

MINUTES OF A WORKSHOP  
CITY COUNCIL, VENICE, FLORIDA

JANUARY 14, 2010

A Workshop of the City Council to consider Utility Rates was held this date in Council Chambers at City Hall. Mayor Martin called the workshop to order at 1:02 p.m.

**ELECTED OFFICIALS AND OTHERS PRESENT**

Roll was called with the following elected officials present: Mayor Ed Martin, Vice Mayor Ernie Zavodnyik, and Council Members Jim Bennett, Emilio Carlesimo, Sue Lang, Kit McKeon, and John K. Moore.

Also present: City Manager Isaac Turner, City Clerk Lori Stelzer, Finance Director Jeff Snyder, and for certain items on the agenda: Utilities Director Len Bramble.

**I. INTRODUCTIONS**

Ms. Stelzer clarified that audience participation was not listed on the agenda but would be included as part of the meeting.

Mr. Bramble introduced Robert Chambers, Mike Francis, and Ann Elder, consultants with Malcolm-Pirnie.

**II. PRESENTATION**

Mr. Chambers reviewed city concerns including utility system revenue stability, reducing demand for utility services, existing drought conditions, and meeting financial covenants and requirements while managing rising capital and operating costs. Mr. Chambers discussed rate study goals and objectives to establish fair water and sewer rates and a sound financial management plan, and to promote efficient water usage, retain key stakeholder participation, and implement rates that create the least possible impact on existing customer bills.

Discussion ensued regarding surcharges, utility fees, supplying utility service outside city limits, and grey water.

Mr. Chambers continued with an outline of revenue and financing options, surtaxes, capital expenditures, utility infrastructure repair and replacement funding, obtaining expansion funding from new development, and renewal and replacement requirements.

Council members discussed service charges; master meter, single meter, backflow charges; charges being based upon the type of meter, cost to service, and other costs provided by the Utilities Department; unit and residence charges; condominium association fees including water usage;

tracking of backflow devices; billing and power surcharges; tying charges to consumption; administration personnel salaries; resuming the backflow device installation program; existing backflow inventory; laws requiring backflow device installation, inspection, and certification on an ongoing basis; funding implementation of the backflow program; commercial properties being in compliance; and explaining backflow prevention to the public.

(1:52) Mr. Bramble pointed out that each residential customer in the city was required to install some type of backflow device on the drinking water system that feeds into their residential dwelling. The type of backflow device will be determined by Department of Environmental Protection rules and will vary based upon an assessment of possible dangers to the drinking water system.

Discussion ensued regarding financial problems attributed to relocation of the waste water treatment plant; rates corresponding to Utility Department expenses; utility fund debt load including borrowed funds, loans, and bonds; growth rate assumptions; best utilization of funding; sources of growth and inflation numbers; potential errors with making estimates; identifying capital projects during the budget process; being proactive with infrastructure repairs; and responding to emergencies.

(2:15) Mr. Turner indicated that any budgeted capital projects will be identified and approved by council during the budget process.

Mr. Chambers reviewed details of financial plan Scenario 1 which includes a 0 percent rate increase in 2010 and a 3 percent rate increase beginning in 2011 and ending in 2019; 20 percent repair and replacement funding; and 100 percent of the infrastructure surtax allocated to the water and wastewater utility. Mr. Chambers noted an ending cash balance of \$0 in 2010, negative balances from 2010 through 2017, and a positive balance in 2019.

Discussion followed regarding basing proposed debt on capital improvement projects; replacing membranes at the wastewater treatment plant; issuing revenue bonds; financing needed projects; life expectancy of equipment; and alternate funding sources.

Mr. Turner explained that portions of certain projects could be funded with either grant money or loans, but grants were not available for operating existing systems.

Discussion ensued regarding anticipating funding sources for capital improvement projects, obtaining economic development funding, not approving the degassifier, utilities being a very costly business to operate, infrastructure deterioration, not meeting target debt service coverage from 2013 until 2016, Standard & Poor's Fund Management Ratings, implementing low rate increases, meeting debt service coverage ratios and building cash reserves, and total revenue to debt service.

(2:51) Mr. Snyder explained the city's agreement with Sarasota County to transfer funds that the city collects for county water and sewer lines.

Mr. Chambers discussed the city's ability to pay debt service obligations based on existing debt and proposed debt.

Discussion followed regarding debt and paying back loans.

Recess was taken from 2:58 p.m. until 3:07 p.m.

