

**City Commission
Agenda Work Session
Meeting Minutes July 15, 2020
(Approved)**

**This meeting was conducted partially via teleconference
Pursuant to Executive Order No. 20 -69, issued by the Office of Governor Ron Desantis on March 20,
2020,**

**extended via Executive order no. 20-112, and further extended by Exectutive Order No 20-114,
municipalities may conduct meetings of their governing boards without having a quorum of its
members present physically or at any specific location, and utilizing communications media
technology such as telephonic or video conferencing, as provided by Section 120.54 (5)(b)2, Florida
Statutes.**

**The City of Lake Wales held this hybrid virtual public meeting using the GoToMeeting
Web/Teleconference service.**

7/15/2020 - Minutes

1. CALL TO ORDER & ROLL CALL

Commissioners Present: Terrye Howell, Curtis Gibson, Al Goldstein, Robin Gibson

Mayor Fultz arrived late.

Staff Present: James Slaton, Interim City Manager; Jennifer Nanek, City Clerk

Deputy Mayor Robin Gibson called the meeting to order at 3:00 p.m.

Deputy Mayor Robin read a statement:

Pursuant to Executive Order No. 20-69, issued by the Office of Governor Ron DeSantis on March 20, 2020, extended by Executive Order 20-112, and further extended by Executive Order No 20-114, municipalities may conduct meetings of their governing boards without having a quorum of its members present physically or at any specific location, and utilizing communications media technology such as telephonic or video conferencing, as provided by Section 120.54(5)(b)2, Florida Statutes. Procedures for public participation will be explained by the City Attorney shortly.

Albert Galloway, Jr., City Attorney, read a statement on Procedures for this partial virtual Public Meeting.

Mr. Galloway asked the Commissioners, "are you comfortable with all the notice provisions set forth and these uniform rules of procedures we have established for this Virtual meeting? The Commissioners answered affirmatively.

2. City Manager Comments

James Slaton, Interim City Manager, said next week is the Commission Meeting on the 21st and Budget Workshop on the 22nd

3. DISCUSSION ITEMS

3.1. Presentation - Debt Overview And Market Update

James Slaton, Interim City Manager, said that the Commission has expressed interest in possibly refinancing current debt and exploring possibilities for funding projects in the future. He introduced

representatives from PFM our Financial Advisors who will give a presentation.

Nick Rocca from PFM gave a presentation that included a Market update and a review of the City's current debt.

Mr. Rocca started with a Municipal Market Update. He shared graphs showing volatility of Treasury rates since March when the COVID-19 pandemic hit. Municipal Bond rates have begun to stabilize over the past two months but are outside the norm. He showed charts illustrating the global rush to liquidity and recent stabilization of US Treasury and Municipal Ratios. He then explained that investors were looking for liquidity and safety leaving municipal bonds but in June there were inflows into municipal long term funds. The next slide showed the tax-exempt municipal credit spreads these have increased over the past few months. He expects this to come down soon. Mr. Rocca explained that the Federal Funds Rate has lowered to 2008 Crisis levels. Looking forward to 2020 there is great uncertainty as to how things will unfold. They expect interest rates to remain low. The high demand for Municipal Bonds is expected to continue.

The next section is an overview of outstanding debt that the City has. The slide showed the list of outstanding notes the City has with a total principal amount of \$9 million. He reviewed each note and its status.

The Utility System Refunding Note, Series 2006B that has a principal outstanding debt of \$1,111,417 and 1.14% interest rate. This will mature in 2026 and has a pre-payment penalty. This costs about \$165,000 a year.

The next is the CRA Redevelopment Revenue Note from 2007 that has an outstanding Principal amount of \$9,500,000 and 4.34% interest rate. This will mature in 2028 and has a prepayment penalty. This costs about \$700,000 a year.

