

VERO BEACH UTILITIES COMMISSION MINUTES
Tuesday, June 14, 2016 – 9:00 a.m.
City Hall, Council Chambers, Vero Beach, Florida

PRESENT: Chairwoman, Laura Moss; Vice Chairman/Indian River Shores Representative, Robert Auwaerter; Members: Chuck Mechling , Bill Teston, Judy Orcutt, and Alternate Member #1, George Baczynski **Also Present:** City Manager, James O’Connor; City Attorney, Wayne Coment; Water and Sewer Director, Rob Bolton; Transmission and Distribution Director, Ted Fletcher and Deputy City Clerk, Sherri Philo

Excused Absences: J. Rock Tonkel and Stephen Lapointe

1. CALL TO ORDER

Today’s meeting was called to order at 9:00 a.m.

2. PRELIMINARY MATTERS

A) Approval of Minutes

1. May 10, 2016 – Regular Meeting

Mrs. Moss referred to the first paragraph on page 2 of the May 10, 2016 regular Utilities Commission minutes. She said the word “not” is missing from the statement “*She said that she checked the City’s website this morning and the new information was there*” so the statement should read “*She said that she checked the City’s website this morning and the new information was not there.*” She then referred to page 8 noting that the word “*but*” should be excluded from the sentence “*She said the gist of the Executive Summary is that these practices were not consistent with industry practices, but utilized by other organizations of that kind.*” She noted that there were areas in the minutes where the word “*mute*” should be “*moot.*”

Mr. Mechling made a motion to approve the minutes of the May 10, 2016 regular Utilities Commission meeting as amended. Mr. Auwaerter seconded the motion and it passed unanimously.

2. May 2, 2016 – Joint Utilities/Finance Commission Meeting

Mrs. Moss referred to the fifth paragraph on page 10 of the May 2, 2016 joint Utilities/Finance Commission minutes. She said that she agreed with Mr. Tonkel on the \$20 million dollar difference in that she was also troubled by it. But, the way it reads it indicates that she agreed with Mr. Tonkel’s entire statement, “*Mr. Tonkel said although he was troubled by the fact that there was a \$20 million dollar difference in the preliminary evaluation and what was given to them today, it seems to be a reasonable analysis to take to the interested parties for further negotiations.*” She then referred to the fifth paragraph from bottom on page 10 and requested that the sentence be added “*Of course the terms would have to be favorable.*”

Mr. Mechling made a motion to approve the minutes of the May 2, 2016 joint Utilities/Finance Commission meeting as amended. Mr. Baczynski seconded the motion and it passed unanimously.

B) Agenda Additions, Deletions, and Adoption

Mr. Auwaerter said that he would like to have a discussion about the allocation of costs from the chargeback from the General Fund to the Electric Revenue Fund. He did not know if this would need to be added to the agenda or if he could bring it up under Members Matters.

Mrs. Moss asked the Commission members if anyone was opposed to discussing this under Member's Matters. There were no objections.

Mr. Mechling made a motion to adopt the agenda as amended. Mr. Baczynski seconded the motion and it passed unanimously.

3. PUBLIC COMMENT

None

4. NEW BUSINESS

A) Presentation by Dr. Edith Widder of the Ocean Research & Conservation Association (ORCA) regarding their Water-Monitoring Projects Employed in the Lagoon

Mrs. Moss said surprising not everyone in the community knows that the Utilities Commission is charged not only with the Electric Utility, but with Water, Sewer and Stormwater. She read from the 2016 Utilities Commission's Annual Report, Water and Sewer – 2016 Objectives, "*Monitor the health of the Lagoon as it relates to Water and Sewer*" and "*Continue to make recommendations and encourage open lines of communication with the County.*"

Mrs. Moss gave the Bio of Dr. Edith Widder of the Ocean Research & Conservation Association (ORCA) and welcomed her to today's meeting.

