

# MASTER

## MINUTES UTILITY ADVISORY BOARD WEDNESDAY, JANUARY 20, 2016, 3:00 P.M.

Chairman, Hugh Lochrane, called the meeting to order and led the Pledge of Allegiance.

The agenda was posted on the City's website and City Hall Bulletin Board on Thursday, January 14, 2016.

### **ROLL CALL**

The following members were present at roll call: Hugh Lochrane, Jim Hicklin, Burt Eno, Anita Williams

The following members were absent at roll call: Tom Brady, Chuck Daimler, William Descalzi, Denise Rondeau, Jo Wise

The following staff were present at roll call: Eddie Esch, Jan Smith, Teresa Malmberg

**Chairman's Opening Comments:** Hugh Lochrane thanked Mr. Esch for the facilities tour and noted that the tour was useful to everyone who participated. Recognizing that a quorum is not present, some items will need to be moved to the February meeting.

**Public Comments:** Rick Hancock spoke about the current business practices of the City of Dunnellon in relation to water and sewer fund debt. Mr. Hancock distributed copies of his comments and read into record.

1. **Approval of Minutes:** Approval of the minutes of the 9/21/2015, 10/19/2015 and 11/16/2015 was postponed until the February 15, 2016 meeting.
2. **Election of Chairman and Vice Chairman For 2016:** The selection of Chair and Vice Chair was postponed until the February 15, 2016 meeting.
3. **Florida Rural Water Association:** Discussion concerning status of leak testing, operations and rate studies, and reviewed letter updating progress. It was noted that the rate study needs to be started. Need additional update from Mr. Gustafson, and perhaps confer with F.R.W.A. principals, e.g., Sterling Carroll. Burt Eno will request a schedule.
4. **Actual End-of-Year Figures - FY2015:** Jan Smith reported that staff is currently performing year-end close. Required audit is to be scheduled and audit report must be presented to Council by May 30, 2016. Actual year-end figures will be available following this process.
5. **Budget Status Report - 1st Quarter:** Jan Smith reviewed the report.

6. **Update and Status of Reserve:** Jan Smith reported that the actual reserve will be known when the audit is completed.

7. **Status of Credits to Rainbow Springs (Class Action Case #12-3155-CAB):** Public comment on the matter: Judge Benza submitted a letter (Exhibit II) and read into record. Jan Smith reported that a letter of explanation will be sent to recipients with the January billing, and that the first round of checks and credits accounting for fifty-percent of the court-ordered refund will be mailed the last week of January as required.

8. **Status of Hotel Project:** Mr. Esch reported that the bid for the water main project has been awarded to G.W.P. Construction, and that there will be no impact on utility customers during construction.

9. **125 Anniversary Park-Impact on Water/Sewer:** Mr. Esch reported that it could have an impact on water and sewer depending on how Council chooses to fund it. Discussed existing lines and location of same. Still need to determine if a grinder pump or gravity sewer will be used. Impacts would be in this fiscal year and would be approximately \$5,000 to water/sewer.

10. **Review Status of Recommendations to Council**

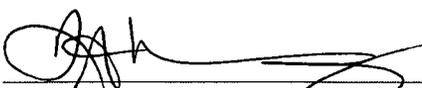
Combine Water & Sewer Funds: Mr. Esch reported that combining the funds will not happen this year due to staffing and Mrs. Smith added that a major software support upgrade is forthcoming.

Policy for Allocation of Indirect Expenses: postpone to February meeting. However, Mr. Esch noted that they did not budget for the Indirect Cost Study because we were going to use F.R.W.A. at no charge. Mr. Gustafson has said that F.R.W.A. does not do cost studies of this nature. Mr. Esch was under the impression from Mr. Eno that F.R.W.A. would do a cost study. Mr. Eno confirmed he was under that impression as well. Mr. Esch said they would investigate further and get to the bottom of it.

Mr. Eno stated that he would really like for the Board to receive a schedule from F.R.W.A. and to see the representative here. Mr. Eno agreed to make a phone call.

11. **ADJOURNMENT:** The meeting adjourned at 4:52 p.m.

