

**UTILITY ADVISORY BOARD
MEETING
OCTOBER 26, 2009**

MEMBERS PRESENT: Joseph Sabatino, Chairman
Howard Bennett, Thomas Carroll,
John Dauster, Steve Fabian, Jeff Weiler

MEMBERS ABSENT: Thomas Kessler

OTHERS PRESENT: Tom Jackson, Utilities Director
Steve Leonard, Senior Project Manager
Sharon Knippenberg, Controller
Steve Adams, Utilities Engineering Manager
Harvey Goldberg, Vice Mayor
Emily Moore, Scott Laidlaw

CALL TO ORDER/ANNOUNCEMENTS

- A. Roll Call
- B. Next Scheduled Meeting - November 23, 2009
 - Mr. Sabatino reminded members November 23, 2009 fell on the Monday of the Thanksgiving week holiday.
 - Mr. Weiler announced he would most likely be out of town the entire week.

APPROVAL OF MINUTES

- A. Regular Meeting - September 28, 2009
 - Mr. Fabian commented on a statement by Mr. Tom Jackson, Utilities Director, regarding his presence at a City Council Meeting and the fact that he should have expressed the Board's displeasure with regard to adopting a contract without the Board's review; however, he stated he did not feel this was his nor any member's role unless so designated.
 - Mr. Sabatino clarified all members were disappointed at that occurrence, particularly in that the Board's concerns about the contract were not related to its award but rather the contract should have been based on an hourly rate as opposed to a lump sum. He stated he understood City Manager Howard Kunik met with Purchasing Division staff who indicated the Board's objections were technical, asserting that was not the case. He continued Mr. Jackson had agreed to notify members of such situations in the future to allow the Board to be represented at the City Council meeting at which the item would be presented.
 - Mr. Dauster MOVED, Mr. Fabian SECONDED approval of the September 28, 2009 minutes. MOTION CARRIED UNANIMOUSLY.

STATUS REPORT

A. Utility Operational Data

- Mr. Jackson displayed a United States Geological Survey (USGS) graph of conditions at the Hendrickson Dam, as delineated in the agenda material, reporting the reservoir level was 5.09 feet above mean sea level or 55.91 million gallons (mg) of flow over the spillway. He continued chlorides were running at approximately 118 milligrams per liter in the raw water. He mentioned staff had been tracking these levels with the previous year's, which were approximately one-tenth of a foot below same; however, such a small difference was corrected very easily with a thunderstorm anywhere in the watershed. He displayed a graph of Shell Creek Reservoir Levels, as denoted within the agenda material, through September 2009, stating there were a significant number of days in August and September 2009 where levels were above the 40 year mean for the reservoir stage; however, no flow and record low conditions were tracking fairly close to the 40 year average. He drew members' attention to the monthly Utility Operational Data table of October 1, 2009, also included in the agenda material, reporting the following Water Treatment Plant (WTP) data: raw water monthly, 146,813 mg; raw water peak day, 6.176 mg; Aquifer Storage and Recovery (ASR) injected, 51.280 mg; water to town monthly, 83.875 mg; water to town average, 2.796 mg; water to town peak day, 3.462 mg. He reviewed Wastewater Treatment Plant (WWTP) data as follows: monthly flow, 63.670 mg; average day flow, 2.122 mg; 3 month rolling average, 1.924 mg; peak day flow, 2.908 mg. He announced 10.130 inches of rainfall fell in September 2009, adding the 40 year average for the month of September was 7.210 inches. He mentioned only one inch of rain had fallen thus far in October 2009 while the average for the month of October was three inches.

B. Capital Project Data Sheet - Priority Efforts

- Mr. Jackson confirmed Mr. Steve Leonard, Senior Project Manager, had distributed a listing of solicitation responses for the replacement of the Hendrickson Dam spillway, as denoted in the agenda material, stating same were opened on October 21, 2009, at 3:00 p.m. He advised the Procurement Division would most likely take their recommendation for award of the low bid to the first City Council meeting in November 2009.
- Mr. Weiler commented it was obvious the City's inflow and infiltration (I&I) problems were serious, asking if a study had been conducted on same.
- Mr. Jackson replied affirmatively.
- Mr. Weiler requested a copy, confirming the study was conducted by Carollo Engineers.

