

ST. PETE BEACH CITY COMMISSION

**WORKSHOP
MINUTES**

**Tuesday, November 18, 2008
6:30 p.m.**

THOSE PRESENT:

Mayor Finnerty
Vice Mayor Metz
Commissioner Halpern
Commissioner Chaney
Commissioner Leonard
City Clerk Theresa McMaster
City Manager Mike Bonfield

PLEDGE OF ALLEGIANCE

INVOCATION

CALL TO ORDER

Mayor Finnerty called the meeting to order at 6:30 p.m.

WASTEWATER RATE STUDY

City Manager Bonfield explained that last week there was a presentation by the City's consultant Rob Ori regarding the proposed sewer rate adjustment. He stated that Mr. Ori was in attendance to give an overview of the study.

Mr. Ori stated that his firm performed a Revenue Sufficiency Study and looked at the City's costs, funding requirements for capital program, existing and future debt requirements. He reported that funds are being borrowed from the general fund for the sewer fund.

Mr. Ori recommended a 45% rate adjustment followed by yearly rate indexing. He explained that our system is a low to no growth utility and as inflation keeps impacting the cost of operations a price index adjustment each year will allow the City to recover some of those costs. He also pointed out that the City was a 100% purchaser of wastewater treatment services from the City of St. Petersburg and as they raise rates the City should impose those increases to the users.

Mr. Ori explained that they also recommended that the subaqueous line and the force main project with Treasure Island be delayed by one year; also the pay back of over \$1,000,000 to the general fund was reduced from \$230,000 to \$100,000 payment for one year. Mr. Ori pointed out that the actual rate increase would be \$29.23 for a 4,000 average gallons user, which is billed bi-monthly. He stated that this rate is still competitive.

Mr. Ori explained that the additional money will be used to pay for 100% of operating expenses, paying 100% of debt payment, be in compliance with the bond documents, and starts to fund capital improvements for the system. He outlined the immediate improvements would be for small inflow and infiltration projects, and man holes. He pointed out that the major projects are not being funded by the increase.

Mayor Finnerty was concerned about the infrastructure work being postponed. He asked how bad the system was.

Public Services Director Steve Hallock reported that these Capital Improvement Projects have been delayed for quite some time and the system is 50 years old, which is its life expectancy. He stated that force main #2 and #3 where the lines have already broken and are the priority. He stated that he felt that 4-5 years was the maximum for these projects to get completed.

City Manager Bonfield stated that it will take some time to get the testing, engineering work, bidding the projects and get the proper permits.

Commissioner Halpern asked if the subaqueous line breaks what are the City's options. Mr. Hallock reported that all 3,000,000 gallons per day flows through that line and it would be very expensive to try to buy-pass that line if it breaks.

Mr. Hallock replied that it would require us to pay the price for an emergency response to get some temporary pipe in place to go across the bay. He stated that the City would have to deal with whatever containment or environmental issues that occur. He stated that the entire process could take a week or two weeks.

Mr. Halpern stated that he did not want to delay the work on the sub-aqueous line which would leave all of the City's residents without any water or sewer service for two weeks or longer if the pipe breaks or is damaged.

Mayor Finnerty stated that he felt that it was this Commission's responsibility to handle this issue. He felt that the rates need to be increased.

City Manager Bonfield stated that the 30% increase is needed to keep from taking money from the general fund for the sewer system funding. He explained that they are changing from a Special Revenue Fund to an Enterprise Fund, which is required to fund itself.

There was a general discussion regarding why the rates were not raised before now.

Mayor Finnerty recommended approval of the rate increase especially for emergency situations.

Commissioner Chaney asked for the list of projects, the costs and the time-line for the budgeted items. She summarized that they needed a 30% rate increase just to break even.

Mr. Ori stated that the sewer fund is in a dire financial position.

Commissioner Chaney pointed out that there was a 12.5% rate increase last year that she thought was just to pay for the service.

There was a general discussion of the cost, rates and increases charged by the City of St. Petersburg for the treatment of the City's wastewater. It was pointed out by Mr. Ori, that these costs will continue to rise because of inflation, the cost of power and repairs to St. Pete's sewer system, because of its age. He advised that St. Petersburg is passing on some of the costs for their capital improvements to the City of St. Pete Beach.

There was a general discussion regarding the \$1,100,000 loan that needs to be repaid to the general fund over a five year period and how much money the 45% rate increase will generate and what it will be used towards.

There was a general discussion regarding infiltration into the system that is being sent to St. Petersburg for treatment, which is not wastewater and is expensive.

Mr. Ori advised that he thought that the major improvements to the system need to be taken care of within a 5 year time-frame. He pointed out that the system should have 90 days of revenue in the bank, and currently there is no cash flow for emergencies. He felt that the City will have to borrow money to do the major improvements. He suggested that bonds be used to fund the improvements.

Mr. Ori pointed out that St. Pete Beach is the only wholesale customer of St. Petersburg that is not being charged a 25% surcharge on the wastewater treatment. He stated that the City should be proud of that accomplishment within their settlement agreement.