The Ascending Lien Capital Improvement note, Series 2013 funded the Fire Substation and Cemetery addition. The principal outstanding debt is \$1,169,494 and 3.54% interest rate. This will mature in 2029 and is prepayable without a penalty. This costs \$155,000 a year.

The next one is the Airport Project, the Subordinate Lien Capital Improvement revenue Note Series 2017 that funded Improvements to the Airport. The Outstanding principal is \$1,667,000 with an interest rate of 2.92%. This will end in 2037 and costs \$125,000 in debt service a year. This is also prepayable without a penalty.

The recent one for the YMCA Improvements, the Capital Improvement Revenue Note, Series 2019 has \$900,000 principal outstanding with 2.59% interest. This will mature in 2034 and costs \$72,000 a year. This is also prepayable without a penalty.

As a summary there will be a drop off in 2028. There would not be too much of an advantage to paying off these notes. The savings would be small. They recommend against refunding these notes. If the City takes on new debt it could include prepayment of one of the series.

Mr. Rocca said he was open for questions.

Deputy Mayor Robin Gibson said they are exploring financing the CRA area. He speculated as to whether or not there would be a positive market response to these improvements. We have estimates on the cost of the Lake Wales Connected plan. There is an estimate that it will generate \$2 million a year. We have \$2million in the CRA Trust Fund. This project will take 3 years. This is a serious project and we want to be responsible. We need to figure out our capacity. What kind of latitude or options do we have? Mr. Rocca said there are two financing options a bond issuance or bank loan. This depends on size and term length. Interest rates are very attractive now. Banks usually do 15-20 year loans while a bond can go as long as 30 years. What can the City pay back at a comfortable level? Once more details are known then we can run numbers.

Deputy Mayor Robin Gibson asked if it makes sense to refinance the outstanding bond that goes for eight years, capture the lower interest rate and extend it out and cover our budget. Mr. Rocca said bonds can be more expensive with other costs. The bond market can be more aggressive than banks. They would analyze this before making a recommendation. The CRA loan that will end in eight years will require a penalty and negate any savings. Deputy Mayor Robin Gibson said we will just have to live with it. He likes bank loans as he knows the bankers. This discussion helps. Mr. Rocca said they include all local banks when they do a request for proposals. Deputy Mayor Robin Gibson asked if we should borrow what we need and save the \$2million in case the increase doesn't click in the first few years. Mr. Rocca said it could be structured that way to have the payments go up after the first few years. Deputy Mayor Robin Gibson said he hates to push the debt out farther. Mr. Rocca said we can review different scenarios.

Commissioner Goldstein asked about investing in a property that is not bringing in much revenue right now but could bring in a lot more later. Deputy Mayor Robin Gibson said putting money into property can be like an albatross around the neck. George Smith from Bryant Miller and Olive said this is possible but many details and plans would need to be figured out.

Commissioner Goldstein asked about owning land. Deputy Mayor Robin Gibson said the CRA can buy and sell land. Albert Galloway, City Attorney, said this was done with the Business Park that sat empty for years. It is not a good situation.

Dorothy Abbott, Finance Director, said that the debt service policy requires level payments. She will be sure the City Commission gets a copy. She recommended against the City competing with private business.

Commissioner Curtis Gibson commended the Finance Director and staff for keeping us in line. He agrees we should be helpful and business friendly but not interfere with business growth. He said he appreciated the presentation.

Commissioner Howell said that she also appreciated the presentation. She understands better after the presentation and questions.

Commissioner Curtis Gibson confirmed that it would not be that beneficial for us to refinance the loans as the expense to do so would not result in significant savings. The savings would only be \$6,000 a year.

Deputy Mayor Robin Gibson said the question is what is a comfortable rate and what will it buy us?

James Slaton, Interim City Manager, said we will be ready to go to bid next summer and project can begin next fall. The project will take 18 months. Deputy Mayor Robin Gibson said we need to be careful about tearing up the streets during the winter season.

Commissioner Goldstein said hopefully we can get the project done as quickly as we can.

