

**MINUTES  
CITY COUNCIL WORKSHOP  
CITY OF ARCADIA  
TUESDAY, JULY 24, 2012  
5:30 PM**

**CALL TO ORDER, ROLL CALL**

The workshop session was called to order at approximately 5:30 PM.

**Arcadia City Council**

Mayor Keith Keene

Deputy Mayor Alice Frierson

Councilman Robert Heine

Councilman Joseph E. Fink

Councilman Robert Allen

**Arcadia City Staff**

Interim Administrator Judi Jankosky

City Recorder Virginia S. Haas

AJ Berndt, WTP

Finance Director Jorge Santana

Steve Underwood, WWTP

Carol Anderson, MHP

**DISCUSSION:**

1. Water and Sewer Enterprise Funds 2012/2013 Budget
  - a. Utility Administration
  - b. Water Treatment Plant

Mr. Berndt explained the numbers may not be exact because these are based on the old Water Plant. The numbers may change as the new plant comes on line. Salary and overtime, no change, professional services which include Hazen and Sawyer and calibrations stayed the same. He responded to Councilman Heine that the chemicals may show some savings but that depends on the amount of water used. He responded to Councilman Fink there may be some savings in chemicals due to no longer using lime as the new plant is an ion exchange system. He noted there will be additional additives for the new plant however the total cost of chemicals should decrease. Mileage and lodging stayed the same. Telephones may decrease because of the new radio telemetry being installed. After five years the City will own the radio. Postage was decreased. Utility services were an estimate depending on usage. Rental and Leases for renting a hoist, repairs and maintenance were kept at the same amounts and everything in the new plant should fall under warranty. Building maintenance line item was maintained as the old building does have leaks, however there is some money set aside to repair the old plant. Repair equipment, vehicles repair, tires remain the same. Other current charges are for unexpected items that we are unable to classify. Advertising is for free burns twice per year. He explained that we are going to be given \$10,000 from the grant to order lab supplies for the new building. Chemicals stayed the same however it may be less going to new plant. Operating supplies for daily needs and furniture and machinery stayed the same. Memberships are for State registrations for licenses and continuing education courses.

Mr. Berndt replied to Deputy Mayor Frierson that according to his figures the Water Plant is going to come in under budget.

Mr. Berndt responded to Mayor Keene that he keeps a supply of chemicals available but not a large amount. He typically orders lime at \$7,000 every three months however he has gone 8 months without having to buy lime. He replied to Mayor Keene that according to the budget this year we have not used as much fuel as was allotted so we decreased that line accordingly.

c. Wastewater Treatment Plant

Mr. Steve Underwood, WWTP, reviewed that all line items regarding salary, overtime, FICA, etc. were set numbers and projected usage of staff this year. Professional services include Hazen and Sawyer. Contractual services were lowered \$30,000 as they try to repair their own equipment; however there are certain things in the field you need professional repairs on. Mr. Underwood responded to Mayor Keene that this past year we received an approximate savings of \$50,000 due to the new Leachate Agreement with the County. The City now has a sludge press and the sludge is treated and taken to the landfill in exchange for the County Leachate. This savings of \$50,000-\$62,000 per year is reflected in line item number 30490 other current charges.

Mr. Underwood continued: contractual services include all vendors listed in the packet and all fifteen vendors are used variable throughout the year. He does shop around for pricing and attempts to use local vendors when possible. Pump repair: He explained they rebuild the pumps because it is much cheaper. Utility service is projected on current usage. Repairs and maintenance increased as many items at the plant require small items to be replaced like the belts on the press machine. Maintenance contracts were eliminated because many line items in his opinion could be consolidated into one for example maintenance contracts could fall under contractual. Mr. Santana replied that State code dictates each code and line item so you can not manipulate the numbers. Mayor Keene confirmed that the State of Florida has a set of codes to follow as well.

Vehicle repair/tire repairs remain the same. Office supplies at \$100 stayed the same. Operating supplies increased to \$2,500 for gloves, glasses, suits due to dealing with wastewater and protecting staff. Fuel is a projected number which could go up if we have an emergency and must utilize generators. Janitorial was eliminated. Chemicals were increased and he gave an example when there was eight inches of rain in 3 1/2 days that increased the wastewater flow to 3.2 billion. When the flow increases chemicals increase. He referred to the packet and a list of chemical vendors. He noted in some instances the purchase may be sole source like treating the reclaimed water per DEP where other companies can not compete. Uniforms dropped \$1,500 on projection. The tools budget is low however he increased that line by \$500.00 and they do what they can with what they have.

