

**SPECIAL CALL CITY COUNCIL MINUTES
TUESDAY, SEPTEMBER 13, 2022 9:30 A.M.
CITY HALL, COUNCIL CHAMBERS, VERO BEACH, FLORIDA**

PRESENT: Mayor Robbie Brackett, present; Vice Mayor Rey Neville, present; Councilmember Honey Minuse, present; Councilmember Bob McCabe, present and Councilmember John Cotugno, present **Also Present:** City Manager, Monte Falls; City Attorney, John Turner and Deputy City Clerk, Sherri Philo

1. CALL TO ORDER

A) Pledge of Allegiance

Mayor Brackett led the City Council and the audience in the Pledge of Allegiance to the flag.

B) Roll Call

The Deputy City Clerk performed the roll call.

2. PRELIMINARY MATTERS

A) Item for Discussion:

1) City of Vero Beach 2022 Utility Rate Study Status

Ms. Cindy Lawson, Finance Director, reported that in front of the City Council today is an updated rate study with a cost of service study for the Water and Wastewater Utility. She stated that the City has not done a rate study since 2009, so even in the absence of their plans to build a new Water Reclamation Facility this is long overdue. She reported that the new Water Reclamation Facility would require bonding to support and having rate sufficiency is going to be a key element in getting that financing. She noted that the presentation they would be giving to the City Council today is the same presentation that was given to the Utilities Commission yesterday. The Utilities Commission made two (2) motions during their meeting yesterday. The first motion was to request that the City Council directs the consultant to prepare a sensitivity analysis for what these rates would look like if they had \$10 million more in expenses in the costs of the Water Reclamation Facility. In other words, the borrowed amount was \$10 million more with no other changes in the model. The other motion passed 4-1 to support moving forward with the adoption of the rates as they are presented today to the City Council. Mr. Tony Hairston is present today to walk the City Council through the presentation and to answer any questions of the City Council.

Mr. Tony Hairston, Vice President of Raftelis Financial Consultants, Inc., gave a Power Point presentation on the 2022 Utility Rate Study Status (attached to the original minutes). He said the previous study was done in 2009 and the last adjustment of rates was done in 2010. Since that time the Consumer Price Index (CPI) has gone up 35% to date. He said by the time they phase in these rates over the next few years if the CPI was to go up 5% each year over the next two (2) years they would be at about a 50% CPI increase with no adjustments to their rates. He explained that part of this is catching up for time and part of it is to fund the new Water Reclamation Facility. He noted that they also have replacement costs for pumps, pipes, etc. He explained that the long term sustainability is to make sure they have the capital to sustain it moving forward on an annual basis. They are requesting City Council approval to begin a Rate Ordinance with the new rates as proposed that would begin in January, 2023 with the other year increases over time

as a single Ordinance. The implementation schedule is to have the first reading of the Rate Ordinance on October 18, 2022, the final public hearing for adoption on December 6, 2022, with the effective date of January 1, 2023. He said because they would be looking at financing next summer that they review and update the forecast. He noted that it would not be to restructure the rates, but to make sure the rate path is good and that it is sustainable.

Vice Mayor Neville asked why is reuse water more expensive. He asked does it have to do with the storage tank.

Mr. Rob Bolton, Water and Sewer Director, explained that when they build the new Water Reclamation Facility they have to build a new storage tank and pump station for the reclaimed water system. He said raised rates were not only to cover the debt service, but it is also a function of revenues and expenditures. He explained that when they lose John's Island as a reuse customer, they are losing the funds that was going into the Reuse Fund. He said staff will be looking into expanding reclaimed water to other customers so as new customers come online, that would probably stabilize the rates moving forward.

Vice Mayor Neville asked Mr. Bolton if they were going to have excess reuse water by losing John's Island.

Mr. Bolton answered yes.

Vice Mayor Neville asked what are they going to do with it.

Mr. Bolton said they would try to expand the service.

Vice Mayor Neville asked what would they do with it on day one.

Mr. Bolton said it would go down the Deep Injection Well.

Mayor Brackett said that he understands that they were going to lose John's Island as a reuse customer, but that is like going from the right pocket to the left pocket. He said they are going to have a new classification somewhere else with the stormwater that they would be selling John's Island so he would like to see a more in depth analysis of what they would be doing with that revenue coming in.