Commissioner Howell wants to be careful not to bite off too much so that we can't help elsewhere.

3.II. Resolution 2020-24: Sale And Purchase Agreement For Park Water Company

[Begin Agenda Memo]

SYNOPSIS:

The City Commission will consider adopting Resolution 2020-24, approving a Sale and Purchase agreement for the acquisition of Park Water Company.

RECOMMENDATION

City staff does not have a recommendation.

BACKGROUND

In late 2019, Park Water Company approached the City regarding the sale of their water utility system to the City of Lake Wales. City staff has performed the necessary due diligence related to the purchase and has prepared a Sale and Purchase agreement for City Commission consideration.

The due diligence performed related to this purchase includes: (1), a Financial Valuation Report prepared by PFM Consulting and (2) a Water Facilities Survey by Chastain-Skillman, Inc.

The City intends to finance the purchase with one or more loans from the FDEP state revolving fund loan program. The City has submitted an application to FDEP for financing and expects a decision on approval by mid-August. The purchase agreement provides that the City can terminate the agreement if it is unable to procure financing for the purchase which is satisfactory in the City's sole discretion.

Approval of the Sale & Purchase agreement may take place at the City Commission's regularly scheduled meeting on July 21, 2020 following a public hearing which has been advertised in the Ledger News Chief newspaper on July 14, 2020 and July 17, 2020.

OPTIONS

The City Commission may approve the Sale and Purchase agreement.

The City Commission may elect to defer approval of this Sale and Purchase agreement and direct staff to renegotiate the purchase price.

The City Commission may reject the Sale and Purchase agreement and direct staff to end negotiations.

FISCAL IMPACT

The agreed upon purchase price is \$5,000,000.

[End Agenda Memo]

James Slaton, Interim City Manager, reviewed this item. He introduced a Kevin Plenzler, a representative from PFM to discuss this purchase.

Mr. Plenzler said they were tasked to provide a valuation of the Park Water Company as provided, about its financials and operations. They took an income approach looking at the net income and calculating back to a present value. They looked at its position in the market, market growth and development, prospects for future development, and calculating a market rate for the facility. The takeaways are that the facility is in pretty good condition and given its history the market valuation of the facility is \$5.8 million. For the actual purchase, assuming this would be financed through a bond issue, the value is \$4.7 million. The valuation can change based on method of purchase.

Mr. Plenzler reviewed a list of questions provided to him. One was about estimated annual revenue. Mr. Plenzler said they estimate \$50,000 a year. There are about 1100 customers of Park Water Customers in the area. Mr. Plenzler shared a map showing the service area south of the city. There is not a lot of growth in this area right now. The revenue will be sufficient to cover operating cost. The City can answer this better than he can.

Deputy Mayor Robin Gibson asked if that \$50,000 a year covers everything. Mr. Plenzler said that covers the debt service. Deputy Mayor Robin Gibson asked what flexibility there is for interest rates. Mr. Plenzler said funding will go through the SRF. This will be a fixed rate for 20 years. Others can comment on this.

Deputy Mayor Robin Gibson asked about sewer rates charged to residents. Do we have flexibility? Mr. Plenzler said the City has flexibility here. These are determined by City staff.

Commissioner Goldstein asked how this purchase affects our agreement with the Polk Regional Water Cooperative regarding how much water can go through Lake Wales. Dundee is taking more water than allotted. Deputy Mayor asked also asked about having an interconnect with Park Water. Sarah Kirkland, Utilities Director, said we already have an interconnect with Park Water Company. She explained that we will get their permitted use of water. We are permitted for 3.9 million gallons of water. Currently we use 2.9 million a day. Park Water Company is permitted for 302,000 gallons. Commissioner Goldstein asked if we purchase this will usage in Lake Wales be affected. Ms. Kirkland said no as they already have established usage. They are using about 250,000 gallons a day. Their permit is enough to cover their usage area so they won't take anything away from Lake Wales.

