

VERO BEACH UTILITIES COMMISSION MINUTES
TUESDAY, OCTOBER 8, 2019 - 9:00 A.M.
CITY HALL, COUNCIL CHAMBERS, VERO BEACH, FLORIDA

PRESENT: Chairman, Jane Burton; Vice Chairman and Indian River Shores' Representative, Bob Auwaerter; Members: Bob McCabe, Mark Mucher, John Sanders, and Alternate Member #1, Judy Orcutt **Also Present:** Water and Sewer Director, Rob Bolton; Assistant City Attorney, Karen Emerson and Deputy City Clerk, Sherri Philo

Excused Absence: Chuck Mechling
Unexcused Absence: Lance Morgan

1. CALL TO ORDER

Today's meeting was called to order at 9:00 a.m. and the Deputy City Clerk performed the roll call.

2. APPROVAL OF MINUTES

A) August 27, 2019

Mr. McCabe made a motion to approve the minutes of the August 27, 2019 Utilities Commission meeting. Mr. Auwaerter seconded the motion and it passed unanimously.

3. PUBLIC COMMENT

None

4. NEW BUSINESS

A) Economies of Scale through Consolidation of Water Systems – Bob Auwaerter, Vice Chairman

Mr. Auwaerter reported that during discussion at their last meeting, as well as comments from the Press, there was a comment that there was not economies of scale in water systems. He said Mayor Zudans was quoted in Vero Beach 32963 as saying, *“Consolidating our water and sewer utility with the County utility to me doesn't really accomplish anything. It is still being run by the government. There are no efficiencies or economies of scale and no evidence that rates would go down for Vero residents.”* He said that he did some research and found numerous studies that indicated that there were efficiencies in water utilities through economies of scale. He said any business, particularly utilities, where there is a large amount of fixed costs you can do better if you spread those costs over a wider revenue base. He reported that he included in their backup three (3) of the studies that he found (on file in the City Clerk's office). He felt the most important study was *“Strengthening Utilities Through Consolidation: the*

Financial Impact.” He read from page four (4) of the study, “*Water infrastructure is aging and failing. Significant funding is needed. Affordability is a growing concern.*” He said it noted that this is a very fragmented business and that there are over 51,000 regulated community water systems in comparison to the United Kingdom, which only has 32 regulated water utilities and Australia has only 82. He reported that what they looked at and attempted to study, and what he thinks is important, is the potential financial benefits from water utility consolidation. He read from page six (6) of the study, “*Potential financial benefits from water utility consolidation include: Economies of scale and operating efficiencies; Increased access to capital at a lower cost; Lower or equal customer rates for a specified level of service; Revenue stability; Reduced exposures to regulatory penalties; Improved planning and risk management; and Increased opportunities for economic development.*” He then read from page nine (9), “*Summary – Consolidation is an important tool for communities to consider but is not the right option in all cases. Water utilities and key stakeholders must assess their options carefully. Many positive financial and economic outcomes can accrue from utility consolidation, but communities must also consider and prepare for all the related challenges. Communities that have successfully consolidated utilities have several common characteristics: understanding the financial impacts; patience; long range planning; external incentives; and leadership.*” He said the second provided is the Joint Water Utility Feasibility Study and they have over 40 pages of detail looking at the summary of costs and the benefits of a joint utility and their conclusion was that they should look at jointly constructing, owning and operating a supply storage treatment and distribution system. He said the third study was done by the National Governors Association (NGA), entitled, “*State Level Policies to Promote Water Utility Consolidation – Water Policy Learning Network Center for Best Practices.*” He reported that Kentucky had a tremendous number of very small water systems and they have been working to consolidate them, which their conclusion was that it was better for the environment and better from a cost prospective. He said that he is not saying that the City and the County should consolidate, but he believes it should be given a very hard look at based on these studies.

Mr. Mucher asked if the City should be thinking about separating sewer from water and sewer. He said that he thought the proposal that the County made years ago was for sewer only, but he has been told that was not correct.

Mr. McCabe said it was mentioned at their last meeting that Mr. Bolton was going to make contact with the County.

Mr. Rob Bolton, Water and Sewer Director, reported that staff received direction from the City Council to move forward with getting the Wastewater Treatment Plant off the water, as well as to move forward with discussions with the County to see if there were any opportunities there. He said staff met with the County last week to discuss another matter and took the opportunity to discuss their options. He said that he has a meeting coming up with the County Utilities Director to further discuss wastewater options.