- Mr. Jackson added the study was done in 2007 and had included budget recommendations going forward and areas to address.
- Mr. Weiler stated it appeared modifications and expansions to the plant were being done to accommodate high flows when in fact flows were being derived from the I&I, asking if this was true.
- Mr. Jackson replied the plant was not being modified to accommodate high flows. He explained the filters were intended to address the new groundwater injection well regulation being put forth by the Environmental Protection Agency (EPA) in 2011. He clarified wastewater flows were actually below 50%, the lowest in the past 2 to 3 years, acknowledging same coincided with the drought.
- Mr. Sabatino confirmed Mr. Jackson would provide copies of the study in the Board's November 2009 agenda material.
- Mr. Weiler noted a summary would be sufficient.
- Mr. Leonard then offered to answer any questions relative to the above mentioned solicitation responses. He commented on the Dam rehabilitation project, reporting it appeared same might be at 55% of budget. He stated the bidding climate was unexpected in that bids being received were well below engineers' opinion of cost. He summarized budget estimates based on the low bid indicated the project would come in well under the original budget of \$5.5 million. He pointed out a list of encumbrances based on awarding the project to the low bidder and adding a 10% contingency were detailed in the hand-out provided this date.
- Mr. Bennett suggested the three lowest and three highest bidders be invited to review the scope of work and bid content, stating same would reveal much about the project and its actual cost. He opined the diversity shown on the hand-out indicated something was wrong, stating same was based on more than 40 years of experience.
- Mr. Leonard responded the low bidder had been called in on numerous occasions to determine whether they had reviewed their documents and felt confident the job could be done, explaining staff could not negotiate a bid unless directed to do so by City Council. He acknowledged the municipal bidding process was complicated and handled by the Procurement Division; however, he pointed out the low bid was received from Owen-Ames-Kimball (OAK), which owned a large, local marine company and had also successfully completed the parking garage.
- Mr. Bennett clarified staff did not necessarily have to negotiate but rather would have the opportunity to ask questions. He urged staff to consider his recommendation.
- Mr. Sabatino opined there was nothing wrong with seeking clarification of the bids and determining same were all inclusive. He stated the number of responses indicated the

marketplace was anxious for sizable projects. He asserted the gap between the low and high bids warranted some due diligence.

- Mr. Leonard responded he would meet with Procurement Division staff to determine whether same was feasible.
 - Mr. Weiler observed the second page denoted a contingency and also indicated pre-qualifiers would be called in, asking if a review team had been formed.
 - Mr. Leonard replied the Procurement Division conducted pre-qualification; however, the Utilities Department would also conduct a review, particularly with regard to experience.
 - Mr. Weiler clarified this was a bonded project.
 - Mr. Sabatino summarized the Board recommended staff conduct due diligence, adding the Utilities Department had a fiduciary responsibility to the City and its rate payers. He then expressed dismay at the lateness of the agenda material, stating same was unacceptable. He pointed out the agenda packets were provided in three parts, adding it was impossible for members to be expected to be prepared for a meeting on Monday morning when the last of the material was not delivered until the previous Friday.
 - Mr. Jackson assured members the material generated by the Utilities Department would be sent out in a timely manner, adding these events would not happen again; however, he could not speak on behalf of the Finance Department or City Clerk's Office.
 - Mr. Dauster stated he understood a face sheet on capital projects was to be provided denoting a breakdown, recalling Mr. Kessler requested same.
 - Mr. Leonard responded staff compiled a few examples to comply with the Board's request, adding when projects such as the Dam reached a point where a budget could be forecast, the Board would be provided with a report.
 - Mr. Dauster clarified staff would provide a verbal rather than written report, stating he had anticipated a written report, specifically capital expenditures or the capital fund for same.
 - Mr. Jackson stated staff provided Mr. Kessler with two or three versions; however, Mr. Kessler indicated same still had too much information. He noted he would provide members with the same information so they could decide which was most favorable.
 - Mr. Dauster stated he would personally be in favor of same.
 - Mr. Sabatino explained the Board was looking for a summary sheet to allow members to view projects on a holistic basis.
- C. City Council Action on Utilities Agenda Status
- Mr. Sabatino expressed great surprise the fluoride study was denied, further expressing his extreme displeasure it was even presented to City Council. He stated