Mr. Chambers outlined Scenario 2 which includes rate increases beginning at 6 percent in 2010, 3 percent in 2012, and ending with 3 percent in 2019, a 30 day reserve balance, 10 percent repair and replacement funding, and 100 percent of the infrastructure surtax allocated to the water and wastewater utility. Mr. Chambers also discussed revenues, operating and maintenance expenses, debt service coverage, and cash balances, including negative cash balances in 2013, 2015, and 2016.

Mr. Chambers outlined Scenario 3, which is identical to Scenario 2 except for a total rate adjustment of 8 percent in 2010, 6 percent in 2011, and 3 percent beginning in 2012 and ending in 2019.

Discussion followed regarding the infrastructure surtax, use of one cent sales tax funds, and updating the capital improvement plan list.

Mr. Chambers discussed rate increases, revenues, operating expenditures, and debt service coverage, and pointed out cash balances.

(3:22) Council members discussed various rate increase scenarios and Mr. Chambers answered questions concerning the information being presented being a financial analysis that does not reflect potential cost saving opportunities, previous cost reduction opportunities, rate increases applying to the total aggregate of required revenues, designing rate increases, and rules concerning reporting fund transfers.

Mr. Chambers outlined Scenario 4 which includes a 45 day reserve and a target of 120 days, 20 percent repair and replacement funding, and 100 percent of the infrastructure surtax allocated to the water and wastewater utility. Mr. Chambers noted rate increases ranging from 14 percent in 2010 to 3 percent in 2019, that debt service coverage requirements were met, and cash balances.

Mr. Chambers displayed financial comparisons of each scenario and existing and proposed rates.

Discussion ensued regarding proposed charges, consumption charges, conservation, impacts to customers, rates being charged according to the size of the meter, rate structure paying for capacity, building facilities to operate at maximum capacity, and fixed and variable components.

(3:57) Mr. Chambers displayed a graph depicting rate impacts on residential customers with different usage levels and noted an attempt to promote conservation by charging more for added water usage.

Mr. Chambers displayed existing and proposed utility bills and compared utility costs, including projected rate increases, of surrounding municipalities.

Discussion followed regarding Venice's utility rates in comparison to other municipalities, fluctuating populations, infrastructure meeting capacity, and user-friendly utility.

Mr. Zavodnyik left the meeting at 4:09 p.m. and did not return.

Discussion continued regarding inflation assumptions, projected expenses, additional scenarios, customer growth, inflation factors, scheduling another workshop, and justifying backflow charges.

Mr. Chambers reviewed service charges for existing and proposed miscellaneous services, including deposits for new customers and rental units.

### III. AUDIENCE PARTICIPATION

(4:26) Raymond Schiller, 405 Armada Rd. South, urged council to consider reducing fees for multi-family housing to assist low income residents.

Arthur Osborn, 1969 Settlement Road, discussed conservation efforts and the public's frustration with utility rate increases.

Council members discussed prior water rate increases. Ms. Stelzer advised that council members would be provided with a copy of the code section relative to water and sewer rates.

Tom Brener, 1118 Bird Bay Way, urged council members to consider alternatives to the proposed rate increase scenarios.

Gary Budway, 1953 Settlement Road, displayed a copy of his water bill and discussed utility charges.

Rosemary Vauzanges, 536 Riviera Street, distributed and read her January 14, 2010 e-mail concerning Property Utility Rate Structure Report.

(4:59) Kay Leis, 445 Mahon Drive, requested clarification concerning debt service, backflow valve funding, and fees and expenses.

Discussion followed regarding utility fund deficits, residential service inspections, certified licensed backflow testers, service valves, income covering operating expenses, and utilizing staff expertise rather than consultants.

Lee Lichtle, 829 Whitecap Circle, representing the Point Whitecap Condominiums, discussed inequities in backflow preventer charges.

Discussion ensued regarding the function of backflow preventers, recovering costs, backflow locations, rate adjustments, the fairest method of distributing backflow costs, cost saving procedures, and incentives.

(5:33) Mr. Turner advised he could answer further council member questions during individual meetings.

There was **consensus** that council members were not interested in pursuing Scenario 4.

Mayor Martin advised that staff would provide additional scenarios which include suggestions discussed at today's workshop.

Discussion followed regarding developing funding for repair and replacement; 2007 rate increases; topics for the next workshop including proposed debt, issuing revenue bonds, and interest rates; rate increase overlaps; and what makes up annual increases.

#### **IV. ADJOURNMENT**

There being no further business to come before council, the meeting was adjourned at 5:40 p.m.

ATTEST:

Mayor – City of Venice

City Clerk