Mr. McCabe agreed that any study they do would have to comprehend the consolidation and economies of scale. He has a concern with all the expansion that is occurring in the County that it will cost a lot of money and investment and any financial evaluation would have to comprehend the City picking up a portion of that added investment if they did a consolidation. He said the ratepayers in the City might be taking on a disproportionate increase when all the expansion is in the County.

Mr. Mucher said it is his understanding that the County has excess capacity at this point and even with all the developments that are planned and conceived, they don't see a need to build a new Plant anytime soon. He asked is there any discussion about possible future Grants.

Mr. Bolton reported that since the last City Council meeting staff has engaged a Consultant to come up with a preliminary design report, which they hope will be completed by the end of October. He has contacted the State for State Revolving Loan Funds (SRF) and they have put in a request for inclusion. He reported that in discussions with the person in charge of SRF loans he was told that they feel based on the process the City is taking that they would score very high. Mr. Bolton felt that was partially because they would be getting the Plant off the river and building it on the highest part of land the City has and that they would be improving the water quality that is reclaimed water. He said they would also be looking at the expansion of the septic to sewer and the STEP System to going outside the City limits to possibly the County and Indian River Shores, as well as drawing water directly out of the canal system. He said they more or less told him to be ready to get some funding next year, which means there may be an opportunity to start some of this a little earlier than they thought.

Mrs. Orcutt said there is still a problem that she has not heard addressed, which is that the South A1A area remains on septic. She asked are they considering extending the STEP System down all the single roads along A1A.

Mr. Bolton answered yes.

Mrs. Orcutt asked how many STEP Systems are they talking about.

Mr. Bolton thought it was 1,500 total, which is the mainland, the barrier island, and Indian River Shores.

Mr. McCabe asked is there a timeframe for connection to the STEP System.

Mr. Bolton answered no. He clarified that there were 1,500 connections in the City limits that they have addressed and there are 1,500 outside the City limits for a total of 3,000 possible connections. He noted that it is the City's policy that it is not mandatory to connect to the STEP System, however if you have a septic failure it is mandatory. He briefly went over an idea he has that might entice people to hook up to the Step System where they would compile the cost so the people connecting to the System would pay one

(1) price per month over so many years and they would not be paying for the line in front of their property. They would only be paying for the equipment on their property.

Mr. McCabe felt that would seem to have the potential to have a fairly rapid impact on improving the effluent getting into the Lagoon.

Mr. McCabe asked Mr. Bolton to bring this back before the Commission in the next 30 to 60-days with an update.

Mrs. Orcutt asked Mr. Bolton if he has gone to each of the basins.

Mr. Bolton said they did on the barrier island, but not on the mainland.

Mrs. Orcutt said then the percentage of connection is not impressive.

Mr. Bolton said it depends. He noted that this is a 10 to 20-year program and they are in year four (4). He reported that on the City's website they now have the percentage of connections and in what areas. He reported that Bethel Creek is close to 50% on sewer and a lot of them are connected to the waterways.

Mr. Auwaerter made a motion that as part of the City's analysis of options to move the Waste Water Plant off the Indian River Lagoon, the Utilities Commission recommends that one (1) of the options that should be analyzed with equal effort with the other options is consolidation or partnership with the County's water system. Mr. Mucher seconded the motion for discussion.

Mr. Mucher said he thought they were down to one (1) option, other than having discussions with the County, which is the Airport (moving the Plant off the water and building a new Plant on Airport property).

Mr. Auwaerter explained that he was making the motion broad enough in case something else comes up.

Mr. Mucher said the "equal" part of the motion worries him because they will have to spend as much time and effort having discussions with the County as they are engineering the move to the Airport property.

Mr. Auwaerter said his point is that they would be committing the ratepayers \$30 or \$40 million dollars on a path that they can't change for the next 30 years. He said in any business they would want to look at all the options and address them equally before they go ahead and make a decision.

Mr. Sanders asked Mr. Bolton if they separate the utilities, would they be evaluated differently when looking for grants.

Mr. Bolton said the question is what does he mean separate. He asked are they separating the entire wastewater or just the treatment of wastewater.

Mr. Mucher said they might need some clarification as to whether their discussions with the County involve getting out of the sewer business like they did with the electric business or if it involves only of the treatment.

Mr. Bolton said staff received direction from the City Council to move forward with getting the Wastewater Treatment Plant off the water, but to also talk with the County to see if there is anything they can do as a partnership.

Mr. McCabe said it makes a lot of sense to comprehend the full scope of alternatives that would be available so he strongly supports the motion.

Mr. Bolton asked is the motion that they are they saying to stop what he is doing now.

Mr. Auwaerter said they could do them in parallel.

