

A workshop meeting of the City Commission was held on November 1, 2011 at 5:00 p.m. in the Commission Chamber at the Municipal Administration Building. The meeting was called to order by Mayor Michael S. Carter at 5:00 p.m.

COMMISSIONERS PRESENT: Jonathan Thornhill; John Paul Rogers; Betty Wojcik; Terry Y. Howell; Mayor Michael S. Carter.

COMMISSIONERS ABSENT: None

CITY REPRESENTATIVES PRESENT: Judith H. Delmar, City Manager; Albert C. Galloway, Jr., City Attorney; Clara VanBlargan, City Clerk; Jacquie Hawkins, Deputy City Clerk; Terry Leary, new City Manager

[Meetings are recorded but not transcribed verbatim.]

Agenda Item 2. Utility Rate Increase to Fund CIP

The full staff memo is incorporated into the minutes.

[Begin agenda memo – All attachments are located in the agenda packet for the official record]

For the November 1, 2011 workshop, the Finance Department is seeking City Commission direction on several topics dealing with the City's utility rates, funding guidelines for items listed within the 5 year Capital Improvement Plan (CIP) and debt service.

The presentation format includes:

- Section 1. Recommendations by Staff and Funding Options for non-funded Capital Projects
- Section 2. Summary of Funding Sources Relating to the 5 Year CIP.
- Section 3. Public Utility Fund – Expenditures by Function – Five Year Forecast.
- Section 4. Restricted Cash & Investments
- Section 5. Water Customers/ERU Count
- Section 6. Sewer Customers/ERU Count
- Section 7. Surrounding Cities – Rates and Proposed Rate Comparison
- Section 9. City's Outstanding Debt
- Section 10. Surrounding Cities – Outstanding Debt

During the 2011'12 budget discussions, the City Commission requested the Finance Director provide options for funding of the five-year capital improvement plan relating to the Utility System. Attached is a summary of unfunded impact fee projects totaling \$5,950,000 and non-impact fee capital projects totaling \$4,468,000 (\$10,418,000). The currently utility rate structure does not provide sufficient funding for these capital projects.

City code section 21-155 (c) provides for periodic review and revision of the rates as may be necessary to (1) produce revenues from the utility system sufficient to pay the cost of maintaining, repairing, and operating the utility system; (2) to pay, when due, the principal and interest on the utility system revenue bonds of the city; and (3) to accumulate and maintain prescribed revenues for renewal, replacement, and betterment.

In accordance with Florida Statutes section 180.136, before a local government increases water or sewer rates, the utility shall provide notice of the proposed increase to each customer of the utility through the utility billing process.

Several funding options have been provided to the City Commission for consideration (Attachment A). The Finance Director's proposed rate increases have been included (Attachment B). While the increases proposed by the Finance Director do not provide complete "pay-as-you-go" funding for all the capital projects within the five year period, a combination of "pay-as-you-go" and debt service would provide sufficient funding for non-impact fee capital projects. The Finance Department has identified possible debt service costs relating to these projects should the City Commission decide future financing might be needed.

Once the City Commission has sufficient time to consider the options available, staff is seeking direction from the Commission on how they wish to proceed.

Water Rates (Attachment B):

Current Rates - FY 2011'12				Proposed Increase Option #5		Proposed Rates - FY 2011'12, Effective March 2012	
		Inside City	Outside City	Inside City	Outside City	Inside City	Outside City
Water Rates							
Service Availability Charge:							
ERU's	Residential (per Meter)						
1	3/4" Meter	5.66	7.08	1.90	2.38	7.56	9.46
1	1.0" Meter	5.66	7.08	1.90	2.38	7.56	9.46
5	1.5" Meter	28.29	35.36	9.50	11.88	37.79	47.24
8	2.0" Meter	45.26	56.58	15.20	19.00	60.46	75.58
16	3.0' Meter	90.52	113.15	30.40	38.00	120.92	151.15
Residential Vacation Rate - 50% of base charge.							
ERU's	Multi Family (per Meter)	Inside City	Outside City	Inside City	Outside City	Inside City	Outside City
0.8	3/4" Meter	4.53	5.66	1.52	1.90	6.05	7.56
ERU's	Commercial (per Meter)	Inside City	Outside City	Inside City	Outside City	Inside City	Outside City
1	3/4" Meter	5.66	7.08	1.90	2.38	7.56	9.46
2.5	1.0" Meter	14.15	17.69	4.75	5.94	18.90	23.63
5	1.5" Meter	28.29	35.36	9.50	11.88	37.79	47.24
8	2.0" Meter	45.26	56.58	15.20	19.00	60.46	75.58
16	3.0' Meter	90.52	113.15	30.40	38.00	120.92	151.15
25	4.0' Meter	141.43	176.79	47.50	59.38	188.93	236.17
50	6.0' Meter	282.87	353.59	95.00	118.75	377.87	472.34
Water Gallonage Charges:							
Volume Charges (per 1,000 gallons)		Inside City	Outside City			Inside City	Outside City
	Block 1	2.24	2.80			2.24	2.80
	Block 2	3.03	3.79			3.03	3.79
	Block 3	4.70	5.88			4.70	5.88
	Block 4	7.74	9.68			7.74	9.68
Water Usage Blocks							
		Per ERU				Per ERU	
	Block 1	Up to 5,000				Up to 5,000	
	Block 2	5,001 to 10,000				5,001 to 10,000	
	Block 3	10,001 to 25,000				10,001 to 25,000	
	Block 4	25,000				25,000	