Deputy Mayor Robin Gibson said that water and sewer are an enterprise activity for Lake Wales. The rates for those inside City limits and outside can be different. Ms. Kirkland confirmed this and explained that we currently have different rates for City residents and those outside the City. Most outside water customers only get water. Albert Galloway, Jr., City Attorney, said per ordinance they can charge 25% higher.

Mr. Slaton asked Ms. Kirkland to explain about applying for SRF (State Revolving Loan Fund) funds. Ms. Kirkland explained that they will seek SRF funding and that their chances were good. An SRF agreement can go for 20 years with really low interest rates. First payments will be made 6 months after the purchase. We have done this for several projects.

Commissioner Goldstein asked about water usage by Florida's Natural and Mountain Lake. Ms. Kirkland said both use their own water except for the Grove House.

Ms. Kirkland reviewed the costs for doing our due diligence which are about \$35,000. The revenue from the facility should cover annual debt service payments. There should not be a cost increase to customers. Deputy Mayor Robin Gibson said that we have discretion on the costs to both inside and outside customers. Ms. Kirkland said there is usually a 2.5% increase in costs annually.

Commissioner Goldstein asked if we monitor residents watering on days they should not. Ms. Kirkland said we don't check as we don't have staff. Commissioner Goldstein recommended a reminder about the watering days in the utility bills. Ms. Kirkland said we can do that.

Mr. Slaton asked Ms. Kirkland to review the condition of the facility and any major repairs that may be needed. Ms. Kirkland said the plant is in good condition. Many repairs and upgrades have been made in recent years. There are some repairs that will be needed concerning the ground storage tank. This will be considered in evaluating the final purchase price.

Mayor Fultz said we have 5 years to transfer their allotment to us. By 2025 we will be locked in to our amount and won't be able to go over. We will need more water elsewhere. Commissioner Goldstein asked what happens if we get a lot more homes over the next few years. Mayor Fultz said that we will spend more money for water if we go over our amount.

Chris, with Bryant, Miller and Olive, reviewed the draft resolution and purchase agreement. He explained that the purchase includes everything associated with the facility including 15 miles of pipe. The owner has a current loan with SRF that will be paid off if the sale goes through. The City will be purchasing the facility as is. We can do more due diligence and inspections if needed. Much of the system has been upgraded over the past 10-15 years. The City will have 60 days after approval of agreement to do more due diligence. The City can walk away if they find anything of concern. The closing date can be postponed if financing cannot be secured. The facility has gotten a clean bill of health from the Department of Health.

Commissioner Howell asked what the benefit is to the City? Why do we want to do this now? There is

major work to be done.

Commissioner Goldstein said that there are concerns and recommendations that need to be addressed after purchase. Why not get them done before the purchase? Ms. Kirkland said we are deducting the cost of those repairs from the purchase price about half a million. Chris explained that the original asking price was \$7million and has been discounted accordingly due to needed repairs. Chris reviewed the overall benefits of combining systems, or regionalization, for the City and citizens. This is a priority to Florida DEP.

Commissioner Howell asked if this will create a hole for us as far as our allotment. Mayor Fultz said no that our allotment will be bumped up with this addition. This will give us more flexibility in adding more homes.

Commissioner Goldstein asked if any of the land in that area is agriculture. Deputy Mayor Robin Gibson said a lot of it is.

Mr. Slaton said growth rate down there has been flat for years. Kevin Plenzler, PFM, reviewed the growth rates of the area. It is lagging behind the City and the County. If there is growth there the City can capture it and this can increase the value of the investment.

Commissioner Curtis Gibson asked about the staff recommendation. Why are they trying to sell it? He does not want surprises. He doesn't want us to be liable if there are issues. Is this in the City's best interest right now? Mr. Galloway said this has been evaluated and reviewed. This will make it easier to annex as time goes by. There will be growth down there at some point. This will add value to the City.

James Slaton said we will talk about this again Sunday night.

