

**VERO BEACH UTILITIES COMMISSION MINUTES  
TUESDAY, AUGUST 9, 2022 - 9:30 A.M.  
CITY HALL, COUNCIL CHAMBERS, VERO BEACH, FLORIDA**

**PRESENT:** Chairman, Jane Burton; Vice Chairman and Indian River Shores Representative, Bob Auwaerter; Members: Bill Eggers, Mark Mucher and Member at Large, JT Mooney **Also Present:** Water and Sewer Director, Rob Bolton; Finance Director, Cindy Lawson; City Attorney, John Turner and Deputy City Clerk, Sherri Philo

**Excused Absence:** John Sanders

**Unexcused Absence:** Judy Orcutt

**1. CALL TO ORDER**

The Chairman called today's meeting to order at 9:30 a.m. and the Deputy City Clerk performed the roll call.

**2. APPROVAL OF MINUTES**

**A) July 12, 2022**

**Mr. Auwaerter made a motion to approve the minutes of the July 12, 2022 Utilities Commission meeting. Mr. Eggers seconded the motion and it passed unanimously.**

**3. PUBLIC COMMENT**

None

**4. NEW BUSINESS**

**A) Review of FY 22-23 Proposed Wastewater Utility Budget and Five Year CIP – Ms. Cindy Lawson, Finance Director**

Ms. Cindy Lawson, Finance Director, reported that the revenues were the same as the revenues in the current fiscal year budget and that is because they were in the process of completing the Rate Study. The Rate Study presentation will be given to the Utilities Commission at a Special Call meeting on Monday, September 12, 2022, and then it would be presented to the City Council at a Special Call meeting on Tuesday, September 13, 2022. She said there would be a first reading of the Ordinance and a final public hearing, which is required by Florida law as a municipal utility to provide notice to their customers in their billing cycle, which they would be doing. All these activities are scheduled to take place between September 12, 2022 and January 1, 2023, which is the target date for the new rates to go into effect.

\*Please note that questions and answers occurred during the presentation.

Ms. Lawson and Mr. Rob Bolton, Water and Sewer Director, went over the FY 22-23 proposed Wastewater Utility budget followed by the Five-Year CIP with the Commission members (on file in the City Clerk's office).

Mr. Auwaerter asked how they determine the rent they pay to the Airport.

Mr. Bolton explained that it was set from a fair market value evaluation of the property that they lease from the Airport at one time and then it raises from that date by CPI Index from there. He said the last time they did it was probably in 2009.

Ms. Lawson noted that there is an individual adopted Resolution for each piece of the Airport property that they rent and it escalates by CPI since the adoption of the Resolution.

Mr. Auwaerter referred to page 93, Water and Sewer Fund – Expenditures by Object, General Fund Administrative Charge. He said that he placed before the Commission members three (3) items that reference this (the Government Finance Officers Association (GFOA) – Measuring the Full Cost of Government Service, the FY 22-23 Administrative Costs Allocation, and the FY 2022-2023 Budget COVB Administrative Costs Allocation) (attached to the original minutes). He said that the City issues a Comprehensive Annual Financial Report and one (1) of the requirements of that is that the City follow the best practices of the GFOA. He then read into the record a few of the highlighted sections of the handout, Measuring the Full Cost of Government Service, *“Shared costs should be allocated systematically and rationally and the method of allocation along with a reference to information on the methodology should be disclosed; Benefit received. The basis for allocation should bear a relationship to the benefit the customer receives from the service. It is important to tie the allocation method to the benefit received to avoid pushback from the receivers of the indirect cost; Fairness. The method of costs allocation must be seen as fair and legitimate by the users of the costing system; Customers and internal users must understand how the costs are calculated and should have a role in determining how the price system will be structured.”* He then referred to the handout FY 22-23 Administrative Costs Allocation. He said that the Finance Director puts this together showing the actual administrative cost. He said it shows a total of \$11.7 million dollars in costs of which \$1,357,232 was allocated to Water and Sewer customers, which represents 11.7%. The other handout was a graph from where he took each of the different departments showing the percentage. He asked if the Commission members could see what the allocation methods were. He said the allocation has gone up 10% in the new budget compared to the previous year. He asked Ms. Lawson to discuss the City’s allocation methods. He asked if they were available for the Commission members and the City Council to see.