Mr. Underwood summarized that the total increase and the bottom line is based on utilities and chemicals. He does not know if he will use all the funds because he is unable to project however he has seen chemicals go up three times in a year and has only seen them decrease once.

Mr. Underwood responded to Mayor Keene that staff does have license renewal every two years and two credit education classes. He also reminded that next year if the Water Plant is up and running they will be sending brine solution to the Waste Water Plant and that will be an increase in flow and utilities. Mr. Berndt added that they will also be utilizing the Interconnect.

Mrs. Jankosky explained that the telecommunications audit found tens of thousands of dollars in connection fees for telephone equipment, circuits and phone lines that didn't go anywhere resulting in a possible savings of 35% to 50%. In addition the City is reviewing going on State contract with Verizon possibly resulting in a savings of \$300 per month.

Mr. Underwood reported that there are two (500,000) tank clarifies that were painted and sandblasted in 1991 and equipped with new gear drives. These tanks are retrofits and are going to need refurbishing costing \$24,000 each in parts only. The total labor is estimated at \$48,000 for a grand total of around \$100,000. He spoke with Mrs. Karleskint, Hazen and Sawyer, who believes there are potential grants available at some point in time. He believes the cost of the parts are feasible, however the labor should go out to bid because it will be a retrofit from steel to fiberglass. He explained the other ticket item would be for a crane on the pickup in the amount of \$8,200. Recently the 1991 crane brake failed and is a safety hazard.

#### d. Utility Collections

Mr. Jorge Santana, Finance Director, explained that the Utility Department is comprised of two full time staff both doing an excellent job in collecting and turning off non-paying accounts. The expenditures for salary are the same however life and health were adjusted to reflect a 3% increase. Half of the total audit costs in the amount of \$30,000 are drawn from this account and the other \$30,000 is taken from the general fund. Contractual services were increased due to many problems with older computers. One new computer was purchased for this department and another \$1,000 set aside for another computer in the next budget. Postage is set due to utility bills sent out monthly at \$2,500 per quarter. Credit card charges are \$1,000 month in fees. Potentially Council could add a surcharge to minimize that cost. The utility collections budget stayed the same and this department is working extremely hard to maintain that budget and ensure the department is functioning properly.

Councilman Fink stated he has noticed some offices allow only MasterCard charges and there is an ATM available and possibly the City could save money by providing an ATM.

Mr. Santana responded to Deputy Mayor Frierson that the Utility Department accepts all credit cards and the City is receiving the best rate from Seacoast. He explained how PayPal works. He also added that prior to the switch to Seacoast the City paid many bank charges however none now and the City is also receiving \$1,000 month in interest.

#### e. Water Systems

Mr. Fred Lewis reported that salaries and overtime remained the same as the previous year. Health insurance increased. He removed professional services. Contractual services are the same. He added \$100 in per diem due to a need to be recertified for backflow prevention. He increased postage because of shipping meter registers. Utility services went down \$500 and he maintained \$1,000 for rentals and leases because he may need a pump. Repairs and maintenance he increased to \$3,000 as he was in the negative this year on that line item. He maintained \$300 in repair of buildings however his department will be moving into the old water plant. Equipment repair is the same and vehicle repair was decreased by \$300. He added that he does have one required repair on a backhoe that will cost \$2,200 so that item may increase. Maintenance repair/tires are the same. Printing and binding are for new business cards. Advertising and office supplies are the same. Operating supplies was increased because there is an apartment building that has old radio reads which need retrofit to registers costing \$3,000. Fuel and janitorial chemicals remain the same. Uniforms were decreased because of fewer employees. Tools were reduced to \$1,000. Furniture and machinery were reduced to \$2,000 however he will require a new small cut off saw. Road material remains the same. Registration for schools is for recertification for two employees in backflow prevention. Improvement other than buildings is fire hydrants needed throughout the City. He has some hydrants in stock and ordered some however has not had the personnel to install them. He responded to Councilman Heine that 6 hydrants are about \$12,000 and there are about 30 hydrants on the list that are dead not counting the ones that don't have the steamer caps upgrade that the Fire Department requested. Machinery and equipment line item is for purchasing valve insertion equipment costing approximately of \$30,000. He explained there are no valves in the City making the repair a full boar and you can not shut the water down. Example: Magnolia Street repair required two insertion valves costing \$8,000 so the water could be shut down to complete the repair. This equipment would come in especially handy when installing the fire hydrants. He also requested \$7,500 for half of the cost of a vibratory roller when patching which would make a much smoother patch. The other half of the cost would come from the sewer system budget.

