

**UTILITY ADVISORY BOARD
MEETING
MONDAY, December 28, 2009**

MEMBERS PRESENT: Joseph Sabatino, Chairman
Thomas Carroll, Steve Fabian,
Thomas Kessler, Jeff Weiler

MEMBERS ABSENT: John Dauster, Howard Bennett

OTHERS PRESENT: Tom Jackson, Utilities Director
Steve Adams, Senior Project Manager
Howard Kunik, City Manager
Dave Drury, Finance Director
Kristine Simeone, Finance Department
Councilmembers Friedman, McCormick and Albers
Michael Quinn

CALL TO ORDER/ANNOUNCEMENTS

- A. Roll Call
- B. Next Scheduled Meeting - January 25, 2010 - To Be Discussed

APPROVAL OF MINUTES

- A. Regular Meeting - November 23, 2009
 - Mr. Fabian MOVED, Mr. Carroll SECONDED approval. MOTION CARRIED UNANIMOUSLY.
 - Mr. Weiler requested a copy of the Inflow & Infiltration Study.
 - Mr. Tom Jackson advised the study had been mailed out with last month's agenda packet. He then requested a discussion of the January 2010 meeting, explaining the Utility Department would be moving their offices and would not have a data connection between January 14 and January 22; therefore, staff would not be able to generate an agenda. He requested the January 2010 meeting be cancelled.
 - Mr. Sabatino confirmed there were no pressing business matters, confirming members were amenable to not holding a January meeting and not meeting again until February, 2010.

STATUS REPORT

- 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 reservoir level for December, 2009 was lower than the same period in 2008 despite the fact that there had been more rainfall. He stated he would need to review the data to determine the reason; however, the current flow over the spillway was 5.09 feet above mean sea level (msl) which equated to 55.91 million gallons per day (mgd). He reported raw chlorides were 166

milligrams per liter (mpl), which was favorable. He stated another weather front was expected the following day which would bring another chance of rain. He displayed the Shell Creek Reservoir Level graph, as delineated in the agenda packet, explaining the majority of the year's data had been below the 40 year average, advising it would be beneficial for the water level to be low during the spillway replacement work. He displayed the Utility Operational Data for the month of November 2009, as delineated in the agenda packet, briefly reviewing same.

B. Capital Project Data Sheet – Priority Efforts

- Mr. Jackson offered to answer questions, noting the Data Sheet had been revised.
- Mr. Fabian questioned the 80% construction status for Aqui Esta.
- Mr. Jackson replied same represented the payment schedule for the utility work.
- Mr. Fabian questioned if City Council approved the bid for the Hendrickson Dam spillway replacement work.
- Mr. Jackson replied affirmatively, noting he had emailed members with a copy of the contract but had received back no comments regarding same.
- Mr. Fabian questioned whether the cost of utility work in a construction project was always the City's burden, citing Piper Road as an example.
- Mr. Adams replied utility costs were typically paid for by the owner of the utility.
- Mr. Fabian confirmed the \$6 million construction cost for Aqui Esta did not include the cost of the utility work.

C. City Council Action on Utilities Agenda Status

- Mr. Jackson stated he had included the most current information available, noting he had emailed the Utility Advisory Board (UAB) members the City Council agenda items in case there were any comments.
- Mr. Weiler inquired as to the low bid for the spillway improvement.
- Mr. Jackson replied \$1.081 million.

D. Utility Fund Balance

- Ms. Kristine Simeone displayed several graphs of month end financial data, as delineated in the agenda materials. She drew members' attention to the Summary Sheet as of November 30, 2009, reporting the budget was on track for the year; however, water and sewer revenues were slightly higher than projected. She then displayed the Monthly Comparison of Water Revenues FY06 to FY10, briefly reviewing same, reiterating revenues were slightly greater than budgeted. She displayed a graph of the Major Water and Sewer User Fee Revenues, noting the "inside" City user revenues were slightly greater than the budget. She reported the auditors had begun reviewing last year's data in December, 2009, confirming as of this date, no exceptions had been

noted.