  
\_\_\_\_\_  
Hugh Lochrane, Chairman

  
\_\_\_\_\_  
Teresa Malmberg, Admin. Coordinator

RICK HANCOCK  
11551 CAMP DRIVE

EXHIBIT I  
Public Comment

Under the current business practices of the City of Dunnellon, it is clear to me that the W/S fund debt will be higher at the end of this fiscal year than when this board was formed.

Now, I put it in these terms because I believe that this board is our best chance to change the way Dunnellon does business. I understand that you are an advisory board, but I also believe you have the strongest and loudest voice to effect change....and, I hope you will begin to use it.

Since 2008, the Council's business practices have been to borrow or re-finance loans, and take monies from reserves to fund operating losses, and with no new revenue streams in place to repay their debts. And, these business practices continue today.

Dunnellon has been treating the W/S fund as a cash cow to help fund and support other city operations, while increasing the debt within the fund to make up the difference.

They have taken monies out of W/S reserves to fund losses in other operating departments. They have re-financed debt in the W/S fund, and used the proceeds to fund losses in other operating departments. These practices increase the debt and costs to the W/S user.

This re-financing has been termed good, guaranteed debt by the Mayor....a term I'm not familiar with. His response was that folks couldn't afford the up front costs and capital improvement expenses associated with a utility. Well perhaps they could if their funds hadn't been taken and used for other purposes!

**For example, the \$5 million taken from the W/S enterprise fund could have been used to purchase the add'l water systems, lowering borrowing needs by 80%.**

**Dunnellon has taken nearly \$5 million from the W/S funds to support other enterprises. These funds should be re-paid at market interest rates, and then used to meet the upcoming note payment. Dunnellon should repay these funds by borrowing against the General Fund or other city enterprises if necessary.**

**Going forward, any future trsfrs from W/S funds should be prevented or severely restricted. It should occur only upon agreement from the advisory board, at market interest rates, and with date certain re-payment schedules. Included in the request, there should be an acceptable plan presented that shows the sources of funds that will secure the re-payment.**

**The majority of W/S users are not Dunnellon residents and therefore cannot participate in the selection of city management, or have much voice in the decisions made.**

**They should not be asked to fund operating shortfalls in other Dunnellon enterprises. This board is their most effective voice to prevent this from happening any more. And, I hope you will use your voice to that purpose....loudly, and clearly.**

EXHIBIT II  
Item 7  
JM

December 19, 2015

Dunnellon City Council  
20750 River Drive  
Dunnellon, FL 34431

Re: Benza v. City of Dunnellon  
Case No. 12-3155-CAB  
Fifth Judicial Circuit Court

Dear Council Members:

Following discussions with City representatives it is apparent that the City intends to use Water and Sewer Enterprise reserve funds to compensate the City for credits ordered to be paid to Rainbow Springs utility customers by the 5<sup>th</sup> Judicial Circuit Court.

You may recall that City Resolution 2013-18 emptied all reserves from the Water and Sewer Enterprise Funds in a transfer to the Communications Fund, a violation of FS 350.81. Consequently, compensation to the City for the loss of revenue in applying credits to the Rainbow Springs utility customers will result from elevated rates applied to all City utility customers to build reserves since that time.

Although the judgment gave the City a choice of funding source to fund this settlement, the settlement is in the form of customer credits, generally not requiring a cash payout. Thus, no funding sources are required and the use of water and sewer reserves to cover loss of income due to the customer credits results in rate increases and transfers the judgment obligation from the City to the water and sewer customers.

It is our position that this manner of compensation for crediting Rainbow Springs utility customers is a violation of the court order and the case settlement agreement. The lawsuit and the settlement agreement bound the City of Dunnellon, not the utility customers. Your plan to credit the Rainbow Springs utility customers is akin to taking money out of our right pocket and putting it into our left pocket. Perhaps even more unfair is the taxation of other utility customers such as Chatmire, Rio Vista, and Juliette Falls in elevated rates to fund the Rainbow Springs credits.

In summary, the lawsuit was against the City of Dunnellon and the City, not the utility customers, should fund the credits to the Rainbow Springs utility customers. By copy of this letter we are putting the court on notice of this apparent violation of the settlement agreement and the court's order.

Yours truly,



Louis Benza  
Plaintiff and Class Representative

Cc: Eddie Esch, City Manager  
Dawn Bowne, City Clerk  
Clerk of the Circuit Court