

**UTILITY ADVISORY BOARD
MEETING
Monday, October 24, 2011**

MEMBERS PRESENT: John Dauster, Chairman
Dean Ferb, James Hoffman,
Frank Mazur, Terry Miller

MEMBERS ABSENT: Steve Fabian, Joe Sabatino

OTHERS PRESENT: Tom Jackson, Utilities Director
Steve Adams, Engineering Manager
Steve Leonard, Senior Project Manager
Sharon Knippenberg, Controller
Kristin Simeone, Finance

CALL TO ORDER/ANNOUNCEMENTS

- A. Roll Call
- B. Next Scheduled Meeting
- 1. November 28, 2011 and December 26, 2011 to be discussed due to upcoming holidays
 - Mr. Tom Jackson pointed out the Monday meeting dates in November and December immediately followed a holiday, inquiring if members had any conflicts with those dates. He noted the City offices would be open the Monday after Thanksgiving; however, the Monday after Christmas was a City holiday.
 - Mr. Dauster confirmed members had no conflicts with the November meeting date.
 - Mr. Jackson offered to provide an alternate date for the December meeting.
 - Recording Secretary Smith advised Council Chambers was available on Tuesday, December 27th.

APPROVAL OF MINUTES

- A. Regular Meeting – September 26, 2011
 - Ms. Miller MOVED, Mr. Ferb SECONDED approval. MOTION CARRIED UNANIMOUSLY.

REPORTS

- A. Utility Operational Data
 - Mr. Jackson explained the tables and graphs on the Southwest Florida Water Management District's (SWFWMD) website were temporarily unavailable; however, staff was able to provide a summary of the current conditions, reporting the current stage height of the spillway was 5.60 feet above mean sea level (msl), which equated to approximately 300 million gallons per day (mgd) of water flow. He stated raw total dissolved solids (TDS) were 221 and raw chlorides were 72 parts per million (ppm),

adding finished TDS was 274 and finished chlorides were 82 ppm. He pointed out the finished numbers were higher since disinfectant, which was a form of TDS, was added during the treatment process. He stated water was being injected into the Aquifer Storage and Recovery System (ASR), noting the injection cycle had been delayed due to high TDS in the reservoir as well as the need for a certified engineer to inspect the water storage tanks due to this being their fifth year of operation. He stated as of this date, 52 million gallons (mg) had been injected into the ASR, adding 2 mg were being injected daily. He stated the ASR target for this year was 100 mg, adding that would be accomplished within the next month.

- Mr. Dauster stated he heard some discussion about water sheeting as it ran from Charlotte County towards Lee County, inquiring if that water was from the aquifer or if it was surface water.
- Mr. Jackson replied it was on the surface of the ground, opining the discussions might have been about water from Fisheating Creek being diverted at Cow Pen Slough. He stated he was unsure who was doing that work; however, he understood it was causing some problems. He stated there was also an area just north of North Fort Myers that was extremely wet due to the topography, explaining it was a low area where all the water that flowed out of south Charlotte County seemed to pile up.
- Mr. Mazur inquired as to an average number for chlorides and TDS.
- Mr. Jackson explained the drinking water standard was 500 ppm; however, the City had an exemption up to 1,000 ppm. He then displayed a graph of the Shell Creek Reservoir Levels, as delineated in the agenda packet, briefly explaining same, observing although the current numbers were spiking due to recent heavy rainfall, the average numbers remained near normal. He stated the rainy season had begun slowly; however, it appeared it would continue until the first part of November, adding there was a tropical system in the area that could bring more rain. He stated November was historically the driest month in Charlotte County, adding a healthy rainy season would put the City in good shape going into the driest part of the year, which was typically the last part of April, the month of May and the first part of June. He displayed the Utility Operational Data for September, 2011, as delineated in the agenda packet, reviewing the monthly totals.

B. City Council Action on Utilities Agenda Status

- Mr. Jackson stated Mr. Albert Joeger, the local SWFWMD representative for Punta Gorda, had introduced himself at the October 19, 2011 City Council meeting. He stated he would arrange for Mr. Joeger to attend a Utility Advisory Board (UAB) meeting in the near future.

C. Capital Projects Data Sheets – Priority Efforts

- Mr. Steve Leonard offered to answer questions.
- Mr. Mazur inquired if the Burnt Store change orders were included in the cost information.
- Mr. Leonard clarified Mr. Mazur was referring to the project summary sheet, reporting \$1.378 million plus \$222,000 was the most recent figure.
- Mr. Dauster inquired how the City's percentage of cost was figured when a change order was processed.
- Mr. Leonard replied any change orders reflected on the report would be those that specifically affected the City.
- Mr. Dauster stated it appeared the project was nearing US41, inquiring how the pipe would be extended across US41 and whether the road would be closed.
- Mr. Leonard replied utility pipes would be installed by directional drilling under US 41 and would be double-piped as required by the Florida Department of Transportation (FDOT) and the railroad. He voiced uncertainty as to whether the road surface project would cause US41 to be closed at some point.

