

**MINUTES
UTILITY ADVISORY BOARD
CITY OF DUNNELLON
APRIL 18, 2016 AT 3:00 P.M.**

MASTER

OPENING

Chair Hugh Lochrane called the meeting to order at 3:00 p.m. and led the Pledge of Allegiance.

PROOF OF PUBLICATION

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

ROLL CALL

Members Present: Hugh Lochrane, Burt Eno, Jim Hicklin, Tom Brady, Denise Rondeau, Anita Williams, Alan Wise, Esch, Smith, Grabbe

Members Absent: Bill Descalzi

Staff Present: Eddie Esch, Jan Smith, Richard Grabbe

Hugh Lochrane noted that Chuck Daimler, City Representative, has resigned. The Board has an opening and anyone interested should apply.

1. Approval of Minutes

The Minutes of the 2/15/2016 were approved by unanimous vote with an amendment to, Item 2, line 1, last word, "and" to "as".

2. Agenda Backup

Eddie Esch requested an earlier deadline for submission of agenda items due to the number of board meeting agendas the department is currently producing. Mr. Lochrane recommended a list of standard items, status of reserve accounts (monthly), Year-to-Date totals (quarterly), and Project Reports (monthly). Anything other than that, we will request two weeks prior. We do not want to ask for anything completely out of the ordinary. Mr. Esch suggested making the routine reports be standing items on the agenda.

3. Florida Rural Water Association

Mr. Gustafson is not present. Burt Eno requested an update. Mr. Esch reported that they have been here conducting leak detection in concert with crew from Southwest Florida Water Management District (SWFWMD) for a couple weeks now, and so far have not found anything significant to report. Water loss keeps coming back to the data billing.

We are currently looking at the Neptune downloads that translate into Munis. Munis reports that it must be coming from Neptune. The transfer to new Neptune software was supposed to be a few hours, but ended up taking a couple months. We are discussing with Neptune, and have requested forensics on their side. We did learn that Neptune had an issue with a decimal point being put in the wrong place. Once we have the newest software fully implemented, we will have Neptune in here to conduct the forensic audit. There does not seem to be a pattern in one area or the other, i.e. Commercial, Residential, etc... This is consistent across the board, not just in one specific area. Mr. Lochrane noted that we are trying to hang our hats on FRWA to assist us and keep costs down. Mayor Whitt is also pushing this direction. We are becoming disenchanted. Mr. Esch reported that they have a meeting with FRWA to produce the rate study. Mr. Gustafson made a comment that the difference in FRWA and Burton and Associates is that FRWA asks the City to collect all the data, which is a significant, time-consuming part of the process. Burton and Associates collects all the data and assembles themselves, then produces the study. Mr. Lochrane requested a copy of the data collection requirements provided to Mrs. Smith from FRWA. Mr. Eno asked what FRWA has to say about the rate study, and at this point an operational study has not been done. What is the charge for the rate study by FRWA? Mr. Esch noted that we have not received a proposal for charges. He reported that we have a contract with them where they only provide assistance for smoke testing, and they have other services at a fee. Discussion of the Board writing a letter to FRWA about our concerns.

4. Utility Operational Items

Manhole Collapse - Rainbow Springs: We contracted with Hartman, manhole ordered, and they will get in and get it done. It happened around SW 192nd Road. It is the upper end of a line with an 8" force main coming into it. It should be under construction this coming week, and the cost is \$23,500 under this contractor. Money will come out of operational expenses and reserves.

Mr. Esch reported on tasks that take us away from our normal duties. We have a capital improvement plan, and it needs to be extended out another five years. We have time under our belts with the newer systems, and can tell what we need. Kimley-Horn has been enlisted to go through manholes and assess the ones with force mains because they deteriorate more quickly. This process should begin within the next two weeks. Most of the study will come from inside information on the city's part. We will be able to look at what needs to be fixed in the next year, 5- and 10-years. Mr. Lochrane noted that the Master Plan is well done and comprehensive. Discussion continued concerning repairs to the system, especially manholes, and where we need to go. Reports will be brought to the Utility Advisory Board to review and assist with determining cost and priority.