#### f. Sewer Systems

Mr. Lewis explained the sewer system budget. Salaries, overtime, FICA, Medicare, workers compensation and retirement remained the same as last year. Health insurance shows an increase. Professional services were removed; contractual services and phone remain the same. Postage and freight was increased due to shipping of registers for warranty purposes. Utility services went down which covers all the costs at the lift stations. Rental and leases stayed the same. Repairs and maintenance was increased due to older equipment. Repair of buildings, equipment, vehicle repair, tires maintenance and printing/binding all remain the same amount as last year. Other current charges, advertising, office supplies, and operating supplies remain the same. Operating supplies is where all of the repair parts for water and sewer are booked. Fuel, janitorial, chemicals, uniforms, operating supplies, tools, furniture, and machinery were all maintained at same amount. He asked for \$1,000 for road material.

Improvements other than building: This line is used for the repair of manholes or broken pipes and emergency repairs. Machinery and equipment is half the cost of the vibratory roller.

g. Interconnect

Mr. Berndt explained this budget is the interconnect system with the County. All equipment is new and the County put in a chlorine residual monitor on their end and in his opinion we should let the County maintain that because that item always needs repairs. On the City side we only have communication which is a data lease line. The utility service is an estimate on electric costs. The interconnect was only running for two weeks however this budget is close to the projected cost. He stated that we could open the interconnect right now but there was concerns regarding residual and the flow. He responded that the County's pressure is higher than the City and starts pushing water back into the tanks. We projected 600 gallons per minute however it made more sense to run 100-120 gallons per minute all day which helped both the City and the County. Mr. Berndt stated the City should not pay for any water because the County has to flush anyway which is helping them, in his opinion. He stated he has a good relationship with the County so we can begin the interconnect at any time. Mrs. Jankosky noted that she added to her list to speak with the County regarding the bulk water agreement renewal.

Councilman Allen stated that all the Department Heads did a great job presenting their budgets. Councilman Heine replied this was the first time in 19 years Council sat down and reviewed the budget.

Interfund Transfers and Long Term Debt. – Mr. Santana stated after we analyze the different departments we need to review two other transactions from the water and sewer. 1) The renewal and replacement fund began several years ago due to the WWTP in order to replace any equipment that the Utilities Department would need. Right now that fund contains a little over \$850,000 and increases each year. The problem is that this account is a positive that offsets the negative of the water and sewer total accounts resulting in a \$500,000 positive. We haven't been able to utilize that fund because of the negative water and sewer account. In the future we will be discussing the revenue lost from 1999-2010 where revenues were lost because collections were not followed up and collected. 2) The second is \$432,920 to pay bond costs, principal of \$310,000, and interest \$130,000 and \$1,500 fee for the bond assessors – this is the water and sewer bond sinking fund. If you look at the revenues of a little over \$3 million and expenses are \$2.6 million then there is a surplus of \$350,000 projected for next year. Operationally we are doing well, but financially when the audit comes out we don't do well. Each year within the financial statements the City has to depreciate over \$1 million of assets and that is an expense - it's not cash outright but the IRS allows \$1 million in deductions. If we have a surplus of \$350,000 and a deduction of \$1 million then there will be a loss of over \$600,000. He pointed out page 24 of the September 30, 2011 budget that shows the activities of Water, Sewer and Airport. If you look at the depreciations and amortization \$1 million every year, the City should be setting aside \$1 million every year into this account so when these assets reach zero and have no more value the City could have money to replenish the assets. Right now the City only has \$850,000 but that is covering the negative that been sitting in that account for over ten

years. He emphasized that we need to try to do two things: 1) Increase revenues by increasing water and sewer rates or 2) minimize the expenditures. We would have to do that with over \$600,000. If we don't do anything to increase surplus, by raising rates or reducing expenditures we will lose \$600,000 next year due to the depreciation and assets that will have to be replaced. He stated the situation is the same with the Airport which lost \$9,000 last year due to deprecation because the hangars and runways will eventually need to be replaced as assets.