DISCUSSION ITEMS

A. Economic Development Incentive using Water/Sewer Funds

- Mr. Sabatino questioned whether the proposed incentives impacted the bond covenant.
- Mr. Dave Drury replied it would not negatively impact revenues of the system.
- Mr. Fabian recalled Mr. Drury had written a memorandum to the City Manager on December 8th which included a calculation of the cost for water usage, questioning whether the \$162,900 figure was based on today's rates or whether it included the incentive.
- Mr. Drury replied it was the discounted amount, adding the total, including sewer charges, amounted to approximately \$241,000 per month. He stated he had taken the information from a newspaper article which indicated the company would be using up to 1.5 mgd, adding he had not spoken to the president of the company and had not determined its accuracy. He stated he was merely attempting to devise an estimate for a "what if" scenario.
- Mr. Sabatino inquired what amount equated to 15%.
- Mr. Drury replied the difference between inside and outside was approximately \$50,000, estimating it would be a \$30,000 difference for 30 million gallons (mg) per month.
- Mr. Howard Kunik provided a brief explanation of economic development incentives to spur economic development opportunities which had been discussed during the September 2009 joint meeting between City Council and the Charlotte County Commission, adding consensus was for staff to review the suggested options, which included water and sewer rates. He stated the Southwest Florida Water Management District (SWFWMD) felt more water used should result in a higher water rate, adding that involved setting up differential rate structures for different customers; however, the Bond Council was not interested in same. He stated staff had developed another possibility, adding same had been presented to City Council, who had requested additional input. He stated the suggestion had been reviewed by several local organizations and associations, and their input had been included in the agenda packet.
- Mr. Sabatino stated the information was not presented to the Burnt Store Isles Property Owners Association (BSIPOA).
- Mr. Kunik countered Mr. Sabatino received the information as a member of the Utility Advisory Board, pointing out he had received an email from Mr. Howard Elkin, who had emailed the information to the membership. He reported receiving one email from a BSI customer; however, he had not received input from any other residents. He explained

the proposal was to reduce the 25% rate surcharge to 10% for new development in the Enterprise Charlotte Airport Park area, explaining that 10% equated to the 10% public service tax paid by City residents that was not paid by County residents. He stated it was agreed that qualifications for the incentive should be kept consistent with Charlotte County's criteria, which had been included in the agenda packet, adding property owners would be required to voluntarily annex into the City if and when their property became contiguous with the City boundary. He stated staff discussed if and when the incentive should be sunsetted as well as whether it should be offered at all, adding if only one customer came, and it was this one, the utility would make money. He stated one consideration was whether this incentive was enough to spur new development and whether enough development would move up the need to expand the water plant. He summarized staff was requesting input from the UAB as to whether to offer the incentive, noting the Bond Council had indicated it was legal to do so. He stated members should also consider whether the City should use the County's eligibility criteria, whether to require voluntarily annexation into the City and what the sunset period should be.

- Mr. Sabatino questioned whether there were any legal ramifications to limiting who was eligible, inquiring why existing businesses could not qualify if they met the County qualifications. He opined it was necessary to be neutral.
- Mr. Kunik stated those suggestions could be included in the Board's recommendations.
- Mr. Carroll opined this was a good idea if it resulted in higher water usage and did not negatively affect current rate payers. He stressed the UAB's interest was primarily how the City's water was managed, opining SWFWMD's restrictions had put the City in a position where they could not market the sale of water.
- Mr. Kunik reiterated if the only business that developed was the one presented, it would have a positive effect; however, if the incentive spurred economic development and there were several customers, it could speed up expansion, which would have an impact on the current rates. He stated no development was occurring at the present time, adding it was uncertain whether this proposal would spur development.
- Mr. Carroll asked if other than the cost of expansion, whether this proposal would have any effect on the current rate payers.
- Mr. Kunik stated the amount this one customer would be paying would more than offset the increased operating cost.
- Mr. Sabatino questioned the savings on an annual basis for the sample customer.
- Mr. Drury replied approximately \$360,000.
- Mr. Sabatino opined it was possible to quantify the impact to the rate payers, adding if

there were additional customers, the cumulative effect could be substantial and it could accelerate the need for an expansion which translated into increased rates.

- Mr. Drury agreed.
- Mr. Weiler asked about line extensions and whether improvements were required prior to development.
- Mr. Kunik replied this proposal had nothing to do with line extensions.
- Mr. Weiler asserted the City was making deals on line extensions.
- Mr. Kunik reiterated this proposal was separate from the line extension agreements. He stressed if a property owner wanted a sewer line to their property, the owner paid for the line extension unless it was already included in the Capital Improvement Program (CIP). He acknowledged the City might reimburse a developer over time from other properties that were developed within a certain time frame; however, the City did not absorb that cost.
- Mr. Weiler questioned whether it would be more attractive to receive the money in impact fees.
- Mr. Kunik replied staff had not considered that option.
- Mr. Sabatino asserted companies would consider many variables when making a decision for site selection, suggesting it was necessary for the City to consider what incentives they were willing to offer. He opined it was necessary to have a time limit, recommending staff include a "clawback protection clause". He stated staff should move forward cautiously and understand the impacts, adding staff needed to be sure it was a good long term decision and insure there were no surprises in the future for the rate payers. He suggested performing probability analysis prior to making a recommendation to City Council.
- Mr. Kessler opined it was necessary to do anything possible to attract business and jobs to the City and County, adding based on the supply and demand analysis, he was amenable to offering the incentive in order to attract new business, create demand for water and delay rate increases. He stated the City should use the County's criteria for eligibility, voicing uncertainty as to requiring annexation. He suggested the incentives be offered for 10 years, concluding those customers who paid 25% might be resentful against those businesses which only paid 10%.
- Councilmember Friedman opined it was an illogical and inappropriate proposal. He stated the Board's responsibility was the best interests of the utility in terms of revenue, rates and long term planning, adding business development was the responsibility of City Council. He stated most utilities in the United States were private enterprises rather than being owned by a city, stressing those cities would not approach those private