Dr. Widder said that she is a Deep Sea Biologist, but her big concern is with the ocean as a whole and the estuaries, which are the nursery of the ocean. Therefore, she has focused her efforts to try to save the ocean by trying to save its nurseries. She said the Indian River Lagoon is obviously in need of help. She then gave a Power Point presentation on Monitoring the Health of the Indian River Lagoon (attached to the original minutes).

*Please note that questions and discussion took place throughout the Power Point presentation.

Mr. Auwaerter asked is there any cost efficient methodology to clean up the canals that take into account what they have discovered.

Dr. Widder said that they have been talking a lot about it. They spoke with the Army Corp of Engineers about an algae harvesting system, which so far the Army Corp of Engineers has not been too excited about, but ORCA is still working on it.

Mrs. Moss asked locally, what is the most pressing issue.

Dr. Widder said that is what she wants to know and what they are trying to figure out. She said that she recently has become very interested in the potential effects of bio-solids. She was not saying that is the problem, but it might be more of a problem then she originally thought. She noted that switching septic to sewer is a great idea, but it doesn't make the problem go away. She explained that sewage treatment plants produce bio-solids (sludge) that have to be distributed, which often is distributed to ranchlands, which adds a lot of phosphate to the land.

Mrs. Moss asked how long have they been measuring with the Kilroy (monitoring system) in the Treasure Coast area.

Dr. Widder answered two (2) years. They have been using the Kilroy 25 for less than one (1) year. She explained that the Kilroy 25 has all the bells and whistles.

Mrs. Moss asked if they have noticed any change, positive or negative, in this immediate area. She said the City has a Fertilizer Ordinance in affect especially during the summer months. She asked have they noticed if this was effective.

Dr. Widder said they didn't have the nutrient centers out last summer and she would need to have at least one (1) year of data. Unfortunately, they didn't have them out before the Fertilizer Ordinance was adopted.

Mrs. Moss asked what is the cost of the Kilroy.

Dr. Widder said including installation the cost is \$85,000 dollars and there is a maintenance cost of \$25,000 to \$30,000 dollars a year.

Mr. Baczynski asked is taking the sludge from sewer treatment plants to ranchlands exporting the problem further inland.

Dr. Widder answered yes.

Mr. Baczynski asked what would be a solution where they are not recycling this around.

Dr. Widder said there are several areas that are discussing this as it is a problem that is being seen everywhere. She said there are arc furnaces that actually burn the sludge and produce energy. She noted that they are very expensive initially, but they help pay for themselves over time by producing energy.

Mrs. Orcutt thought there was a Plant in Sanford that was doing that, but she did not think they received support from the local municipalities to send them their sludge, so there wasn't enough sludge coming in to make it cost effective. She felt that by possibly having a regulation preventing sludge spreading it might force a more ecological solution, which would be to process it for energy.

Dr. Widder said one concern they have is how they classify bio-solids. She said Class A and Class B is really nasty stuff that has pathogens in them. By law they have to track exactly how much goes where. She said Class AA is sludge that has been treated by mixing in 50% yard waste, which is dried and made it into pellets and is often marketed as milorganite and they don't have to track it. She said there is no monitoring of how much milorganite is being distributed. She said that she was told by someone in Waste Management that they don't think it was being abused because it costs money to produce it so it is not distributed in the way Class A and Class B is.

Mrs. Orcutt said there is a Plant in Okeechobee that is processing sludge and mixing it with yard waste. She said it is not pelletized. They are composting it and selling it very inexpensively to sod farmers by the truckloads.

Dr. Widder said they need to actually monitor and measure this to find out if this is a big problem. They have to have hard answers, not just guess work.

Mr. Baczynski said what they are stating is that some solutions are "spot" solutions. He said in order to have an affect overall there has to be some cooperation from all the surrounding communities. He said there has to be some kind of overall direction from the State level in order to get this done.

Dr. Widder felt that living shorelines was a great way for local communities to make a difference in the Lagoon.

Mr. Baczynski asked are there other organizations at the community level that could exchange information and best practices.

Dr. Widder said they now have the Indian River Lagoon Council who are doing a good job in getting people to work together.