Plan for Installing Meters – Mr. Esch reported they are preparing a Request for Proposals (RFP) for installing the radio read meters. We have approximately 559 meters identified between Rio Vista, balance of the City and Chatmire and Grand Park North. The RFP will be on performance base. If the contractor performs well, we will be able to issue for another 500 meters. Discussion concerning the oversight, timeline and budget.

Mr. Brady reported that the cones and signage are not allowed to be out at night related to the manhole work sight according to FDOT regulations. There are no reflective signs, and some of the barricade blink lights are out. Advanced warning signs are wrong, and cones are not allowed at night. Mr. Grabbe reported that there is a metal plate, so the cones and signs can be removed.

Mr. Esch discussed the Juliette Falls operating permit coming due. All operating permits need to be identified and costs projected.

5. Financial and Budget Items for Discussion

Budget Status FY 2015 Final Results – the Audit Report will be delivered to Council on May 9, and I recommend you attend this meeting. The report will be posted on the website after it has been presented. Mrs. Smith will provide an advance copy as soon as available. There were no audit findings which is good, except for the one that's been out there a couple years. This finding concerns our fixed assets module, which we are still working on. The audit will be done in February next year. It was done later this year due to staffing. Audit is scheduled for February.

Update on Reserve Accounts – Mr. Lochrane reported that he has reviewed the reserve accounts and does not see any big surprise. Mrs. Smith reported under water equity, capital improvement, connect fees (and sewer) has increased by about \$15K. We have \$1.3 million bond proceeds between water and sewer, but it can be changed if we need to move for particular projects. Water Utility Deposits are deposits on accounts and is being held in the bank. This money drops because it is paid out after 2 years. The money applies to the final bill, and a check is sent if there's a balance. Mr. Esch discussed the rental house account policy, where the City now has the renter set up. When they close their account, the system would not roll back to the owner. We are working on getting a system in place where a secondary person can be added to the account, so the owner of the property can put a separate deposit from the renter.

Budget Schedule Year-to-Date – Mrs. Smith reported that both departments are within budget. Discussion continued concerning the status of water and sewer line items for revenue and expenses. Water and sewer expenses are under budget overall. Rates are where they should be except for no reserve build up. Discussion continued concerning several line item expenses. Rick Hancock had a question on impact fees last week, and thought he heard where we had \$98K in unbudgeted impact fees and asked staff where this money is held. Jan Smith noted that the City does not have impact fees. The money being discussed is connect fees. Fifty percent was recorded in FY2015 and the next 50% was recorded in FY2016. When that revenue comes in, it is recorded under line item called connect fees. At year end (now monthly), finance will take that unrestricted money and move it into the connect fee restricted reserve. Mr. Lochrane explained that monies go into the "checking account" and then are moved to restricted reserve. Mr. Esch noted that the use of these funds are to cover capacity when needed. Mr. Hancock noted if we don't charge impact fees, how did we get the money? Mr. Esch explained that according to the attorney when he first got here, he was told we do not have impact fees because of the

implications. We charge connect fees. What wasn't being done is those connection fees were not capacity reserve, but could be used for capital improvement which would leave us short on capacity expansion. There is a schedule for calculating the connection fees.

Mr. Lochrane is looking for a schedule for the 2017 budget process. Mr. Esch and Mrs. Smith will be putting this together, and are waiting for several items of input before finalizing. Mr. Wise feels that we need to find a way to build reserves. If we are not getting it from revenue, we may need a rate increase of 1% or so for a couple years. We cut back so far, the reserves are growing. When we took the tour, the Rainbow Springs plant and a lift station needs work. We are going to be getting money back from the legal matter, but we cannot rely on that. We have to look at this as a business, not a property owner.

