

CITY COUNCIL WORKSHOP MINUTES

NOVEMBER 4, 2009

Mayor Penton called the workshop to order at 7:07 p.m. (he had asked for a few extra minutes at 7:00 p.m. in order for presentation to be uploaded).

At this time Mayor Penton announced that residents from the Edgewater, Sandy Point, Berkley Road and Trailview neighborhoods will be allowed to speak; however, they will need to come forward to speak into the microphone and give their name and address.

ROLL CALL

Mayor Donald Penton, Vice Mayor Nancy Adorno, Councilor Kristi Eilertsen, Councilor Joe LaCascia, Councilor Paula Roddenberry-excused (ill), City Manager Cory Carrier, City Attorney Jeff Sullivan-excused, and City Clerk Patricia Jackson. Also present were Assistant City Manager Pam Peterson, City Planner Gene Kniffin, Code Enforcement Officer Kathy Delp and staff member Kelly Downing.

Mayor Penton asked that questions be held until after the presentation; Mayor Penton turned the workshop over to City Manager Carrier.

Sewer Collection System: Edgewater, Sandy Point, Berkley Road and Trailview neighborhoods

City Manager Carrier introduced Mike Azzarella and Robert Beltran, who are with Hydro Solutions Consulting. They have been working with the City for several months; we called them in because we were concerned we were not getting the best advice from our other consultants, and wanted them to look over what has been done to see what we could do. City Manager Carrier pointed out they have been working with us pro bono and we really appreciate that.

Mayor Penton asked if the presentation will follow close to the outline; Mike Azzarella advised it would follow very closely to the outline. Mike Azzarella, Sr. Project Manager with Hydro Solutions Consulting advised they are a local civil environment firm and thanked everyone for attending. He gave a brief background of what Hydro Solutions does, and he also advised they have worked for Polk City in the past and have a very good understanding of the utility systems as they exist. On behalf of City Council, the City Manager approached them earlier this year with concerns about the wastewater system, and asked if they could do a totally independent evaluation of the Engineers that have worked on it to date to make sure the program from a historical standpoint moving forward is in the best interest, and specifically, responsible that they do the right

thing for the citizens of Polk City. Hydro Solutions agreed to do this at no cost to the City because as environmental consultants they want to make sure the right thing is done, and they want to review all of the documentation to make sure the information that is given to the City through the Consultants and all of the other people involved with the project is the correct information so they can make educated decisions that are in the best interest of the City.

Before going into the presentation, Mr. Azzarella asked that everyone hold their questions until the end; at which time he will take questions from Council then from the public. Mr. Azzarella then proceeded with the presentation on the Polk City Treatment Program Independent Evaluation, which is incorporated into and made a part of these minutes.

Presentation from Hydro Solutions Consulting

- Polk City ~~Wastewater~~ Treatment Program Independent Evaluation
- Polk City Water Reclamation Program Independent Evaluation
- Why an Independent Evaluation
- Why Develop and Implement a Plan for the City's Water Reclamation System
- Groundwater
- Sources of Groundwater and Surface Water Pollution
- Existing City Water Reclamation System
- City Providing Services to Residents
- Preliminary Engineering Report (PER)
- Engineer's PER Recommendation
- Phase I Sewer Expansion – Proposed Neighborhoods
- Recent Events
- Evaluation Process of Designed Facilities
- Evaluation Considerations
- Typical Customers and Projected Revenue
- Shovel Ready Project – Sandy Point/Edgewater/Trailview
- Shovel Ready Project – Berkley Road/Downtown
- Connection Fees
- WWTF Evaluation
- Recommended Actions
- Modified Phase I Sewer Expansion – Proposed Neighborhoods
- Recommended Approvals Needed at November 10, 2009 Council Meeting
- Phase I Schedule

After the presentation, City Manager Carrier and City Council Members had questions and/or comments as follows:

City Manager Carrier advised Council the schedule is an accelerated schedule; Mike and Robert have done everything they can to get the City prepared to move forward with this. Our other consultants were notified that we would be receiving funding quite some time ago. Because they never responded to DEP we almost lost the money; the

City was notified in the eleventh hour. Hydro Solutions stepped in and helped the City with that, and she wants her appreciation known for that because we almost lost the money. The other thing City Manager Carrier wanted to let Council know is the City has, from day one, had concerns and tried very hard to let those concerns be known to the consultants. The consultants were told we (City) didn't feel the population projections were correct, we didn't feel their revenue estimates were correct; we questioned everything (she and staff that were in the meetings); it seemed like they were talking to a wall. Only recently did the consultants acknowledge they may have concern. That is why she asked Hydro Solutions to come on board to look at this; our concerns were not being heard.