At this time, the Chairwoman opened the meeting for public comments.

Mr. Mark Mucher said there is a gentleman of Harbor Branch who is blaming the entire problem with the Lagoon on septic tanks. He asked for Dr. Widder's opinion. He asked is it possible to sample the muck to see if there is human waste in it.

Dr. Widder said that Mr. Brian Lapointe's (of Harbor Branch) statement about the impact of septic tanks was based primarily on stabilized radioisotope labeling studies and he is using the ratios that he finds in macroalgae as an indicator. The trouble is that those same ratios could be caused by bio-solids, as well as organic buildup in their impoundments.

She said that she was not convinced based on Mr. Lapointe's data that it is septic. She was not saying it wasn't, but she doubted that it was the sole problem. She said that Mr. Mucher had a very good suggestion regarding human waste and they are actually doing that. They have been looking at bacteroides as an indicator of the presence of human waste. They have also been trying to look at the macrobiom in a broader sense to see which microbes there are when there is human waste verses other types of waste. It is fairly complicated to do this and they are running a bunch of different experiments to try to figure out the most practical way to do this in the most cost effective manner.

Mrs. Orcutt felt that the general public gets very confused by the media because it brings so much attention to the crisis at the moment, such as the fish kill in the northern lagoon and the Lake Okeechobee runoff in the southern lagoon. She said that she keeps trying to focus on what is more specific to Indian River County. As a comparison, a recent article in the newspaper talked about the agricultural impact on the St. Lucie County watershed and just from agriculture it was 300,000 acres. She said in Indian River County it is much smaller at about 6,000 acres. She wanted the public to understand that when it is stated that the different entities are meeting their nutrient load criteria that these are big problems that affect the Lagoon as a whole. But, for Indian River County agriculture has a miniscule impact.

Dr. Widder asked Mrs. Orcutt if she looked at the numbers for the spreading of bio-solids in Indian River County.

Mrs. Orcutt answered no. She said the reason why it is such a small impact on Indian River County's part of the Lagoon is because so much of our County is the St. John's Water Management District, which sends the water west.

Dr. Widder said that she is open to all areas as to what is contributing the most. But, she is becoming more and more convinced of the impact from bulk head shorelines, which ORCA would be examining in more detail.

Mr. Carter Taylor, of the Indian River Neighborhood Association (IRNA) and the Indian River Lagoon Council (IRLC), said one of the most striking things that was presented today is the ability to obtain fine grain data as a source of information for further research. He said one of IRNA's main initiatives is to promote septic to sewer conversion. Because of the STEP system in the City the capital cost is limited as the City is mostly built out. However, Indian River County has a large population of septic systems where political leaders are being asked to make decisions in the tens to potentially hundreds of millions of dollars in future infrastructure investment. In consideration of those decisions it is appalling how little data there is in which to base those decisions, especially in light of the relatively low cost of data acquisition and analysis. He said IRNA toured the Canal Reversal project about a year and a half ago, which he thought was a \$30 million dollar project. One question that he asked was how much water and nutrients were going over the weir into the Lagoon and they didn't know the answer. They could tell him precisely how many cubic feet of water was going in, but they couldn't tell him what was in the water. He said they could have known exactly what was going into the Lagoon with the addition of a little bit of money for data

collection. He said Indian River County is currently developing a plan for septic to sewer conversion in which they are using estimates rather than actual data to try to make decisions on how to prioritize the build out of the system and what areas to tackle first. He said they need much more of this type of data collection in order to make effective decision making.

Mr. Richard Curr said that he lives on one of the canopy streets that would be discussed later in today's meeting. However, he felt that it was appropriate to ask a question now. He said there are five (5) full time residents on the western side of his street with two living in the homes year around. They are on generally large lots at about ½ an acre and they generally pump their septic regularly. He said they live on the eastern side of a golf course, of A1A, and a Country Club that is along the river. He asked is there any data that would suggest there is affluent coming from those septic fields that affects the river. He would guess that there was a storm sewer up the street from them that probably pours more into the river than they (his street) contribute.