Mayor Keene replied that the City paid for a rate study to advise us what we needed to do. The Consultant gave great advice but the Council did not go as far as they were advised. He suggested looking at the rate study again or we may need a new rate study. He confirmed what he heard that if we want to balance the budget we need to increase the revenue or decrease expenses. We are moving forward without direction if we don't give consideration to raising our rates. Councilman Fink responded most of the current Council was not here at that time and could staff provide copies of the rate study so they can review to see if another one is needed or the current one can be used. Mrs. Jankosky responded yes and that she also asked Mr. Santana to put together a number of what it would take for this account to be fully funded. She added that the new WTP loan payment starts next June in the amount of \$152,000 every six months.

Deputy Mayor Frierson stated that the public needs to understand and right now we have a credibility problem due to misinformation and if we implement a rate increase we should be united. She gave the example of the two votes against the millage increase. Mayor Keene clarified that one person voted against the increase however he voted no because he thought the millage should have been higher. Deputy Mayor Frierson noted that the paper did not clarify the vote. She stated that the Council is not doing a good job telling the public the correct information.

Councilman Fink stated that if anyone thinks that a .56 millage increase is going to correct the problem in a course of time, they are deluded because it won't work and if anyone in the public thinks raising the millage .56 will work, they are deluded as well. I do not believe in suggesting that we should all vote lockstep because that is probably what got us to the place we are with all the issues and no one coming up with a solution. He reiterated that it is not feasible to vote lockstep. Mayor Keene replied in defense of what Deputy Mayor Frierson said and some of what Councilman Fink said that he doesn't believe there is anyone who would discredit this Council for not working hard on the City's issues considering all the meetings Council has attended in the last seven days and we are not done yet. We are making an effort. He continued that raising the millage keeps things the same and if we don't consider opportunities to increase the revenue we know we will be looking at this again. We are paying the price for what happened prior but let's not dwell on the past. There was discussion about a Public Information Officer who could assist the City in getting the correct information to the public.

## 2. Airport Enterprise Fund 2012/2013 Budget

Mrs. Jankosky reviewed the Airport budget. Contractual services include ant and weed control around the current lights and electrician charges however new lights will be installed. Utility service is the same which includes lights, hangars, beacon which may decrease with potential new LED lights. Insurance was increased to cover a few items that appeared low in coverage. Repair of buildings - virtually nothing has been done at the Airport on any hangars so \$3,000 was added for small repairs. Repair equipment is for the tractor and Dixie mower. Commercial activities - Contains \$2,000 to help promote the Airport and part will be used for advertising Aviation Day. Advertising was increased to \$4,000 to promote Aviation Day. Fuel was increased to \$1,500. Improvements - We will receive \$948,000 from FDOT which will be used for the runway, taxiway conditioning, striping, new lights, new electric vault and more fencing. FDOT will give us a total of \$343,000 for improvements. They will begin by giving us \$25,000 this year for lights to open the window to begin those improvements. FDOT has guaranteed 100% payback over five years but we need to acquire a loan from Seacoast and Mr. Santana has other options as well. The Airport brings in \$52,000 in rent and fees which goes into the Airport fund. Hopefully with the \$6,000 we can promote the Airport. Mr. George Chase has a plan in the works.

Dr. Dixon stated that Mr. Heine was not aware that the Butler Building was being rented and the response he got is that it was not a business. He asked if it is rented, what it is rented for, who rents it and how much is paid. Mrs. Jankosky responded the rental is part of Air-Cadia's contract; however Mr. Santana conducted the audit and can answer those questions. Councilman Fink stated that Councilman Heine was correct and at the meeting on June 19<sup>th</sup> Mrs. Minnear stated that building was not rented.

Mr. Santana reported that he concentrated on the monthly sales and matching sales to the deposits at Suntrust. He analyzed 37 months and could not match one month. Air-Cadia does not deposit sales for fuels it is deposited into a special account for fuel which was added to the spreadsheet. He explained that the Butler Building began being rented in February of 2011 and on the spreadsheet it indicates \$4,236 to the City but he calculated \$4,460 which is a difference of \$180. Then he was told that the Butler Building was not part of the 90% that would be owed to the City, however that is a Council matter. He summarized the rent for the Butler Building. March 2011 - One occupant, \$180.00 due to the City. April through July - one occupant at \$200 per month. August through December 2011, two occupants for \$400 per month at 90% would be \$360 per month owed to the City. Beginning January 2012 he did not see the Butler Building in the financials however he would analyze if the Council requests.