Councilor LaCascia

- What Governmental Agency is providing the stimulus money? Mike Azzarella advised the Federal Government provides it to the State and the State disburses it through the State Revolving Fund; the City is approved for up to 4.01 million dollars. Some discussion took place regarding the shovel ready project in the Sandy Point, Edgewater and Trailview area regarding project cost, forgiveness portion, revenues and indebtedness. What wasn't shown on that slide was the low interest loan (2.7 percent) which pays the balance.
- Can be considered a self-funding project? Mike advised that is correct, it is a stand alone project. Brief discussion took place regarding the vacant lots and the sewer availability charge.

Councilor Eilertsen

- Brought up the "Why Develop and Implement a Plan for the City's Water Reclamation System", and wanted to know what percentages of the homes have aged tanks. Mike advised he did not know the percentage, but he understood that there has been failure in that area (Gene Kniffin and Robert Beltran spoke; however, they could not be heard on tape).
- Is the connection fee going to be \$4,400 plus the monthly fee for each household? Mike advised that would be entirely up to the Council; when they did their analysis it included those connection fees. Council was given a summary sheet with different options; however, that is why it is important to get the bids. Once you know the true cost, you can then look at what options are available. City Manager Carrier advised the \$4,400 is what it would cost today if you come in a pull a permit to build a brand new home.
- Councilor Eilertsen is concerned with the low income and extremely low income regarding cost; she is having a hard time with the possible cost of tying into a system with the current economic times. She understands we can look at it once the bids come in, and she is willing to be open and seeing what that will be. Mike Azzarella briefly discussed the Green Swamp Area, County Ordinance regarding septic tanks and the possibility of more stringent regulations being considered.
- If the City considers reduction in connection fees, how would that affect the loan, terms, the amount, being self sufficient, etc. Mike advised the City can be as flexible as they want to be; however, what it comes down to is doing a true analysis and that is why we need the construction cost; that is why they are

recommending the City move forward in advertising for bids. There will be several options for the City to consider. Mayor Penton advised if bids for construction comes in lower, then adjustments on the connection fee could be made.

- At this point, for information purposes, is to look at what we want to do, put it out for bid, receive the bids and then evaluate the numbers and go from there. Mike advised Hydro Solutions will have to come back to Council with a recommendation for bid award and to present a financial analysis of the project.
- Councilor Eilertsen asked if Phase I would be the five neighborhoods discussed. City Manager Carrier advised there would be three (Sandy Point, Edgewater and Trailview). Mike advised this phase would be for half of the collection system, but doing away with the proposed wastewater treatment plant.
- Councilor Eilertsen asked where the other neighborhoods were located that are being considered. Mike advised he could get that information to her, but they basically go from east to west across the city; there are more than fifteen neighborhoods that were identified. Each one of those will have to be looked at individually to make sure those projects can stand on their own. Those around the Sandy Point are Honeybee, Clearwater and Railroad Heights; he feels confident if you went to design and construction, those projects would stand on their own.
- Councilor Eilertsen asked what “stand on their own” meant; Mike advised they pay for themselves. Councilor Eilertsen asked if that was because the citizens that live in them; Mike advised yes. Councilor Eilertsen advised the reason she asked is because she thinks we would want to start with the much older neighborhoods that really need the system. City Manager Carrier advised they have not been designed so they are not eligible for this round of stimulus. Mike Azzarella wanted to emphasize that if we miss the deadline, the stimulus money goes away and the project will not be cost feasible; also with the State Revolving Loan, once you get on a list and have a program, you get your foot in the door at the State, and they want to continue to fund that project. If you let that money go sometimes it leaves a bad taste in their mouth. City Manager Carrier advised of the next round of neighborhoods the City is looking at, which have not yet been designed, two are CDBG eligible. Not only would we look for State funding, we would look for CDBG money. The neighborhoods we are talking about now are not low income, whereas the other neighborhoods are low income to extremely low income; therefore, they would fall under the eligibility guidelines.