Ms. Lawson said that she was well aware of the best practices of the GFOA. She apologized for not having had this conversation with the Utilities Commission. She noted that she has had this conversation with the Finance Commission. The way they allocate this has been shared on multiple occasions and in accordance with this “best practice” wherever they have an objective measure that they can use for the allocation they use it. For example, with Human Resources, the Water and Sewer Department was allocated a proportionate share based on their total number of employees compared to the total number of employees Citywide. With Information Systems that handles network devices, the Water and Sewer Department gets an allocated share based on all the network devices Citywide and the Water and Sewer Department’s proportionate share of the same. She said for any situation where they have an objective measure that they can use, they use it. Where they don’t, they go to each department and reevaluate every year. As an example, with the City Attorney’s office they would ask the City Attorney based on what he has on his plate

and what is coming up in the coming year what would it be a reasonable allocation of his time to the Water and Sewer Department. She said when they put the budget together, Mr. Bolton has the opportunity to go through the internal review to question any of those allocations. She said they have always followed the best practices and she has a spreadsheet that shows the objective allocation factors, as well as each department's estimate on the time they would be spending in the coming year where she doesn't have some sort of objective measure. She said that she would be happy to share the spreadsheet on the allocations by division with the Commission members.

Mr. Auwaerter said that he has been on this Commission off and on over the last six (6) years and had asked for this information when Mr. Jim O'Connor was the City Manager and he has never seen it. He said that he would like to see this information.

Ms. Lawson said that she would be happy to share this information with the Commission members.

Mr. John Turner, City Attorney, wanted to point out that Mr. Auwaerter is a paid consultant for the Town of Indian River Shores.

Mr. Auwaerter said that was not correct.

Mr. Turner continued. He said that Mr. Auwaerter is a consultant for the Town of Indian River Shores in ongoing litigation with the City of Vero Beach. In that litigation the Town of Indian River Shores filed a breach of contract action on the Franchise Agreement against the City claiming that the City violated the Franchise Contract by not honoring rates adopted by the County. The City of Vero Beach prevailed in lower Court on that action and the Judge ruled that the actions taken by the City of Vero Beach were lawful and authorized by Florida law. It was disclosed during the discovery in that case that Mr. Auwaerter was a consultant for the Town in this litigation. That was one (1) of the issues that was raised by the Attorney for the Town in the litigation. He advised the Commission of his (Mr. Auwaerter's) position that was disclosed by the Town and he (Mr. Auwaerter) has failed to disclose that to this Commission today.

Mr. Auwaerter said that he is not a paid consultant. What occurred was when the lawsuit was initiated he helped the lawyer working their case. He said that he stopped being the consultant almost immediately because he was appointed to City Council as a replacement for Mr. John McCord. He said that he never took any money from the Town and he has not been a consultant for the lawyer since that point.

Mr. Mucher said that he thought the Franchise Agreement expired.

Mr. Turner said it has not expired.

Mr. Bolton said it was the Franchise Agreement with the County that has expired.

Mr. Mucher referred to page 112, Wastewater Collection. He said that he didn't look at this in the other departments, but this page shows that hospitalization insurance is up 18%. He asked is that across the Board.

Ms. Lawson answered no. She explained that every year they take the current employee census in terms of what insurance plan they have chosen and what the City's contribution is and then they do an average cost per employee projected in the coming year and then they do an average cost per department. An example is if they look under the Customer Service division they would see that hospitalization insurance is down 3.1% because of turnover and employees choosing different plans than the employees that were there previously.

At this time, Ms. Lawson and Mr. Bolton went on to the Five-Year Capital Program.

Ms. Lawson explained that as they move forward with the new Water Reclamation Facility (WRF), in order to provide some clarity for grants as they receive them, for bonding, reimbursement of costs, etc., she took this project and broke it out into its own separate sub-fund.

The Chairman opened and closed public comments at 10:47 a.m., with no one wishing to be heard.

## **5. OLD BUSINESS**

### **A) Copper Pipe Corrosion Update – Mr. Rob Bolton, Water and Sewer Director**

Mr. Bolton showed on the screen the pipe replacement permit locations (attached to the original minutes). He explained that when staff started receiving concerns from the public about copper pipe corrosion and re-piping of houses, staff started looking into it to see where the permits were being generated. What they found was that 95% of them were being generated from the County's water system. The City did see an uptick in the last two (2) quarters of last year so they pulled the data and found there were 22 permits pulled. Of the 22 permits that were pulled, five (5) were active leaks that were involved in remodels, two (2) were pro-active replacements, and the others were unknown.

Mr. Mucher asked if they figured out what the difference is between the City's water system and the County's water system.

Mr. Bolton said the County was worried about the aggressiveness of their water so they changed their water treatment to a Cal-Flo system. From some of their water quality reports that the County did, it looks like they had issues shortly after switching to the Cal-Flo system. He said the County more or less stated that they met all the requirements of the Safe Drinking Water Act so therefore they don't have to do anything. However, their permits have gone up astronomically. In looking at Sebastian and the County itself, 60% of the permits being pulled for plumbing have to do with re-piping.

The Chairman opened and closed public comments at 10:56 a.m., with no one wishing to be heard.

## **6. CHAIRMAN'S MATTERS**

None

**7. MEMBER'S MATTERS**

None

**8. ADJOURNMENT**

Today's meeting adjourned at 10:56 a.m.

/sp