enterprises and ask them to lower their rates in order to spur development and increase property tax. He stated economic development should come from the general fund, adding in the past, everything the City and County had done in terms of economic development had come from the general fund. He stated the basic flaw was that the implication from the City Manager and many others was that all these customers would be lost without Punta Gorda Utilities incentivizing them to come here when in actuality this came about because the County's Economic Development Director would receive no funds for economic development from the Commission and had exhausted all possibilities. He opined this was a means of circumventing a process that everyone else would use, that being to use general fund dollars to do this, maintaining that was wrong. He stated he had attended many presentations and he had yet to see an analysis to show that the City would make money even on a short term basis, adding the reserves had decreased every year while rates had increased in the past couple of years, which meant the City was losing money on every gallon. He agreed ½ million gallons a day would more than compensate for that; however, the fact remained the utility should be able to profit from the development regardless, adding the only responsibility of the utility was to the rate payer. He explained a new customer of 500,000 gallons per day would require advancing an expansion by 4 to 5 years. He stated the current RO plant would cost \$30 million and the next \$50 million, adding it was necessary to consider carrying charges associated with capital expenditures. He concluded the City should do what it could to encourage companies to come to the City; however, it should be done the right way, adding one suggestion was to require repayment from the County's general fund over a period of years rather than being borne totally by the impact on the rate paying base.

- Mr. Sabatino stated he did not believe members had voiced support for the proposal.
- Mr. Michael Quinn opined it was wrong for customers to subsidize economic development, especially when that development would be outside the City limits. He voiced concern that he could not irrigate, but was now being told there were millions of gallons of water for a developer at a reduced rate, objecting to potential increased rates resulting from accelerated development of infrastructure due to the City bringing in new customers that were being subsidized with future water rates when he was not allowed to use the water. He stated he was told the City's water situation was good; however, the City's once-per-week watering restrictions were the worst in Florida, asserting when residents conserved, water rates increased because the City could not pay the overhead for operations. He opined rates would continue to increase if new plants were constructed due to expansion and development, stressing that was a tremendous

burden for the customers and did not include the due process that was utilized in the public taxing process. He stated economic development, expansion and an increased population did not pay for themselves in the short term, suggesting more effort be put into pressuring SWFWMD to allow the City to utilize a resource that was readily available rather than burdening the current customers with the potential of increased rates in the future.

- Mr. Sabatino stated comments made by Punta Gorda Chamber of Commerce representatives indicated incentives should come from the general fund; however, they ultimately recommended moving forward in order to generate jobs, opining it was important to note that incentives of this type being offered around the country did not include this approach.
- Councilmember McCormick stated the discussion surrounded one company using a lot of water, adding if the City could attract a manufacturer of voltaic cells to this area, it would bring jobs. He stated if there was water going over the dam that was not being paid for by anybody, and if it could be sold to a company that would bring jobs here, offering incentives through water revenues was something that needed to be considered, opining businesses in the voltaic industry would carefully consider the water rate wherever they located as it would be a significant portion of their cost.
- Mr. Weiler opined the proposal would affect the rate payer, suggesting the City's incentive be in the form of site development since, if the City helped pay to build the infrastructure, the City would own it. He questioned how the City could allow different rates for different customers based on their location (other than inside versus outside the City limits), adding although the savings would show on the bottom line, most customers would not save the level of dollars cited in this example. He stated he supported the idea of incentives for economic development, opining it was necessary for the County to assist the City in this area.
- Mr. Fabian questioned what the County was bringing to the table, adding the citizens of Punta Gorda represented approximately 10% of the population but were paying 12% to 18% of the tax base. He stated the citizens of Punta Gorda were paying taxes that went into the County's general fund, opining that was where the funding should come from rather than water rates. He stated businesses that annexed into the City benefited by saving on taxes for the Sheriff's department and fire protection, asserting Palm Automotive paid approximately \$15,000 less in taxes when they annexed. He voiced concern the City would need increased fire protection and police substations if properties at the airport were annexed in, concluding there were additional costs to the City involved with increased annexation.