Mr. Ori stressed the need for the 90 days funding for the system in the bank. He stated that the Restoration and Repair Fund needs funding.

Mr. Ori pointed out that the most critical asset that the City has is the subaqueous line because all of the sewage goes through there, if something happens raw sewage will be in the bay.

Mr. Hallock stated that his staff is putting together an Asset Management Program by inventorying the entire system and ranking things "poor, good, fair, excellent" and then they will focus on the problem areas. He pointed out that the time-frame to get all of the

things in place needed to fix the problems, including engineering; it could take one year. He stated that he cannot guarantee that a major problem will not occur.

Mr. Halpern asked if the City has an emergency plan in place if something does happen with the system. Mr. Hallock stated that they are working on a plan which will be to bring in outside resources. He pointed out that the subaqueous line is beneath the sea bed.

Mr. Hallock outlined his experience with working with wastewater systems.

Mr. Ori explained that his firm was hired to perform an independent review of financial conditional of the system and to establish rates that they think will cover the costs to meet the overall needs for the system. He also advised that he could be hired to assist the city in obtaining funds for the improvements. He disclosed that each year he is involved with the St. Petersburg "True-Up" every year and last year the City got \$30,000. He also reported that in 2001 he was one of the expert witnesses for St. Pete Beach regarding the contract with the City of St. Petersburg and assisted in negotiating the agreement. He advised that once the study is accepted or rejected his work with this element will be finished.

Commissioner Leonard stated that he was very concerned about the City's overall financial situation. He asked about the funding for the 90 days of reserves for sewer emergencies.

Mr. Ori responded that is referred to as "working capital reserves or cash in the bank" and many agencies have a 90 day reserve for funds for operating expenses in case of emergencies. He stated that he felt that 90 days is a good start, but with a system that has no growth it may need one year of reserves. He also pointed out that some agencies have other emergency funds for things such as hurricanes and major repairs or system failure. He stated that any utility fund should support itself and not need to borrow money from the general fund. He pointed out that the City has no control over the treatment costs being charged by the City of St. Petersburg.

Commissioner Leonard asked how projects will be prioritized. Mr. Hallock explained that the projects will be ranked using the Asset Management Plan for the reclaimed water, sewer system and street repairs including signs. He explained that the entire sewer system will be inventoried and ranked and the lowest rank projects will be repaired. Mr. Hallock stated that his staff has a lot of knowledge regarding the condition of the system and they work hard to keep it up and running.

Mr. Hallock reported that the subaqueous line can be inspected by some type of visual equipment or by cutting a hole in the pipe and run a camera through the force main, during a low flow time and see what the pipe looks like.

City Manger Bonfield reported that there would be an outside contractor hired to do some of the assessment work on the subaqueous line and the main lines.

Commissioner Leonard summarized that there were two loans in the amount of about \$600,000 from the general fund to the sewer fund. He disclosed that the total amount due to the general reserved fund is almost 1.2 million dollars.

Finance Director Elaine Trehy stated that in 2007 the "True Up" from St. Petersburg was for a three year period (2004-2006) that was paid which was about \$720,000; then in 2007 the note payment was paid. Those two things in 2007 caused the fund in be "in the red". She advised that currently there is no money in the sewer fund. She disclosed that she thought that the general fund had about \$100,000 in cash reserves.

Commissioner Leonard stated that he was concerned with the shortfalls of reserves in the event of a crisis. He stated that he did not think that the fees would pay off the debt within 5 years.

Ms. Trehy stated that the fees have to be increased to begin the process of repayment to the general fund. There was a general discussion regarding the fee increases.

Commissioner Leonard inquired if the money generated from the sewer fees would remain in the sewer fund. Ms. Trehy explained that the sewer fees always remain in the sewer fund there is no money transferred to the general fund; when the fund ran out of money the general fund had to loan funds for the operation of the system.

Mr. Bonfield pointed out that the City did use \$400,000 of the sewer fund for the reclaimed water system almost 15 years ago.

Mr. Metz pointed out that that money has never been repaid to the sewer fund. Mr. Bonfield agreed and stated that issue will also be looked at in the future.

Commissioner Leonard asked about a special assessment for funding for the sewer system. Mr. Bonfield stated that the Commission could chose to explore a special assessment if they desired, but it was not required.

Mr. Bonfield pointed out that the large repair projects have a life expectancy of 30-50 years and that the current rate payers should not have to pay the entire bill but spread out the increases over along period of time and for all of the users to pay for.

Ms. Trehy reported that the first year the 7.5% increase will bring the rate to \$29.12 and the second year to \$31.30 and the third year \$33.64 per month. Mr. Bonfield explained that the debt payment is included in the rate increases.

Commissioner Metz stated that he would like to see the reclaimed water fund repay the sewer fund for the money borrowed for that system.

Mr. Bonfield stated that a Reclaimed Water Rate study will be coming before the Commission and those rates will need to be increased also. He explained that part of that increase is not to repay the sewer fund.

There was a general discussion regarding funding and fees for the reclaimed water system fund and the origination of the system.