6. Recommendation to Council

Draft Recommendation re: Greenlight Loan – Hugh Lochrane reported that at the joint workshop on March 21st, Council requested us to put together a recommendation. Mr. Lochrane put together a draft recommendation which is included in your books behind tab 6. A few minutes was allowed for members who may not have reviewed it. The intent is for this money to go back into the reserves. We are asking the city not to charge us for some items so the surplus at the end of the year can be put toward rebuilding the reserves toward making up what amounts to about \$1.9 million that came out of the water and sewer reserves \$1.4 million of which was loaned to Greenlight. The \$1.3 million out of the bond proceeds, I believe the City has committed to replacing this money around \$50K a year over the next 30+ years. Mrs. Smith noted that we have to return this money, and we have to accelerate the return of the funds due to bond covenants. Mr. Lochrane originally proposed that if the City would not charge the water and sewer fund with the indirect expenses, it amounts to about \$156K a year. The very last items in the water and sewer budget are administrative expenses. We could potentially have that much money to replace funds. If Council agrees to this idea, we go forward, but other ideas are welcome. The Council may not agree, but then we have to have another proposal. Mr. Eno reviewed the figures, and questioned why the monies are separated. All the money has to be refunded. Why are we differentiating? Mr. Lochrane noted this is why the discussion is open for input. Do we want to include, for example, this same methodology for replacing the other funds? Mr. Eno doesn't think the \$3.3 million taken from the water and sewer fund and squandered by Greenlight is forgivable. Mr. Wise said that we have to make it forgivable. It happened in the past. We cannot keep dragging this on and on about the lawsuits and what Greenlight did. We all make mistakes. We have to move on, let the City try to get the money back to us. We need to build the City. Mr. Lochrane said this is a way to move on, and Mr. Wise agreed, but he said morally they want to pay this back. We are recommending something, and agree with the proposed plan. We cannot keep bringing up the past. We need to move forward, and drop the past. Agrees with the idea of so much being paid back and rebuilding reserves. Mr. Eno is fully in agreement with putting money back in reserves, but would like to see the total figure specified that was taken from the water and sewer customers and put in the wrong place and make it a part of the record. How much of that gets repaid and over what period of time and in what manner we can argue that out. But to obscure it and say hey, forget the \$3.3

million was transferred in the year 2013, it was a mistake, who cares, I don't think so. Mr. Lochrane just wants to have a document drafted to make this enforceable. Mr. Jim Hicklin believes the entire amount needs to go into the recommendation, and the payback be made over time. Inaudible discussion. Discussion continued about this being a system-wide problem, and all service areas matter. If there is no objection, Mr. Lochrane will add monies included in Resolution 2013-18, and extend the payback amount of time out to about 23 years. Mr. Brady agrees with Mr. Eno that we should include all funds. Discussion continued.

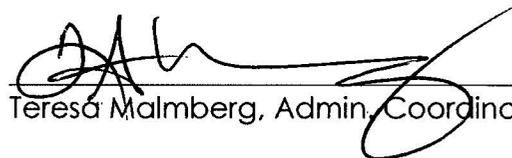
Mr. Lochrane noted that he will amend the recommendation to include the \$1.9 million that was a direct transfer of funds, and take the payback up to 23 years. The part we cannot change is how much the City has available, and if they even have this much. We are shifting this into the General Fund, and they will have to find a way to fund it. Mr. Lochrane identified the \$1.9 million as money that was transferred to Greenlight as opposed to being a loan. Mr. Hancock noted that any recommendation this board comes up with, he will gladly deliver. The Council recognized the City is morally and ethically responsible. The board was asked to come back and finalize a recommendation, and you recognize the spirit of what is intended. Mr. Lochrane recognized that Mr. Esch and Mrs. Smith were not included in the discussion, but realizes it has an impact on the amount of work staff has to do. As utility customers, we have to approach it from this angle. The issue of the impact on the City as a whole has to be addressed by the Council, not this board.

Denise Rondeau thanked Mr. Lochrane for taking on the task of preparing this recommendation package.

7. ADJOURNMENT – The meeting was adjourned at 4:50 p.m.



Hugh Lochrane, Chairman



Teresa Malmberg, Admin. Coordinator