Dr. Widder said that she did not have the answers. She said that she wants to get hard numbers in order to answer the question.

Mrs. Moss asked is this one of those things that they would have a better idea a year from now.

Dr. Widder said that is her hope. She noted that everything with ORCA depends on funding. They recently received support from the Indian River Community Foundation that will allow them to do a pilot study on a new technique they want to try that might be a low cost way to get some of the answers.

Mr. Rob Bolton, Water and Sewer Director, referred to the first slide of the Power Point presentation, *Nonpoint Source Pollution*. He said everything listed on the slide are contributors. He said back before the Fertilizer Ordinance and the STEP system, Mr. Richard Winger, Mayor at the time, stated that it has taken a long time to get to the situation where they are and they are not going to find it is just one (1) thing that is destroying the Lagoon. It is all the things they have been doing that is destroying the Lagoon and the only way to resolve it is to start to undo some of the things that they did.

Mrs. Moss said there are a number of variables affecting the Lagoon. They need more data collection to determine the priorities.

Mr. Auwaerter asked is there a way to lower the cost of the Kilroys by possibly acquiring more. He asked who do they purchase them from or do they build them themselves.

Mrs. Moss thought it was stated in the presentation that there were two Kilroys in the Treasure Coast and in their opinion there should be six (6) or more.

Dr. Widder said in their opinion Indian River County should have six (6).

Mr. Warren Falls, Managing Director of ORCA, said there are three (3) Kilroys in Indian River County, which were located at Vero Shores, the Indian River Farms Main Relief Canal and Bethel Creek.

Mr. Auwaerter asked is there a way to lower the cost, such as having Kilroys without all the bells and whistles. He asked where are they acquired from, is each one (1) handmade, and is there a way to get more efficient in order to get more data collection.

Mr. Falls said the Kilroys are customized depending on the perimeters they want to monitor. Some instrumentation can be removed or added to each Kilroy. He noted that the quote of \$85,000 dollars was for a complete outfitted unit (all the bells and whistles). At this point they are doing 14 different measurements from a Kilroy every 30 minutes to every four (4) hours depending on how they have them set up to report. He said a good portion of the Kilroy is built in-house. They do use two (2) third party sensors to compliment the Kilroy, but the communications and the database is their design.

Mr. Auwaerter wondered if there was a way to contract this out to acquire more at a cost per unit. He asked is there a way to farm out the design to a contractor who could build the Kilroys cheaper.

Mr. Falls said there is a way to farm out the design, but it would not be any cheaper.

Mr. Auwaerter said it was mentioned that Indian River County has three (3) Kilroys. He asked how many would they need to get as close to the dataset as they can.

Mr. Falls said they are looking for density of data to be able to make calculated decisions. The more data they can simulate the better. He said they could produce a fairly comprehensive dataset for Indian River County with the addition of four (4) to six (6) more.

Mr. Auwaerter said in looking at the City's financials for the 2015/2016 budget year, the City did a "profit" transfer back to the General Fund in the amount of \$950,000 dollars. He felt that they should look into this as the City could use some of that money, along with funds from Indian River County, to look into this in order to make a better decision in terms of capital investment down the line as to whether it is the STEP system or if there are some alternatives.

Mr. Falls said there are actually four (4) Kilroys in Indian River County. He neglected to mention the one in the Sebastian River.

Mr. Mechling asked if he was to assume that dredging canals would help improve the quality of the Lagoon. He asked if that is an indication, is the cooperation there with Army Corp of Engineers.

Dr. Widder said dredging is important because there is so much legacy muck in the bottom of the Lagoon. She said they have been doing some recent measurements of the accumulation in the lagoon and it is staggering. She felt it was more important at this

juncture to get it stopped. They need to figure out where it is coming from. She said it becomes a moot point if they are pulling it out at an enormous cost for it to fill up again as quickly as it seems to be doing.