Deputy Mayor Robin Gibson said the important thing to him is we can determine the revenue for this. There is no risk. The gain is the extent to which we increase our influence. This gives us an annexation advantage. Commissioner Goldstein said he agrees that this is important. He is concerned about the cost to fix things that it may be higher. Mr. Galloway said we will have 60 more days for review.

3.III. Ordinance D2020-02 - 2nd Reading - CPA/Zoning Mckibben Powersports Property

[Begin Agenda Memo]

SYNOPSIS

This Ordinance will amend land use designations on the Future Land Use Map (Comprehensive Plan) and the Zoning Map for the recently annexed .51 acres owned by MCK Properties of Lake Wales, LLC, East of US Highway 27 and abutting the existing Mckibben Powersports site. The annexation of this property has taken place by Ordinance 2020-10, at the request of the property owner. At a regular meeting on June 23, 2020, the Planning & Zoning Board recommended I-2 Industrial Infill future land use and zoning designations. These designations are consistent with those already assigned to the existing developed site.

RECOMMENDATION

The Planning & Zoning Board held a public hearing on the proposed amendments to the Future Land Use and Zoning Maps for the Mckibben Powersports Property on June 23, 2020 and recommended the following amendments as set forth in Ordinance D2020-02:

Parcel ID 27-29-34-875000-006100

.51 acres

Lots 10 and 11 Block 6 Everett's Subdivision per plat book 30 page 45 of Polk County public records.

City of Lake Wales Future Land Use: I-2 Industrial Infill City of Lake Wales Zoning: I-2 Industrial Infill

Public Notice requirements have been met.

FISCAL IMPACT

Assigning land use and zoning designations enables future improvements of the property and a potential increase in the property value.

[End Agenda Memo]

James Slaton, City Manager, reviewed this item.

3.IV. Award Recommendation-Airport Septic System/Force Main Connection

[Begin Agenda Memo]

SYNOPSIS: The City Commission will consider authorizing staff to expend funds for the removal of the septic system and for the force main connection at the Lake Wales Municipal Airport.

RECOMMENDATION

1. Authorize the expenditure of \$56,439.32.
2. Award the bid for removal of septic system and the force main connection to Cobb Site Development, Inc.

BACKGROUND

In order to continue the development of the airport property and allow the building of corporate hangars, the septic system must be removed. The project includes the removal of the existing septic tank and associated drain field that services the existing FBO building then connecting the FBO building to the gravity main. This will also allow future corporate hangars to be connected.

On June 30, 2020 two (2) sealed bids were received and recorded for the above referenced project.

The bids were evaluated by Hoyle, Tanner & Associates, Inc. for responsibility and responsiveness. Both contractors provided the necessary documentation to validate their bid submission. Both contractors have worked with the City on previous projects and have performed satisfactorily.

The two (2) proposals for this project:

- Cobb Site Development, Inc. \$56,439.32
- SEMCO Construction \$95,920.00

The project is expected to take about seventy-five (75) days upon receipt of the notice to proceed notification from the City.

In accordance with Sec. 2-417(d)(3) of the City's Code of Ordinances, all purchases in excess of Category 1 (\$20,000.00) require City Commission Approval.

OTHER OPTIONS

The pumps for the septic system have burned up. The City had already received sealed bids for the removal of the system before this problem occurred, therefore it is more feasible to move

forward with the removal instead of expending funds for a repair.

FISCAL IMPACT

The project cost is \$56,439.32.

\$20,000.00 of the cost is funded by the FAA through the COVID-19 Cares Act.

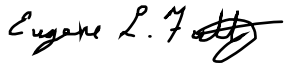
\$36,439.32 will be taken from the City's Airport department maintenance and repair operating budget.

[End Agenda Memo]

James Slaton, City Manager, reviewed this item.

4. ADJOURN

The meeting was adjourned at 5:11 p.m.



Mayor

ATTEST:

City Clerk