- Mr. Sabatino stated it was necessary to consider this issue in a comprehensive fashion, opining it was difficult for the Board to make a decision since it was impossible to quantify the financial impact on the City and the rate payers. He stated if traditional incentives were provided for site improvements, those could be quantified, adding he was uncertain whether he approved of the proposal. He reiterated it was necessary to carefully consider the idea before moving forward.
- Mr. Carroll reiterated he was uncomfortable using utility funds for economic development as that had never been done in the past, adding he was not in favor of a proposal that did not have a probability of not affecting the rate payers.
- Mr. Sabatino stated it appeared from the comments being made that the majority of members were not in favor of moving forward at this time, questioning whether a formal vote was being requested.
- Mr. Kunik replied City and County staff were developing a comprehensive list of incentives that were currently being or could be offered, adding it would likely be several months before same was presented to City Council and the County Commission. He offered to provide a variety of scenarios in the future, concluding there was no requirement for the Board to make a decision today as there was no deadline; however, staff would eventually like to make a final decision.
- Mr. Carroll opined additional scenarios of “if this then that” would not be helpful, adding it was necessary to develop probabilities in order to reach a better comfort level. He stated if those kinds of things could not be quantified, he could not reassure his neighbors that their rates would not be negatively affected.
- Mr. Sabatino stated he was not in favor of the idea, especially since no other municipalities were doing it, reiterating the idea that incentives could be given for site improvement. He stated staff should consider when a plant expansion would be necessary as that cost was what would affect rate payers.
- Mr. Kunik stated other than Florida, he did not know what other utilities charged a surcharge, questioning if staff should be looking at incentives for infrastructure.
- Mr. Sabatino replied it should be in some form that could be quantified with a high degree of certainty, suggesting if the developer was going to generate a certain number of jobs and use a certain volume of water, they should be entitled to certain benefits. He reiterated there should be a sunset period, adding no company would expect to receive a benefit indefinitely. He maintained if the company did not perform as agreed, they would have to repay the benefit, concluding he was in favor of economic development incentives; however, this was not the best option.
- Mr. Kunik inquired if infrastructure incentives were to be a consideration, whether water

and sewer should pay for that infrastructure.

- Mr. Sabatino replied anything was possible, suggesting anytime the benefit fell outside the jurisdiction, it was necessary to have a formula whereby the City or County should pay that percentage that was equal to the benefit realized. He acknowledged there was no easy way to do that; however, it was better working with hard numbers rather than hypotheticals.
- Councilmember Friedman stated the argument about the CRA and County contribution formula was ludicrous, adding as Punta Gorda was part of the County, the CRA's incentives were no different than Charlotte Harbor and Murdock. He stated the Airport was not part of the City; thus, there was no way to draw an analogy to that. He stated it was not a benefit for the utility if a company annexed, adding the company would annex due to the large savings annually. He stated the question was not quantifying, but rather it was philosophical as to an enterprise fund should be used for economic development. He reiterated the only reason for the discussion was based on the County Economic Development Director's inability to obtain funds from the County's general fund, adding the City would not receive any benefit while the County would receive all the taxes. He concluded economic development should come from the general fund.
- Mr. Sabatino thanked everyone for their input.

MEMBER COMMENTS

- Mr. Sabatino inquired as to the status of the regional interconnect.
- Mr. Jackson replied after mediation, the Peace River Manasota Regional Water Supply Authority (PRMRWSA) and Charlotte County had come to some agreement to consider a less expensive pipeline, adding he had replied affirmatively when PRMRWSA staff inquired whether the City would consider that. He stated he hoped to find out more information in the coming weeks, adding he would provide the Board with an update when it was available.
- Mr. Adams reported Charlotte County Public Works staff had advised they were proceeding with the bid for Piper Road, advising they would be constructing a four lane road between Henry Street and Jones Loop Road. He stated the City had a utility agreement with the County to build utility improvements as part of that project, adding the County was scheduled to award a contract by February, 2010.
- Mr. Jackson advised this was a CIP line item.
- Mr. Weiler questioned when the inflow and infiltration study would be discussed.
- Mr. Jackson replied he would add it to the February agenda.
- Mr. Sabatino complimented utility staff on repairing a water line break in Burnt Store Isles on Christmas day. He then suggested it was necessary to better communicate with

residents when a break occurred and when same was fixed.

- Mr. Jackson stated his goal was to improve the communication system.

ADJOURNMENT

- Meeting Adjourned: 10:35 a.m.

Joseph Sabatino, Chairman

Karen Smith, Recording Secretary