Mr. James O'Connor, City Manager, said the STEP system was only one issue the City has undertaken. They have also undertaken the Fertilizer Ordinance and they probably have the largest set of baffle boxes and stormwater controls of any city around. Regarding taking funds from the City, that should be something from the Indian River Lagoon Coalition, Indian River Shores, etc., as opposed to the City of Vero Beach being the only contributor.

Mr. Auwaerter said that is a fair statement. He said that he didn't mean to imply that the total burden should come from the City's Water and Sewer Fund.

Mr. O'Connor said they want to make sure when they start allocating costs that they all contribute.

Dr. Widder referred to the slide, *Indian River ORCA / Impact 100 Maps* in the Power Point presentation. She said it really surprised her that the phosphate outstripped the nitrogen.

Mrs. Moss thanked Dr. Widder for her presentation and for the work they are doing.

B) Discussion of Roberts Rules of Order – City Attorney

Mr. Wayne Coment, City Attorney, said the City Attorney's office were asked some questions, particularly about amendments to motions. He said their office sent a memorandum to the Commission/Boards that laid out how they operate, which is that they have the same rules of procedure as the City Council. He noted that Robert's Rules of Order was not wholly adopted by the City Council as the City Council has their own procedures. He explained that if something is addressed that is not specifically addressed in the City Council's adopted rules; it is typically resolved with Robert's Rules of Order. He said for the Commission not to get wrapped around the axle about using Robert's Rules of Order. He said to basically keep it simple.

Mrs. Moss said it was her understanding from the memorandum that if is not in the City's Code that would take precedence then Robert's Rules of Order would be next.

Mr. Coment said these are very informal Boards/Commissions and even the City Council is relatively informal. He said if something weird comes up then yes, they would look at Robert's Rules of Order.

C) 2016 Electric Reliability Performance Report First Quarter – Mr. Ted Fletcher

Mrs. Moss reported that she met with Mr. Fletcher on June 1st and took a tour of the Transmission and Distribution facility. She urged the Commission members to take a tour of the facility if they have not taken one.

Mr. Ted Fletcher, Transmission and Distribution Director, briefly went over the 2016 Reliability Performance Report First Quarter with the Commission members (attached to the original minutes). He asked the Commission members if this is the format that they would like to see moving forward.

Mrs. Orcutt thought the report was very well done. She said the only thing that she didn't see was the definition for FPUA.

Mr. Fletcher said FPUA is the Fort Pierce Utility Authority.

Mrs. Orcutt asked that the definition be included in future reports.

Mrs. Moss referred to page eight (8), *CAIDI – Customer Average Interruption Duration Index*. She asked are the minutes listed after a problem is identified and the repairman is on the scene or after a call is received.

Mr. Fletcher said the minutes listed are from the time the call is received to the time power is restored.

Mr. Auwaerter asked as they go from quarter to quarter, would the graph expand out keeping the previous quarterly data so they can see longer term trends.

Mr. Fletcher said that he would keep the graphs building across so the Commission members can see the long term trends. He noted that the next report would come before the Commission members in August.

D) Installation of STEP System (Canopied Streets) with regard to Sec. 71.14 Rights-of-Way required to be Improved – Mr. Rob Bolton

Mr. Rob Bolton, Water and Sewer Director, gave a Power Point presentation on the Installation of Septic Tank Effluent Pump (STEP) Systems on Canopied Streets (attached to the original minutes). He read from Section 71.14 of the Code of Ordinances, "*There shall be no installations of any utility poles and sewers along, on, or under same and said roads shall remain in their present condition and state as much as possible, and the material used for maintenance shall be sand or shell similar to what is there now.*" He noted that with the STEP system, they use directional drilling tunnels that go under obstacles, such as canopy trees as to cause no harm or damage. He said the Ordinance for canopy streets states that no one can install a sewer system in the right-of-ways. He noted that the Ordinance is in conflict with State regulations.

Mr. Bolton showed the Commission members a video of the installation of a STEP system and aerial views of the canopy streets showing how they would go about installing the lines.