Councilman Fink asked if any sales tax was analyzed. Mr. Santana replied that he did not review sales tax and Air-Cadia would have to provide sales tax reports and he could contact the Department of Revenue as well. He stated that he would be happy to conduct that audit and he would need payroll records as well to see how many employees and if workers comp is required. Councilman Fink noted if he rents the space within his shop he has to charge sales tax. He added also since we are having issues with cutting the grass and machinery not used properly he would wonder whether it is the City's Worker's compensation covering the Airport. Mr. Santana

pointed out that he thought he was to conduct a financial audit but is willing to do an operational budget as well. Mayor Keene replied yes, it was initially a financial audit however it is now the consensus of the Council to conduct an operational budget as well. Mr. Santana explained that he spent less than a day on the audit which was his salary for one day. The worst case scenario is that Air-Cadia owes the City \$200. The best case scenario is we add in the Butler Building and they owe the City \$3,200, so overall it was a worthwhile audit.

Mrs. Jankosky reported that she spoke with Mr. Ken Small, FLC, who noted that there are some utility tax discounts that the City is offering large commercial users (electric) and we are losing some of our franchise fees. Mr. Small indicated that the County can provide some discounts but a City cannot. Secondly she addressed the base rates in that if someone has a water meter at their house and they turn off the water, they are still connected to the system the City is required to maintain that service however the City is not collecting any base rates. Mr. Lewis confirmed those addresses would be the Northern visitors which may consist of a third of our users.

Councilman Fink stated that there is a State statute that dictates if sewer runs on the side or front of your house you are required to tie into the sewer but that is not so with water however the City does have an option to make that specific through our codes. He added that the City should look into that possibility because you aren't able to measure sewer usage without that being based on water usage. Mayor Keene concurred he was surprised when he heard an address was disconnecting from the City services. Mrs. Jankosky stated she could work with the City Attorney to draft an Ordinance addressing mandatory connection to City water lines. Mayor Keene replied it also depends on availability however we do need the tools through the City code to require connections. Councilman Fink replied if the City can expand water and sewer we need to require people to tie in within a specific amount of time. Mayor Keene replied that sewer is 365 days from the date that you are notified it is available.

Mrs. Jankosky reported that Mr. Ken Small has offered to come in the past and he will again and she asked if Council would like to invite him again. Council agreed. He is not free however he can help us work on an Ordinance, base rates, water and sewer connection and find revenue.

Councilman Fink stated that Dr. Dixon had serious questions and he wanted to ensure all questions were answered. Dr. Dixon repeated that he wanted to know who is renting the hangar, how much and what they are renting it for. Mr. Santana replied that one occupant, Mr. Frierson, rented the hangar for \$200 per month alone until July of 2011 then in August 2011 Mr. Ernie Hewitt started renting in the hangar for \$200 per month. Mr. Santana stated that as far as he knows they both are housing their airplanes in the hangar.

Councilman Heine congratulated staff for their budget presentations. Deputy Mayor Frierson thanked Mrs. Jankosky for spending time on the budget. Mrs. Jankosky mentioned the pension information she was reviewing. Mayor Keene requested review of the Police and Fire pension as well. Mayor Keene thanked Mrs. Jankosky for her work as well.

Mrs. Jankosky replied to Mayor Keene that next staff will finalize the presented numbers from each department. She responded to Councilman Heine that we are still looking for some items to help balance the budget but we are getting closer. Mayor Keene stated that he would like to go back and review some of the wish list items. Mrs. Jankosky stated in August we should hold two additional budget meetings to narrow down any items, and then the public hearings would be held in September.

Mr. Santana inputted that he was hoping to review the entire budget. Council scheduled the next budget meeting for July 31, 2012 at 5:30 p.m. Mr. Santana will have all the revenues updated and the millage rate adjusted so the City Council can see the new numbers.

### PUBLIC COMMENTS

### COUNCIL MEMBER COMMENTS

### ADJOURN

Having no further business, the workshop was adjourned at 7:20 PM.

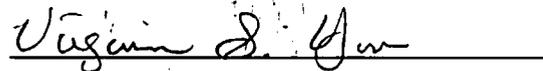
APPROVED THIS 8TH DAY OF AUGUST, 2012

By:



Keith Keene, Mayor

ATTEST:



Virginia S. Haas, CMC  
City Recorder