he understood the fluoride study would be placed on the Board's agenda since the Board had not recommended approval or denial as cost related information was needed before an informed vote could take place. He stated he intended to write to the City Council expressing his feelings, adding some members had talked about resigning.

- Mr. Jackson explained the Procurement Division/Finance Department, as a matter of routine whenever non-budgeted funds were being expended, put forward the fluoridation study as a Consent Agenda item. He clarified he had no prior knowledge the agenda item would be pulled.
 - Mr. Sabatino reiterated the Board should have been notified of the decision to go forward to City Council as had been clearly stated at previous meetings.
 - Mr. Bennett stated he understood City Council would decide whether or not to move forward on the fluoridation study based on engineering costs. He acknowledged he had not been present at the Board's previous meeting.
 - Mr. Carroll commented there seemed to be a breakdown short-cutting the Board when timing warranted same. He clarified he was personally in favor of short-cutting the Board when circumstances were appropriate; however, members should be appropriately advised. He then stated it seemed to be inappropriate for a member to present anything but their own personal views without making that clear to City Council unless a consensus of members was reached beforehand.
 - Mr. Sabatino clarified the City Manager had the authority to present anything to City Council; however, he, as Chairman, or a designee should be asked to attend such Council Meeting to express the Board's recommendation.
 - Mr. Weiler reminded members the Tetra Tech (TT) contract was presented to City Council without the Board's recommendation, adding members had made it clear they were opposed to same. He mentioned there now appeared to be a change order in that contract.
 - Mr. Fabian commented a similar issue arose at the most recent City Council meeting related to the economic development incentive package, stating the City Manager indicated he would seek reviews by the Punta Gorda and Charlotte County Chambers of Commerce. He noted he requested City Council add this Board to the review process.
 - Mr. Sabatino concluded the Board simply wished to provide appropriate guidance to City Council.
- D. Utility Fund Balance
- Ms. Sharon Knippenberg, Controller, displayed an overhead of revenues and expenses as of the end of the fiscal year, as delineated in the agenda material.

Note: Mr. Bennett left the meeting at 9:39 a.m.

- Ms. Knippenberg mentioned Moody's Investors Service had not yet issued the City's revised A1 bond rating, stating she assumed "no news was good news." She opined Moody's would have been forthcoming if the City was going to be downgraded.

Note: Mr. Bennett returned at 9:41 a.m.

- Ms. Knippenberg announced the fiscal year had not officially been closed, stating the process entailed approximately 60 days; thus, the figures being displayed were very preliminary. She reported revenues were roughly \$379,000 more than what had originally been budgeted, adding September 2009 had been a positive month. She commented on operating expenditures, stating the outcome of all the reductions which were taken to balance the 2010 budget were put into play in 2009; thus, there had been at least \$500,000 in savings in 2009 purely in the area of personnel. She explained part of the other savings needed to be carried over to 2010, estimating same at \$300,000. She noted others savings stemmed from a reduction in gas and electric. She announced the tentative year to date actual would leave approximately \$1 million in excess over actual revenues for the year, acknowledging staff anticipated financing \$14 million of debt.
- Mr. Carroll commented on the \$500,000 in savings due to vacated positions, asking if same were all reflected in the Billing & Collections Division.
- Ms. Knippenberg replied affirmatively; however, that was a transfer of expenses as opposed to true savings in that meter reading staff had moved to another division. She then displayed an overhead of monthly comparisons of water revenues from Fiscal Year 2006 to 2009, providing a brief review of same.
- Mr. Sabatino reiterated the majority was due to users inside the City who had utilized more water than anticipated.
- Ms. Knippenberg announced the audit would be completed in December 2009, adding the Board would be presented with final figures at their last meeting of the year. She concluded she would have a much stronger Capital Improvement Project (CIP) summary when all carryovers were finalized.