Mr. Mechling said this was done on his street and the job the City has done has been exception. It is a very clean operation. He said the directional boring of the two (2) inch line is nonintrusive, is easy to do, and nothing gets damaged in the process.

Mr. Bolton said the reason he is before the Commission today is to have the discussion on how they are to move forward or not move forward regarding the canopy streets. If the Commission wants to move forward then he would prefer to come back before them with more details so everyone is comfortable that it can be done without having an effect on the trees.

Mrs. Moss asked that the Commission members receive a copy of the State regulations.

Mr. Bolton asked the Commission for some guidance on how they feel the canopy streets should be addressed.

Mr. Carter Taylor said that he has been following the STEP system since it was on the drawing board. He felt that it was a good solution for a particular type of problem. He then read into the record a statement from the IRNA (attached to the original minutes). He said it is important for the local jurisdictions to provide success stories of septic to sewer conversion because it is perceived by the public and by elected officials alike, that this is going to be very expensive and therefore a scary thing to promote.

Mr. Auwaerter made a motion that the Utilities Commission recommends to members of the Vero Beach City Council that the Ordinance that restricts central sewer system installation on canopied streets, adopted roughly 40 years ago, be removed from the City's regulations due to changes in installation technology. Mr. Mechling seconded the motion for discussion.

Mr. Baczynski felt if they remove the Ordinance it would leave the door open for someone to put in gravity sewer and destroy the entire street. He suggested leaving the Ordinance, but modify it to state only the STEP system or better technology.

Mr. Bolton agreed. He felt that instead of removing language that they add language that clearly defines their intent.

Mrs. Orcutt said the Ordinance contains more information than just the sewer, such as not paving the streets, etc. Therefore, to take the entire Ordinance away would be counterproductive. She asked Mr. Bolton if he was looking for guidance from the Commission on if he should move forward to try to solve the problem.

Mr. Bolton answered yes.

Mr. Teston felt that before they get in depth they need to hear from the City's legal staff as to what is the best way to proceed with this.

Mr. Auwaerter said the purpose of his motion was to give direction to staff so they could move forward on this.

Mr. Bolton said that he would work with the City Attorney's office on the Ordinance.

Mrs. Moss asked is there currently a problem. She felt that talking with the residents, which is what Mr. Bolton stated, was the right way to do this. She did not see the need to make it legalistic because that raises people's ire unnecessarily.

Mr. Auwaerter said the problem is if someone says they will not do it.

Mr. Bolton noted that he cannot move forward the way the Ordinance is currently written. He said it appears it is the consensus of the Utilities Commission that they want to move forward with this.

Mr. O'Connor asked that the Commission postpone taking any action and allow staff to bring back some recommendations that are more specific.

Mrs. Moss said that she would appreciate more information.

Mr. O'Connor said staff could bring back a recommendation on how to modify the Ordinance based on input Mr. Bolton gets from the residents living on the canopy streets.

Mr. Mark Mucher felt a recommendation to have the City Council review this at this time was probably more appropriate. He noted that amending or modifying an Ordinance takes several months.

Mrs. Moss made a motion to withdraw the motion at this time and review this again at their next meeting. She felt that Mr. O'Connor was correct and he could bring back more information at the next meeting. The motion to withdraw the motion died for lack of a second.

The Deputy City Clerk performed the roll call on the original motion and it failed 3-3 with Mr. Baczynski voting no, Mr. Teston yes, Mr. Mechling yes, Mrs. Orcutt no, Mr. Auwaerter yes, and Mrs. Moss no.

Mrs. Orcutt recommended that staff continue their efforts and to bring more information back to the Commission at their next meeting.

Mr. O'Connor said staff will bring back more information at the next Utilities Commission meeting.