Sewer Rates (Attachment B):

		Current Rates - FY 2011'12		Proposed Increase Option #5		Proposed Rates - FY 2011'12, Effective March 2012	
		Inside City	Outside City	Inside City	Outside City	Inside City	Outside City
Sewer Rates							
Service Availability Charge:							
ERU's	Residential (per Meter)						
1	3/4" Meter	20.10	25.13	3.50	4.38	23.60	29.51
1	1.0" Meter	20.10	25.13	3.50	4.38	23.60	29.51
5	1.5" Meter	100.52	125.65	17.50	21.88	118.02	147.53
8	2.0" Meter	160.83	201.04	28.00	35.00	188.83	236.04
16	3.0' Meter	321.60	402.00	56.00	70.00	377.60	472.00
Residential Vacation Rate - 50% of base charge.							
ERU's	Multi Family (per Meter)	Inside City	Outside City	Inside City	Outside City	Inside City	Outside City
0.8	3/4" Meter	16.09	20.11	2.80	3.50	18.89	23.61
ERU's	Commercial (per Meter)	Inside City	Outside City	Inside City	Outside City	Inside City	Outside City
1	3/4" Meter	20.10	25.13	3.50	4.38	23.60	29.51
2.5	1.0" Meter	50.26	62.83	8.75	10.94	59.01	73.77
5	1.5" Meter	100.52	125.65	17.50	21.88	118.02	147.53
8	2.0" Meter	160.83	201.04	28.00	35.00	188.83	236.04
16	3.0' Meter	321.65	402.06	56.00	70.00	377.65	472.06
25	4.0' Meter	502.57	628.21	87.50	109.38	590.07	737.59
50	6.0' Meter	1,005.16	1,256.45	175.00	218.75	1,180.16	1,475.20
Sewer Gallonage Charges:		Inside City	Outside City			Inside City	Outside City
Volume Charges (per 1,000 gallons)							
	Block 1	2.64	3.30			2.64	3.30
	Block 2	4.63	5.79			4.63	5.79
Sewer Usage Blocks		Per ERU				Per ERU	
	Block 1	Up to 5,000				Up to 5,000	
	Block 2	5,000				5,000	

[End agenda memo]

Finance Director Dorothy Pendergrass reviewed Agenda Item 2.

The following points were made through the discussion:

- Though the rate increase is for the 5-year CIP, year one is already covered, so this covers funding for years 2-5.
- The report only covers unfunded Utility capital improvement projects and does not include projects needed in non-utility areas.
- The 2007 study's projection of growth was optimistically high because the economy did not sink until after the study was made. Since then there has been practically no growth at all so the Finance Department's proposed study accounts for no growth. When the economy turns around and we experience growth, the rate can be adjusted at that time.

Impact Fee Capital Projects:

- The unfunded impact fee CIP projects were not included in the rate increase because those projects are based on growth, and until there is growth they will not be needed.

- The current rate supports the WWTP and the C Street Projects, assuming we get the CDBG grant.
- **SR 60 Corridor:**
 - If we are not ready when businesses express an interest to develop along the corridor, we may lose the service area to Winter Haven.
 - The timing is therefore critical. Once the CSX project starts to move forward, it will take nine months to be shovel ready. It would be wise therefore to be prepared by starting the design and engineering now, and having the bid ready. Once CSX starts moving forward we can send out the bid, though we should not start construction until we are sure it will be needed or we will run into the same problem we had with the elevated storage tank and be stuck with lines where we have no flow. Building and fire codes, and police and fire service also needs to be in place.
 - We may need to borrow money up front for the SR 60 corridor project and be reimbursed later with impact fees as development occurs, and possibly with an Economic Development Grant.
- **Long Term Debt for the WWTP and C Street Projects:**
 - The paperwork for the SRF funding is due in February and staff plans to meet the deadline.
 - Staff plans to request the total funding needed for the WWTP and C Street projects, though we will only have to draw down what we actually need. Impact fees and CRA funds will free up some for other projects.
 - The question is if we want future customers to pay for the projects or present day customers.

Non-impact Fee Projects:

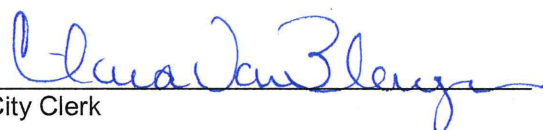
- Though the asbestos/Cement pipe removal project is not required by SWFWMD, the City needs to get rid of the asbestos pipes because they are old and keep breaking.
- The project priority order is the order of projects recorded on page 2-3 of the report.
- The more growth, the more utility customers and the lower the rates.
- In order to pay for these projects in five years the water rate increase will have to be \$ 1.90 per ERU and the sewer rate increase will have to be \$ 3.50 per ERU for the non-impact Fee Capital Projects.
- It takes a 45 day notice plus two readings for an ordinance change if we want to change the fees.
- We need to be proactive instead of reactive. Though more has been budgeted for maintenance during the past two years, we need to be prepared so down the road we don't run into the same problem as we find ourselves in.
- By FY2017/18 when the annual debt service is paid off, about \$1.1 million will be freed up annually for capital improvement.

There being no further business, the meeting was adjourned at 5:52 p.m.



Mayor/Commissioner

ATTEST:



City Clerk