BUSINESS ITEMS

A. Ground Water Use Permit Strategy (recommendation to City Council)

- Mr. Jackson questioned Mr. Weiler's earlier comment with regard to a change to TT's contract.
- Mr. Weiler explained the City Manager's correspondence to City Council, as delineated in the agenda material, depicted a modification.

- Mr. Jackson countered TT was only recommending a change in strategy relative to permitting.
- Mr. Weiler explained the problem was the Board did not have the opportunity to review the contract.
- Mr. Jackson confirmed there was no change to the contract.
- Ms. Emily Moore, TT, introduced Mr. Scott Laidlaw, ENTRIX, Inc., stating Mr. Laidlaw previously worked for the Southwest Florida Water Management District (SWFWMD); thus, he was well versed in the permitting process.
- Mr. Laidlaw explained allowing modification of the existing 20 year permit would open same for evaluation only one time, adding this would allow for more than 50% in savings of the total cost. He noted the City would still have the opportunity to reevaluate their water supply needs over the long term. He stated by obtaining a permit for the 10 million gallons per day (mgd) of groundwater currently, the City would have established themselves as an existing legal user for the full 10 mgd needed in the future. He clarified SWFWMD was supportive of the full 10 mgd, reiterating he believed this was the best approach to take.
- Mr. Dauster pointed out the agenda material indicated SWFWMD was in the process of adopting a minimum flow level (MFL) for Shell Creek, which could have an impact on the size and raw water source for Phase 2, asking Mr. Laidlaw to address same.
- Mr. Laidlaw explained SWFWMD had divided the year into three blocks, stating the City could divert a certain percentage of flow for public water supply. He continued during summer months, there was not much of a restriction on what the City could withdraw from the system; however, as the dry season approached and flows declined, SWFWMD would like to see a certain percentage of that flow go over the Dam, thus potentially restricting how much water the City could withdraw. He clarified there was a need, long term, to consider an alternative water supply to help meet the City's demands and still allow the MFL to be met, to allow a conjunctive use of water and to allow the City to operate the Shell Creek plant.
- Mr. Jackson recalled the Board held a workshop with Carollo which addressed water supply scenarios, one of which included recovering MFL volumes which could be lost. He advised SWFWMD would eventually develop a recovery strategy, providing a brief explanation of same, stating they would help pay for a fraction of that project.
- Mr. Weiler clarified there would be no additional costs for permitting Phase 2 of the project. He asked if all that was permitted must be constructed.
- Mr. Laidlaw replied in the negative.

- Mr. Carroll questioned the possibility of a substantial amount of money being expended if the City later realized it did not need that additional water.
- Mr. Laidlaw replied the cost for permitting of the first phase or open phase was very similar. He noted permitting 2 mgd initially and 8 mgd in the future would essentially double the permitting cost.
- Mr. Weiler asked why Carollo recommended the project be done in two phases.
- Mr. Laidlaw replied he believed their recommendation was to construct the plant in two phases as opposed to the water use permit itself.
- Mr. Fabian asked if there would be ten or eleven wells.
- Mr. Laidlaw replied that determination would be made after the necessary testing.
- Mr. Sabatino asked if there were any risks associated with adopting the proposed strategy.
- Mr. Laidlaw replied the goal was to look at long term need, adding there was no logical reason to open the permit twice and go through the permitting process twice. He stated there could actually be a disadvantage with regard to doing so.
- Mr. Dauster asked if the application could be denied based on a perception the City might be overreaching.
- Mr. Laidlaw agreed there were no guarantees on the outcome of the application; however, based on his experience with SWFWMD and a preliminary discussion with SWFWMD review staff, he believed this was the best way to proceed.
- Mr. Fabian MOVED, Mr. Bennett SECONDED to recommend approval of the groundwater water use permit strategy as presented this date.
- VOTING AYE: Bennett, Carroll, Dauster, Fabian, Sabatino.
- VOTING NAY: Weiler.
- MOTION CARRIED.