Ms. Lawson reported that there are separate costs associated with that as well and they have carved it out as a separate part of the Rate Study that shows the expenses associated with it. She said they would create a new department for that and the revenue.

Mayor Brackett said that he would like to see the numbers.

Ms. Lawson said they have already agreed to the initial rates so they do have a separate analysis.

Mr. Monte Falls, City Manager, reported that because of the excess capacity, he and Mr. Bolton have already had some preliminary meetings with some possible new customers.

Mr. Cotugno said that he does not want to go back and repeat what has been undertaken by previous City Councils, however at one time Mr. Bolton calculated what it would cost to refurbish and/or do a tie-in. He said as this is going to come forward in different venues on what they are going to be doing and what

they are going to be spending, he would like to understand those costs as well so that people are not fixated on costs from years ago and not the new costs.

Mr. Bolton said in the analysis that was done years ago it was about \$50 million to build a new Water Reclamation Facility and \$38 million to keep it in place.

Mr. Cotugno asked if they were going to put the assumptions and calculations somewhere. He said that he would like to have something showing the updates on the costs of a refurbish and a tie-in. He felt that having this information was important when trying to explain this to the citizens and users.

Ms. Lawson said if they refurbish, that would change the operating costs in future years so they would have to rework the entire thing. If Mr. Bolton updates the \$38 million number and does that in conjunction with the Utilities Commission's request that they do a sensitivity analysis then those two (2) data points would give them a feel of what they were looking at.

Mr. Cotugno agreed, however he felt it was important as they discuss the rates and the amount of money that the project has increased, that they have a reference point on everything that they discussed in the past.

Ms. Lawson agreed. She said there is no version where it doesn't cost the City anything.

Mr. Cotugno said there are other issues why the Plant needs to be removed from the Lagoon. However, the data point issues that include numbers are important when trying to have conversations with the citizens.

Mr. Bolton asked Mr. Cotugno when he was referring to a "tie-in," was he talking about the other option they looked at with Indian River County.

Mr. Cotugno said numbers were generated in the past on what it would cost if they refurbished the Plant, as well as there was a tie-in requested.

Mr. Bolton said the cost to tie-in with the County was about \$84 million.

Mr. Cotugno said because certain issues may come up, he would like them to be prepared and have something that shows what it would cost if they refurbished the Plant, as well as what it would cost for a tie-in.

Mr. Bolton noted that the tie-in option was prior to Senate Bill 712 and House Bill 53 passing. He said that was at the assumption that certain capacities at the County's Plants that may not be there anymore. He said that he would have to meet with the County again because otherwise he would just be guessing.

Mr. Cotugno said it is kind of an academic exercise. It is to prepare them for questions that may come up when people look at the numbers.

Ms. Lawson felt that in order to answer the question they would have to go back and start discussions with the County again.

Mayor Brackett said that he was the one who suggested that they talk with the County to see if they could work together. He said it did come back more expensive and the reason it came back more expensive was that the County has three (3) facilities and not one of them could handle the capacity so they would be piping two (2) different facilities depending on where the customers were located. He said the two (2) points that were interesting to him in today was that the numbers showed no grants or monies coming from the State. He said that he has had conversations with different groups in Tallahassee and he does not believe that to be the case, but he does believe they should look at the numbers that way. Also to him the biggest issue is that this was not a do nothing situation. It is either that they rebuild the existing Plant, which would have higher maintenance costs on an annual basis, or build a new state of the art Plant. By building a new Plant it would get the old Plant off the Lagoon. He said the new Facility gives them a hardening place at a higher elevation. He said there were a lot of things that the new Facility does for the community and for the users of this service. He said even with the higher rates they were still one of the lowest in the area. He said that he is not concerned about Port St. Lucie, Brevard, etc. He is concerned about comparing their rates with the County's rates. However, the County has been very quiet on what their plans are. He said the cost of water and the cost of treating water is getting more expensive. He said they have to understand the reality of the situation.

Mr. Bolton said that he could upgrade the numbers with some caveats.

Vice Mayor Neville asked how much was the cost to pipe into the County facilities.

Mr. Bolton said it was about \$84 million.