D. Utility Fund Balance

- Ms. Kristin Simeone displayed the monthly financial reports through September 30, 2011, as delineated within the agenda materials, briefly reviewing same.
- Mr. Dauster inquired why there was not a proportional rise in sewer billings when water billings increased.
- Ms. Simeone explained residential sewer billings were capped at 10,000 gallons.
- Mr. Dauster opined users of less than 10,000 gallons per month were paying more, questioning if the rates needed to be adjusted.
- Ms. Simeone suggested there was likely more irrigation usage since the restrictions changed to allow watering two days per week this year compared to only one day per week last year.
- Ms. Knippenberg stated the average household usage in Punta Gorda was 7,000 gallons per month, agreeing increased usage was likely due to irrigation. She stressed that did not indicate there was a heavier burden on any one user, but rather that more customers were using more water, pointing out the first tier paid the lowest rate. She stated users who exceeded 10,000 gallons paid the higher rate only for the amounts that were in excess of that tier. She concluded customers who used in excess of 40,000 gallons per month were the ones that drove excess revenues.
- Mr. Ferb inquired if the budget included a cushion in case revenues were lower than projected.

- Ms. Simeone replied the budget was adjusted mid-year based on projections provided by each division, adding rather than building in a cushion, staff was always attempting to identify ways to save on costs. She confirmed there were variations in expenditures during some years, noting electricity rates had increased this year.
- Mr. Ferb inquired as to the variation in revenue.
- Ms. Simeone replied there was an unanticipated increase in revenues when SWFWMD had lifted the water restrictions at the end of Fiscal Year (FY) 2010.
- Mr. Jackson explained the most volatile expenditures were energy and chemical costs, noting same were directly tied to the cost of petroleum.
- Ms. Knippenberg stated Mr. Dauster had requested a review of the revenue and expenditure categories, noting the budget document provided detailed information for each utility division, including administration, water plant, waste water plant, water distribution, waste water collection and fleet. She stated each division provided a narrative explaining their function, accomplishments for the previous year and their measurable goals and objectives for the next fiscal year, adding staff also specified what would be measured, and those were the indicators of efficiency, service levels, quality and outcomes. She said the next section included funds budgeted to accomplish the goals and objectives, adding same was broken down into the major categories of staffing, operating, capital outlay and operating contingency. She said an overall staffing summary and service costs were also provided. She then provided a summary description of the responsibilities of each utility division.
- Mr. Jackson explained his performance was measured based on his stated objectives and whether he met those objectives, adding he was also evaluated based on long range planning.
- Mr. Mazur inquired what other measurements the City Manager used to evaluate the department, questioning how he determined whether staffing levels were correct and if expenditures for equipment were realistic.
- Mr. Jackson replied the budget documents included a listing that compared the City's water rates to 20 other water providers, adding the City's rate was second to the lowest. He stated this was an important measurement and indicated how well he was doing his job. He then stated the City Manager had a background in finance and worked very closely with Finance staff to determine what could be accomplished with the funds available.
- Ms. Knippenberg offered to review the strategic plan with members at a future meeting, noting same contained specific measurable goals. She said there were five major categories of projects, such as roads and the waterfront, adding the plan was

refined each year. She stated the City Manager was driven by transparency and accountability, adding the status of projects was discussed every Monday and Thursday morning at staff meetings. She stated an internal report was distributed after the Monday meeting and a report was published in the newspaper every Friday, adding no matter what else was happening in the various departments, the City Manager never let staff forget that they were working towards a bigger plan. She explained at the end of the year, the City Manager wanted to know whether the goals for the year had been accomplished, adding he did not accept excuses for not doing so. She then stated UAB members could discuss the budget process at length at their November meeting, adding same would benefit new members.