Vice Mayor Adorno

- Does stand alone mean it funds itself completely; that there is no cost to the customer, or there is a reasonable cost? Mike advised that anticipated revenue exceeds the debt service is how it stands alone; however that anticipated revenue is based on the usage and current rate for the monthly bill. The sewer revenue will fund the debt service on the construction work so it doesn't provide additional debt service to the existing wastewater program the City has.
- Vice Mayor Adorno knows there is a certain amount of money and once the bids come in we can determine how much that is going to cost. If the City doesn't use

the money we lose it, and there is a possibility it could be more difficult to get money in the future. Her concern is whether or not it is more cost effective not to do the project; even though the City is getting money, it could still be costly to the customer. Councilor Eilertsen advised that is her concern as well.

Mayor Penton

- If the sewer system goes in, what is the estimate of how much it would raise the property value of those communities? Mike advised he knows historically it does raise the property values, but he cannot answer that question. Councilor LaCascia advised in this market, negligible because it is a buyers market.

Councilor LaCascia

- The downside of doing nothing is we would lose the stimulus of 4.1 million if we don't use it by January 15, and we lose the moment that we now have of lower construction cost; we don't know how long those are going to continue. Councilor LaCascia asked if those were the only two downsides of not doing anything. Mike Azzarella responded as a stand alone project it has a net benefit; based on the numbers that were developed before, it generates more revenue than the cost based on the current rates the city has. That money will go into the wastewater fund to help offset debt service for some of the existing debt that exists. Councilor LaCascia commented we (city) know the Enterprise Fund must be self sufficient, and the Enterprise Fund is basically what we are talking about in terms of all these extra monies – debt service and everything else. There probably is some amount of all of this that is going to flow in and make that better.
- How long can we hang onto the existing system and not spend any money (it is the appetite of the community not to spend any money at all)? How far down the road will we have to look at this again if we do nothing now? Mike advised they know what the capacities are at the existing plants, and you could probably add four additional neighborhoods to the existing plants before you have to look at that. There may be room at the existing plants for expansion at a lower cost; however, the existing plants require maintenance. The Mt. Olive facility is quite old and the Stephens Drive plant is about three years old and in excellent shape. The current capacity being used is twenty percent; adding the Sandy Point, Edgewater and Trailview areas would add approximately three percent to that. Some discussion took place regarding the original plan. The City needs to look at maximizing the existing facilities; it will significantly reduce your long term cost.
- Some discussion took place regarding the original plan with the cost being \$46,000,000; the city is embarking on the first step by putting infrastructure in, which will lead to expansion down the road. Councilor LaCascia asked if Mike had any idea how he sees the end cost being compared to the \$46,000,000. Mike responded that number has somewhat been a moving target. Some discussion took place about that; however, Mike advised when that initial analysis was done, there were 20 homes going up every week, and they were estimating astronomical rates. City Manager Carrier advised during all the meetings with those particular consultants, staff would tell them their population

projections were too high and the housing numbers were too high. During those meetings she and staff attending those meetings would tell them the numbers are not realistic, and tell them they need to pull those back and use realistic numbers. They would revise them while we were in the meeting; however, the numbers would be back up at the next meeting; it was extremely frustrating because it was like they were not taking our concerns about the faltering market and putting them into the study. Councilor LaCascia advised the part that was hammered in stone was as of October 1, 2007, we had a negative of unrestricted working capital of \$380,000; it was offset by a \$400,000 unspecified adjustment that was put in simply so that we would not have that negative balance. He doesn't think the financial position has changed that much to the betterment since October 1, 2007. The budget we just passed was as thin as it could possibly be just to get to those numbers without putting money into reserve funds.

- The overall financial picture of embarking on something like this and seeing it through to resolution; he is all for going the next step and finding out what the real numbers are going to be. Going down the road as we have discovered, it may be a pay as you go project, the concern Councilor Eilertsen brought up about the \$4,400 connection fee is a real one.
- How soon will they have to pay that fee once this is done; is there a time limit or do they go to failure of the septic system and then have to pay?