Mr. Bolton said that is what he has been charged to do.

Mr. Auwaerter thinks this Commission should put a stake in the ground saying that they recommend they absolutely look at this.

Mr. Bolton said staff was given direction from the City Council by a vote to move forward with the Wastewater Treatment Plant and to have discussions with the County.

Mr. Auwaerter said that he wants to make sure that all the numbers are vetted in an equal manner.

Mr. Mucher said it is just a recommendation to the City Council and they can have discussions on it.

The motion passed 6-0 with Mrs. Orcutt voting yes, Mr. McCabe yes, Mr. Mucher yes, Mr. Sanders yes, Mr. Auwaerter yes, and Mrs. Burton yes.

B) Discussion of Future Stormwater Projects – Rob Bolton, Water and Sewer Director

Mr. Bolton said the talk of stormwater came up at their last few meetings and in going back and reviewing the charge of this Commission, he found that their charge is electric, water and sewer, and solid waste. He said stormwater is not in the charge for this Commission. He said the City Council made a clear decision that the City is not in the stormwater utility business and staff has a concern that having discussions with the term “stormwater utility,” that it may lead to newspaper articles that staff is pushing a stormwater utility when they are not. He said they do not have a problem with discussing

stormwater projects, but they want to make it clear that they are not in the stormwater utility business.

Mr. Mucher thought that he was the one who brought this up. He said that he is not in favor of a formal utility. He didn't think Mr. Bolton should be involved in that it would be more of a Public Works type of item.

Mr. Bolton said that is correct.

Mr. Mucher said the question would be if the Commission wants to adopt stormwater as one (1) of their charges. That is as far as he wanted to take it.

Mr. Bolton said if they are going to adopt it then they need to make it clear on what they want to adopt, which needs to go before the City Council for ratification because it is not under the purview of the Utilities Commission to govern and make recommendations on stormwater.

Mr. Sanders excused himself from today's meeting at 9:53 a.m.

Mr. McCabe asked the Commission members if they want to work with the Public Works Department to get more information or make it more formal.

Mrs. Burton asked the Board if they are interested in pursuing stormwater projects.

Mrs. Karen Emerson, Assistant City Attorney, said if she understands it correctly, stormwater is not included within the purview of this Commission so there would be nothing further to discuss without direction from the City Council.

Mrs. Orcutt asked if the Ordinance was changed. She said a while ago this Commission was very much involved with stormwater. She said they discussed if having stormwater was a good idea, they were given presentations, etc. She asked was the Ordinance changed since then.

Mr. Bolton shook his head no.

Mrs. Orcutt said it was the Utilities Commission's job to vet the proposals and the Commission supported having a stormwater utility so she doesn't know how it is all of a sudden not the Commission's job when it was before.

After discussion, the Commission members agreed that the City Clerk's office would research the minutes and send the information to the Commission members.

Mr. McCabe suggested that they refer to this as "stormwater matters" because otherwise it polarizes to put the word "utility" after it.

The Commission members agreed.

Mr. McCabe said that he would like to see them approach the City Council requesting that stormwater matters be in their charge because it has a big impact on the Lagoon. He said not to form a utility, but to address stormwater issues.

5. OLD BUSINESS

**A) Update on the Wastewater Treatment Plant (WWTP) – Rob Bolton,
Water and Sewer Director**

This item was discussed earlier in today's meeting.

6. CHAIRMAN'S MATTERS

None

7. MEMBER'S MATTERS

Mr. Bolton reported that he placed on the dais for the Commission members information regarding lead and copper and asked the Commission members to review it (attached to the original minutes).

Mrs. Orcutt said that she was concerned about the conversation they had at their last meeting because it seemed like accounting for phosphorous in their reuse water was discounted as not being important. She said that she spoke with Dr. Duane De Freese, who is the Director of the National Estuary Program, and he provided several research papers, which she hoped the Commission members would look over (attached to the original minutes). She said there are 21st century technologies that are being discussed at the State level and they have a problem with their sewage treatment that even if they make it advanced wastewater treatment where the reuse water going out is low in nitrogen and phosphorous, every sewage treatment plant still has sludge and that sludge then becomes a problem to dispose of. She said historically the sludge has been spread on pastureland and is creating algae blooms all over the Country. She felt the recognition is strong at the State level that we need to address biosolids, which is basically sludge. She said when Dr. De Freese found out that the City would be building a new Plant he said the City should be considering these new technologies. She briefly went over some of the new technologies and felt this was something that should be considered.

8. ADJOURNMENT

Today's meeting adjourned at 10:16 a.m.

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