Ms. Lawson noted that a big part of this is that they have not done a cost of service study since 2009. She noted that they would be looking at this again next summer. She suggested that the right thing to do is look at this annually.

Mayor Brackett said they haven't had a change in rates since 2009. He commended staff for that because he is not a big proponent of raising fees and taxes. They managed to keep the rates low and still survive. However, as they begin to move forward with building the new Water Reclamation Facility it is time to look at this.

Vice Mayor Neville said another element to the new Plant is that the amount of nitrogen and phosphorous that was finding its way to the Lagoon would be enormous in terms of the benefit to the environment.

Mr. Falls asked Mr. Bolton to discuss how they determined the capacity of the new Facility.

Mr. Bolton said they looked at where they were operating and where they were from the density standpoint. They have been operating at about 2 to 3.5 million gallons a day for the last three (3) or four (4) years. So he took that number and divided it by .9 so that it looked like if 100% was built. He said they also looked at converting septic to sewer and added in some of the larger pieces of properties, which brought them up to about 4.5 million gallons and he added another 500,000 gallons to that so that they have extra capacity for the "what ifs."

Mr. McCabe said they have to plan on the highest usage and putting in reserve is good business sense. He agreed with all the comments made today. He said they do need to move forward on this and do a sensitivity analysis. He said this is long overdue.

Mayor Brackett said they will know next year what the Town of Indian River Shores is going to do. At that point in time they will be able to recalculate these numbers. He said if IRS chooses not to stay with the City then they would have to scale the facility down, which would change the numbers and the analysis.

Mrs. Minuse asked Ms. Lawson to go into more detail of the sensitivity study and the cost.

Ms. Lawson said that she has not had a chance to discuss the cost because this just came up yesterday during the Utilities Commission meeting. She explained that what they would do is add \$10 million to the amount scheduled for borrowing to see what that would do to the rates. She would propose that they add and subtract the \$10 million so they have a feel of what a \$10 million grant would do.

Mayor Brackett agreed that they have to be very transparent to the public and to all their customers as best as they can.

Ms. Lawson asked the City Council if they were giving staff direction to do a sensitivity analysis. She assumed that it was not going to be real expensive.

Mr. McCabe made a motion that they move forward and have the Consultant do a sensitivity analysis on the \$10 million or less. Mrs. Minuse seconded the motion.

Mayor Brackett said they have a motion and a second to do a sensitivity analysis based on what the Utilities Commission requested at their meeting yesterday. The motion passed unanimously.

Mayor Brackett opened and closed public comments at 10:31 a.m., with no one wishing to be heard.

Ms. Lawson asked the City Council for their direction to use these rates as the basis to prepare an Ordinance for first reading on October 18, 2022.

Vice Mayor Neville made that motion. Mr. Cotugno seconded the motion.

Mayor Brackett opened and closed public comments at 10:31 a.m., with no one wishing to be heard.

The motion passed unanimously.

3. PUBLIC COMMENT

Dr. Douglas DeMuth said as he understands it, they are currently transferring about \$1 million from the Water and Sewer Fund to the General Fund. He asked as these rates go up, how much more money is going to be transferred into the General Fund.

Mayor Brackett said it is a fixed cost of 6% of revenue.

Mr. Cotugno noted that page six (6) of the Power Point presentation has a chart that shows the transfers by fiscal year.

Dr. DeMuth asked why there is a need to transfer more money from the Water and Sewer Fund into the General Fund. He asked why are they putting this on the backs of taxpayers and ratepayers to fund the City when it is unnecessary. He said they are burdening the taxpayers and ratepayers \$1.5 million in extra

costs to subsidize the City and now they were going to be doing more of the same. He said it does not make any sense.

Mayor Brackett noted that it was not \$1.5 million. It was \$1.1 million. He said previous City Councils were transferring a lot more than 6% and since he has been on City Council they changed it to 6%.

Dr. DeMuth said ratepayers who are not part of the City are wondering why they were subsidizing things that they are not benefiting from.

Vice Mayor Neville said the City provides a lot of benefits that are not available to other parts of the community. The City is a full service community and is a resort town. There is a lot that goes into making this City run well.

4. ADJOURNMENT

Today's meeting adjourned at 10:37 a.m.

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