E) Second Quarter Fiscal Year 15-16 Electric Utility Rate Sufficiency – Mr. James O'Connor

Ms. Cindy Lawson, Finance Director, explained that each quarter staff takes the original budget and original projections regarding purchase power costs and revenues for the

electric utility and compares them month by month to the actual experience of revenue collections, costs for purchase power, etc. In doing so they look to see whether the rate structure in place provides sufficient total revenue to cover costs or whether the rates needs to be adjusted. For the last few years those adjustments have only been to the bulk power costs or purchase power cost portion of the rates pending completion of a rate study. She explained that in front of the Commission today is the Second Quarter Fiscal Year 15-16 Electric Utility Rate Sufficiency report (attached to the original minutes). She noted that this is a little different than they normally would do this as this does not match the City's original adopted budget. She explained that the reason was because after the budget for 2015/2016 was adopted decisions were made regarding revisions to the Orlando Utilities Commission (OUC) contract that dramatically affected the purchase power costs anticipated, as well as the decision to close the Power Plant and removing associated staffing affected not only staffing costs and power resources operating costs, but also the amount of transfers needed to the R&R Fund. Staff recommended to the Finance Commission and to the City Council a rate decrease from \$65.15 per 1,000 kWh to \$63.15 per 1,000 kWh with billing read dates to begin on June 15, 2016. She noted that this was approved by both the Finance Commission and the City Council.

Mr. Auwaerter handed out to the Commission members the Electric Rate Comparison - Vero Beach vs. Ft. Pierce information (attached to the original minutes). He referred to the *Municipal Electric Utility Cost Rank 1200 kWh Residential Bill (1=Best, 33=Worst)*. He said there are 33 municipal electric utilities in the State of Florida and the City of Vero Beach is ranked at 30 and Ft. Pierce is at 12.

Ms. Lawson handed out to the Commission members the *Analysis of Potential Rate Reductions Pre Sale from Finance Commission Chairman – Item 10 – Lower allocation of G and A from the GF to VBE* (attached to the original minutes). She noted that this information was a pretext to Mr. Auwaerter's item on today's agenda.

Mr. Mark Mucher said at the time the OUC contract was modified Mr. Schef Wright, Attorney, promised a reduction of \$2.13 on October 1, 2016 and then the rates would go up from there. He asked will this rate reduction take the place of the \$2.13 or an addition to it.

Ms. Lawson said this \$2.00 dollar reduction is a result, in part, of the modified OUC contract. As far as further reductions, that would be part of the completion of the Rate Study.

F) Diesel Plant (Background and Update) – Mr. James O'Connor

Mr. O'Connor gave a brief update on the Old Diesel Plant. He reported that the City Council passed an Ordinance to allow a microbrewery to go into the Old Diesel Plant building. He said they are hoping to have a closing date set before July.

Mr. Mark Mucher said that he did not think the City would net the full \$500,000 dollars for the sale. He asked what will be the net amount the City will receive. He asked where that money would go because he thought the Plant was transferred out of the Electric

Utility Enterprise Fund and placed into the City's General Fund. He asked where will the money go, how much will it be, and will the Electric Fund get any advantage from it.

Mr. O'Connor said it is a part of the Electric Utility so the money would go to the Electric Utility. He said the \$500,000 dollars is the purchase price. He said that he was not sure what costs the City would incur.

Mrs. Moss said the City has already incurred costs.

Mr. O'Connor said the City has incurred costs in excess of \$600,000 dollars in the remediation of the environmental issues over time. He noted that at the time the property was appraised, it was appraised for \$650,000 dollars. He said it has been part of the Electric Utility and to his knowledge it was never transferred.

5. OLD BUSINESS

None

6. CHAIRMAN'S MATTERS

Mrs. Moss asked the Commission members if they had any items they would like on next month's Utilities Commission agenda.

Mrs. Orcutt said that she would like to have on next month's agenda, discussion of "Reuse Water."