- Mr. Dauster confirmed same would be included on the next agenda.
- Ms. Knippenberg distributed several pages from the budget book, as delineated in the agenda materials, noting members had requested same at the previous meeting. She pointed out page 2 was the tentative pro forma. She then explained the auditors would conduct a final review of the FY 2011 financial statements in December, adding staff would begin drafting the Comprehensive Annual Financial Report (CAFR) in January, 2012. She stated the auditors reviewed the CAFR to insure it fairly represented the City's financial position, adding in March it would be presented to City Council for approval. She then announced staff was expecting the utility to be in a better financial position than originally forecast for the new fiscal year, opining when it was time for financing, staff would likely suggest utilizing more operating reserves rather than obtaining financing.
- Mr. Ferb inquired if the strategic plan was broken down into individual operational plans that were reviewed for continuous improvement.
- Ms. Knippenberg replied affirmatively, explaining those processes happened simultaneously. She stated the strategic plan was an important tool, opining the department directors appreciated that the City Manager allowed them to change their minds since that allowed them to take risks, brainstorm and think outside the box.
- Mr. Jackson stated the Utility Department was conservative by nature, adding flexibility was limited because utilities were a highly regulated industry. He advised it was important to keep in mind that there were outside influences on the utility, including regulations for both water and waste water. He stated the CAFR was an important financial tool that the public sector used to forecast trends and review accomplishments, noting this was the 26th year that the City of Punta Gorda CAFR had received national recognition for excellence.

NEW BUSINESS

- None.

UNFINISHED BUSINESS

- None.

STAFF COMMENTS

- None.

COMMITTEE/BOARD COMMENTS

- Mr. Hoffman asked if the deep injection well was a drilled well or an aquifer.
- Mr. Jackson explained it was a drilled well and was cased down to a confined zone approximately 2800 feet below the ground, adding this was the same area where the Gulf of Mexico and the Atlantic Ocean came together underneath the State. He clarified the water did not migrate as it was in a confined aquifer.
- Mr. Hoffman inquired what guarantee existed that no other entity would withdraw water.
- Mr. Jackson responded the deep injection well was for disposal of treated waste water, adding the water quality was so poor that all wells in that zone were injection wells. He explained the ASR wells were located approximately 900 feet below the surface, adding same was a potable aquifer which had 2,000 parts per million TDS. He stated there might be a few irrigation wells at that depth; however, most of those were being pulled up and capped, adding because ASR water migrated, it was necessary to inject water each year even if none was recovered. He acknowledged there was no guarantee the water would be there when it was needed; however, there was some assurance based on the percentage of good quality water that was recovered during previous ASR cycles. He explained there was a bubble of good water which grew each time water was injected and shrank when water was recovered, adding TDS, chlorides and other physical characteristics of the water changed immediately when the edge of the good water bubble was reached, and staff knew it was necessary to discontinue withdrawals. He concluded that based on the past 10 or 11 years of experience, the rate of recovery was between 80 to 90 percent.
- Mr. Hoffman asserted it was necessary to construct a reverse osmosis (RO) plant to guarantee water would be available.
- Mr. Jackson agreed, adding he had recommended same.
- Mr. Hoffman inquired when the City would begin working on such a project.
- Mr. Jackson replied when customers were willing to invest the money.
- Mr. Hoffman opined that would also cure the poor water quality.
- Mr. Jackson clarified it would be helpful in reducing TDS.

- Ms. Miller interjected the City had a TDS exemption through 2016.
- Mr. Jackson replied the exemption application submitted to the Department of Environmental Protection (DEP) indicated that the City's proposed ground water RO plant would only be constructed for water quality (TDS) issues, explaining the DEP agreed not to place an undue hardship on the City's rate payers; however, when flows and growth reached a point that required a plant expansion, it would be necessary to resolve the TDS issue. He stated the City would not exceed the plant capacity until 2024 or 2026; however, according to the exemption, if plant capacity was met or exceeded on any single day, it would be necessary to have a ground water plant in place within four years of that date. He stated that calculation did not include artificial demands such as those caused by line breaks, adding the peak day demand was currently 6.5 million, and the plant had 10 million gallons of capacity.
- Mr. Mazur inquired where the reserve funds were kept.
- Ms. Knippenberg explained the funds were in a state pooled investment; however, a small amount was in the bank, explaining the funds were co-mingled with all of the City's invested funds; however, reserves were identified separately on paper and received their own share of interest earnings. She stated investments included securities that were allowed by the State of Florida, noting same were very conservative and included high grade bonds and short term corporate paper.
- Mr. Mazur inquired who managed the funds.
- Ms. Knippenberg replied all governmental entities in Florida were allowed to invest in this pool, adding there was representation from across the State on their board which provided oversight. She stated there was also a management team, adding she would email the members that information.
- Mr. Mazur inquired how often investment reports were received.
- Ms. Knippenberg replied monthly reports were received; however, some information was provided more often.
- Mr. Mazur requested a copy of same.
- Ms. Knippenberg agreed, advising the City had an investment policy which delineated the criteria for investing funds, adding the pool was just one of many investments. She stated the policy allowed going out 3 years; however, in the current economy, everything was being kept short.

CITIZENS' COMMENTS

- None.

ADJOURNMENT

- Meeting Adjourned: 10:13 a.m.

John Dauster, Chairman

Karen Smith, Recording Secretary