Commissioner Metz stated that he felt that the reclaimed water fees need to be revisited.

Mayor Finnerty thanked Mr. Ori for his presentation and the staff for their assistance.

Vice Mayor Metz agreed that the sewer system should be given priority.

There was a general discussion regarding what affect any new developments would have on the sewer system and the costs to operate the system. Mr. Bonfield pointed out that this rate study is actually a financial plan for the sewer system and that any new developments would have to pay for their impact to the system, depending upon the size and need for the development regarding the capacity of the system.

Mr. Hallock reported that he is trying to determine the maximum volume the system can hold in its present condition.

Commissioner Chaney asked what amount of funding the sewer fund was paying back to the general fund with the three proposed increases. Mr. Hallock stated that the first year will be \$100,000; the second year \$138,000; and \$238,000 for years three, four and five.

Mr. Ori pointed out that in the 6th year the \$238,000 will be decreased to \$138,000 for they payment to the general fund. He stated that on January 1, 2009 the proposed rate increase has to be the bills to inform the public of the increase.

Commissioner Leonard asked if the 30% was a break even funding method. Mr. Ori stated that less than a 30% increase would not pay the costs of operating the system, make repairs and pay the outstanding debts.

There was a general discussion regarding the different types of pipe material that they system is composed of and what the County's chloramines treatment does to the sewer pipes.

Mr. Hallock stated that he felt that Mr. Ori did a fantastic job with the study "one of the best he has ever seen". He stated that he particularly liked the use of visuals and that the numbers change as the project plan and rates change.

Mayor Finnerty stated that he felt that the rate increases have to be imposed due to the present condition of the sewer system.

Mr. Hallock stated that once the system is tested and if they find that there are things that can be postponed he will use the money for the more serious problems.

Mayor Finnerty asked for audience comments.

Deborah Schechner stated that she felt it was fiscally irresponsible for the City not to put money away for repairs or to replace of the sewer system.

Mayor Finnerty asked if the Commission was in favor of raising the rate by 30%. Mr. Bonfield stated that an ordinance will be brought forth on a regular agenda for approval of the increase.

Commissioner Halpern stated that he was in agreement with 30%. Vice Mayor Metz stated that he would agree to 35%, because of the condition of the system.

Commissioner Leonard asked if Mr. Ori could give the Commission a breakdown if the rates were 35% and what amount of funding would that produce. Mr. Ori stated that he could provide that at another meeting, but felt that if there was an additional 5% that last 7.5% increase would be lower. He pointed out that eventually the city will need the total of 45% increase to follow the plan. He felt that the extra money would be better used for maintenance and repairs for the system.

Mr. Ori pointed out that the money does not have to be spent each year and can be saved for the time when the system needs it.

Vice Mayor Metz was concerned that there were no funds for emergencies/

Commissioner Halpern stated that he felt that 30% was what he would agree to, based on the economic conditions at this time.

Commissioner Chaney stated that she would have to see the difference of what it will cost the residents from the 30% increase to 35% increase, before she could make a decision. It was pointed out that it would be about \$1.12 per month increase if they chose 35%.

Mr. Ori stated that he felt that the key is follow the plan regardless of what percentage is chosen in order to be able to repay the general fund, make needed repairs and build an emergency reserve.

Mayor Finnerty stated that he felt that 30% was adequate, as that could be adjusted if needed.

Vice Mayor Metz stated that he would like to see something done that will accomplish moving forward not remaining status quo. He pointed out that if there is an emergency there is no money available. He felt that this Commission should be responsible for fixing the funding problem that currently exists.

Mayor Finnerty stated that the majority of the City Commission was in agreement for an increase of 30%.

Commissioner Leonard stated that he agreed with Vice Mayor Metz and also felt that the economy will be getting worse before it gets better, and he would support 30%.

Vice Mayor Metz asked that the money not be taken from the sewer fund or be borrowed for anything except the sewer system. Mr. Bonfield pointed out that it will be in an Enterprise Fund and only the City Commission can move funds around.

Vice Mayor Metz disclosed that he made a mistake at the last meeting when he spoke about a fundraiser being conducted by Ms. Ercius a 9 year old who is collecting turkeys for the homeless people; her goal is to get 1,000 turkeys.

Commissioner Leonard gave a report of the last Pinellas Planning Council Meeting and stated that he will be stepping down from the appointment to allow Madeira Beach Mayor Shontz to serve on the Pinellas Planning Council. He stated that he wanted more time to focus on the City's issues. Mr. Bonfield stated that he will notify the County that the Commission supports Mayor Shontz's appointment.

Commissioner Chaney stated that she would like to be the representative for the Pinellas County School Board.

There was a general discussion regarding off shore drilling. Mayor Finnerty disclosed that it is against the law to drill off the west coast of Florida until the year 2022, which is a Federal Law. If they do drill it has be over 235 miles out into the Gulf of Mexico.

Being no further business, the meeting was adjourned at 8:37 p.m.

Mayor Finnerty

Attest:

City Clerk Theresa McMaster