7. MEMBER'S MATTERS

A) Add on Item – Discussion of Transfers to City of Vero Beach General Fund

Mr. Auwaerter handed out to the Commission members *Transfers to City of Vero Beach General Fund – "Profits" and General Fund Admin Chargebacks from the Electric and Water & Sewer Funds* (attached to the original minutes). He said that he has looked at various City budget books starting from 2009/2010. He looked at the profit transfer and the General Fund Administration chargeback for the Electric Funds and Water and Sewer Funds. He said that in looking at the information, the bold blue is the General Fund Administrative Chargeback that has occurred in each budget year. He said it is perfectly appropriate that there should be a chargeback to the Electric and Water and Sewer Funds for services that staff provides that are not directly working for Electric and Water and Sewer operations. The question in his mind is what is the appropriateness of this charge. He said that he did not have any set conclusions on this, but felt that the Utilities Commission needed to look at this very closely because 60% of the City's ratepayers are outside the City's incorporated limits. In the red box they will see if they look at the electric profit and the administrative chargebacks as a percentage of the General Fund budget it generally averages 35.8% over this past decade. In Water and Sewer there is another 7.6% so in total those two Funds provide 43% of the General Funds budget,

which he felt was in part one reason the property taxes in the City of Vero Beach are one of the lowest in the State of Florida. Particularly, if they look at the General Fund administrative chargeback for electric over the past couple of years it jumped up, although it did drop in the previous year. He said today Ms. Lawson provided the Commission members a one (1) page analysis, but he would like to see more detail as to what the analysis is that she does in terms of allocating costs back to the Water and Sewer Fund and the Electric Fund. He felt that it was owed to the ratepayers to be able to look at these numbers. He then handed out to the Commission his *Proposed Resolution of the City of Vero Beach Utilities Commission* (attached to the original minutes), which is the following motion:

Mr. Auwaerter made a motion that the City of Vero Beach Utilities Commission requests that the City Finance Director provide in writing in advance of the next regularly scheduled Utilities commission meeting a detailed analysis of how costs from City Departments that are in the General Fund budget that do not directly work for the City's Electric and Water and Sewer operations are charged backed to the Electric Fund and Water and Sewer Fund. Such analysis should include the methodology for allocating costs between these Funds and the General Fund. The Departments should include the following: City Council, City Clerk, City Manager, City Hall, City Attorney, Human Resources, Finance, Information Technology, Purchasing, Warehouse, Planning, Public Works Administration and Non-Departmental. Mr. Mechling seconded the motion for discussion.

Mrs. Moss asked Mr. Auwaerter if he was referring to the 6% transfer.

Mr. Auwaerter answered no. He said this information is in the budget books, which is located on the City's website.

Mrs. Moss asked does this already exist.

Ms. Lawson explained that the allocation of costs to both Electric and Water and Sewer is not a written analysis, but a spread sheet for each department. For each department there is a summary of how much gets charged to the Enterprise Funds and then for each individual department, along with some overriding factors, there are calculations that show exactly how those individual departments are allocated. She said this is something that she has provided in the past and she would be happy to provide it again. She explained that it is required in government accounting that the Enterprise Funds pay their fair share of things like Human Resources, Finance, Cashiering, etc., that they don't have as departments, but that they could not function without. She said that in each department she tries to come up with completely objective ways to allocate costs. She said that she would give the Commission members a copy of the backup for last year's allocation and at some point in the future they can discuss the individual ones.

Mr. Peter Gorry, Finance Commission Chairman, noted that the Finance Commission goes through this process every year by looking at the allocations and discussing them. He said it is true that 60% of the electric customers are outside the City limits, but it is

not true for the water customers, which is probably 80% in the City and it is not true for the solid waste customers, which is 100% in the City.

The Deputy City Clerk performed the roll call on the motion and it passed 6-0 with Mr. Baczynski voting yes, Mr. Teston yes, Mr. Mechling yes, Mrs. Orcutt yes, Mr. Auwaerter yes, and Mrs. Moss yes.

Mrs. Moss asked Mrs. Orcutt to submit materials on her reuse water item to the City Clerk's office prior to next month's meeting.

8. ADJOURNMENT

Mr. Mechling made a motion to adjourn today's meeting at 12:06 p.m. Mr. Auwaerter seconded the motion and it passed unanimously.

/sp