leave the current rate structure in place and that the funds be used to reduce debt.
- Mr. Sabatino stated it was unfortunate that only four UAB members were present, adding he would prefer knowing whether Mr. Jackson was going to recommend any further capital projects.
- Ms. Miller questioned how the SWFWMD changes would affect monies available to the City, suggesting it was necessary to take a conservative fiscal approach.
- Mr. Dauster stated he preferred to see modest rate increases rather than large one-time increases, as large increases were more difficult for residents to accept. He stated he had not heard any arguments from residents against the 3% increase.
- Mr. Fabian pointed out none of the projects on the current five year CIP were affected by SWFMWD; therefore, that should not affect their decision, opining there were some

families who would be affected by an increase of even \$2.00 per month, adding the economy was bad and he felt the increase should be reversed.

- Voting Aye: Sabatino, Miller and Dauster.
- Voting Nay: Fabian
- MOTION CARRIED.

STAFF COMMENTS

- Mr. Jackson reminded members the GEM car was available for them to see after the meeting.
- Mr. Sabatino questioned what safeguards had been put in place in the case of an electrical outage.
- Mr. Jackson responded prior to Hurricane Charley, the Utility Department had 2 portable generators, but now had 16, adding some were purchased at very good prices and were deployed at the lift stations. He stated all of the master pumping stations had dependable auxiliary power, adding the large dollar amounts in the 2016 and 2017 CIPs were to upgrade and replace generators at the water plant and the raw water intake structure. He stated staff had upgraded and hardened those units to make them far more dependable and reliable than they were at the time of Hurricane Charley, adding although the City would never be independent of Florida Power & Light (FPL), their schedule would not affect the utility as it did after the Hurricane.
- Mr. Dauster thanked Councilmembers for attending the meeting and allowing the Board an opportunity to provide input.
- Councilmember Friedman clarified members felt it was preferable to spend \$3 per year for 6 years than \$9 in year 7, adding members might feel gradual increases were better; however, 6 years at 3% compounded was probably 19% or 20%. He reiterated most customers would opt to wait until year 7 and pay 9%. He stated all 4 proformas met the objectives for reserve levels, adding an increase in that 7th year was inevitable regardless of whether the 3% increase was retained. He stated the level of debt would be slightly different, but that meant nothing to the ratepayer, adding he suspected the \$384,000 that represented the 3% increase constituted less than 5% of the total debt and would not impact things one way or another. He stated a proforma showing a 10% rate reduction was possible, reiterating this was a not question of finances, but rather a philosophical issue. He stated the rate increase was unnecessary and City Council owed it to the ratepayers to reverse it, adding if not for now, then for next year when rates were considered.

ADJOURNMENT

- Meeting Adjourned: 11:22 a.m.

John Dauster, Chairman

Karen Smith, Recording Secretary