DISCUSSION ITEMS

A. Fluoride Study

- Mr. Jackson recalled the Board had requested cost data relative to a fluoride study, stating he obtained a scope to do so; however, he had been unaware same required City Council approval. He confirmed he would make every effort to prevent similar events in the future.
- Mr. Sabatino questioned the estimated cost.
- Mr. Jackson replied he had not gone forward and obtained same, estimating a cost of approximately \$100,000 in design and \$100,000 in hardware.
- Vice Mayor Harvey Goldberg stated with the estimated cost of the study being \$30,000, the discussion held by City Council indicated they did not feel it was

necessary to proceed with a study to then determine whether to expend \$200,000. He continued Council felt the entire issue of fluoridation was too controversial, volatile and emotional. He then stated he was sensitive to the Board's concerns about issues going to City Council without prior review, pledging to be much more sensitive to same in the future.

B. Phase IA Pipeline

- Mr. Jackson announced the Board of Charlotte County Commissioners (BCCC) voted against allowing construction of the pipeline on any of their lands. He noted SWFWMD was dedicated to getting a pipeline to Punta Gorda.
- Mr. Sabatino commented it seemed the BCCC felt they were paying a disproportionate amount which should provide them with control of a like quantity of water.
- Mr. Dauster recalled a discussion about the interconnect and the fact that Punta Gorda would have control of waters on its side, asking if that would still be the case.
- Mr. Jackson replied affirmatively.
- Mr. Carroll asked if a final decision against construction of an interconnect would cause a change or reduction in cost to the City for any of its out year plans to build.
- Mr. Jackson replied it could have a tremendous impact on cooperative funding in that lack of an interconnect did not meet the basic, fundamental definition of a regional facility.
- Mr. Carroll asked if construction costs would decrease due to less building taking place.
- Mr. Jackson replied affirmatively.
- Mr. Carroll expressed hope the City would be prepared to address ratepayers' concerns.
- Mr. Fabian recalled the interlocal agreement stated Punta Gorda would control the flow.
- Mr. Jackson agreed that was the case.
- Mr. Sabatino asked if the City had incurred some design costs which could not be recouped as part of this project.
- Mr. Jackson replied the 8 to 10 mgd expansion with the filter upgrade was done but was required regardless.

C. E.C.A.P. Photovoltaic Plant

- Mr. Jackson stated Charlotte County was discussing the possibility of constructing a facility which made photovoltaic cells, adding he had been asked by a member of the press whether Punta Gorda could provide 1 to 1.5 mgd to which he responded affirmatively; however, any municipal water was the most expensive for industrial

processes. He opined such a facility would consider treating some of their own groundwater.

- Mr. Fabian recalled a City Council agenda item on economic development incentives using water/sewer funds, stating there had been much discussion of reducing the rate to 10% from the current 25% surcharge. He stated he was unsure whether the discussion was relative to a reduction for all users, adding revenues would be reduced by approximately \$340,000 if that was the case. He noted the Mayor indicated this should be a general fund as opposed to utility fund issue.
- Mr. Sabatino noted this would be discussed at a future Board meeting as stated earlier under Item C, Status Report.
- Mr. Carroll stated he was interested in how this all fit in with how the utility fund was an enterprise fund.

ADJOURNMENT

- Meeting Adjourned: 10:32 a.m.

Joseph Sabatino, Chairman

Mary Kelly, Recording Secretary