Councilor Eilertsen

- Councilor Eilertsen asked if we move forward what would be the construction completion date; Mike advised it would probably be before the end of 2010. Mike then discussed the situation when this first started compared to now and looking at projects that could stand on their own. They would not recommend moving forward unless it is a stand alone project.
- When would the connect fee be due? City Manager Carrier advised Council would make that decision. Council has the ability to have that go onto a debt service, if the homeowner so chooses, to be paid over a period of five years at zero percent interest, which is governed by State Statute. She advised the homeowner can choose to do it at any term for up to five years at zero percent interest. Councilor Eilertsen asked what would happen if the homeowner sells; would that be accelerated in the sale of the home, or would the homeowner take that over. City Manager Carrier advised it would need to be accelerated in the sale of the home. Mike advised if Council approves to go to bid and get true numbers, it would have to be looked at in the financial analysis before you get the money to pay for the project. It would be a critical number up front because it impacts the overall project of how the connection fees are handled.
- As a recap, Councilor Eilertsen went over the negatives if the City doesn't take the money: 1) lose the money, 2) may not be eligible for funding in the future and 3) will not be self sustaining because in the future we won't have that funding, and if we do have to bid for other reasons, we would have to foot the bill altogether. Mike advised you will lose the funding, but you can reapply for

funding; it is based on the need. Councilor Eilertsen explained what she meant; the cost could go up.

At this time Robert Beltran addressed Council (can't hear him on tape) regarding the fact that regulations are changing every day. Central Florida is a sensitive area on water withdrawals; water is a very critical component and there is a possibility in five years the State could come to the City and tell them they have to do this and may not get money. The City has already invested in a design and you should probably consider revenues as an offset. He then went into the project and possibilities of offsets in fees, etc.; the \$763,000 is free money. Councilor LaCascia thinks Robert made two good points; do we take advantage of zero percent financing and take money the Government gives us, or do we let it go and pay more later on. The other point is we have already invested money that has been paid out (he asked the City Manager what the amount was and she advised not quite \$3,000,000); we would lose the benefit of that because a good part of that was engineering. The downside is the work product we received; we are disappointed in it and it led us down a different highway. What should have been done all along is what we have done tonight, and you have answered most of the questions he had in terms of what are alternatives. We were told originally there were no alternatives, this is the way it had to be done; at now there are alternatives to look at.

Vice Mayor Adorno wasn't aware of the Ordinance regarding septic tanks; she and her husband has lived in their house nine years and cleaned it out after five. She has never received a letter notifying them of the Ordinance and its requirements. Mike advised he doesn't think it's a matter of if you are going to have to go on a collection system, but a matter of when. City Manager Carrier advised that Polk County is in the same financial situation as everyone else is, and as their funding gets more and more squeezed she thinks any mechanism they have that is able to raise revenue to help offset the losses they will do that. They have just increased the tipping fees at the landfill and have passed those on to all the cities, and we have had to increase our garbage rates to accommodate that. From what the City Manager is hearing at the different agencies, they are all looking at what they have on the books that is able to raise funding, and what they can put on the books to raise funding; all of that will passed on to us.

Vice Mayor Adorno expressed concern over the septic systems and what could possibly seep back into the ground from those that are not taking care of their systems. She wasn't aware of how it effects the environment when the septic systems are not taken care of. Some discussion followed; the City was mandated to put in a sewer system at the elementary school at the City's cost. This led to discussions with the County and where we are today. City Manager Carrier feels that a city that doesn't control its utilities doesn't control their future.

Mayor Penton asked for any other questions from Council so the audience can be given an opportunity.

Councilor LaCascia asked the City Manager about the cash inflow on the original projection; it was talked about in FY 2013 of 1.25 million dollars coming from the Mt. Olive land sale; how did you (City Manager) project a land sale in the year 2013, and is it still on the table; is it feasible because he is looking for that money to come back into the cause. City Manager Carrier advised she wasn't sure what schedule he was looking at; however, that is still on the table. The land in question is the Mt. Olive spray fields; that property is actually zoned commercial and it is a large track on State Road 33. The City has already received an offer from a private developer to purchase that property from the City, and would allow the City to continue to use it as a spray field for whatever number of years we need to use it. The developer would pay our debt service on that property, which is currently \$170,000 a year, so that we would not have to worry about that. At the end of period of time, he would pay us the 1.7 million dollars. It is still very viable, but we would need to take a serious look at our effluent disposal in light of the fact that the new plant is on the shelf.

Mayor Penton announced questions will be taken from the audience if you will come forward and state your name and give your address.

Mr. Ted Borsjé, 210 Bayberry Drive, had questions regarding Auburndale Spray Fields.

Mr. Bill Block, 218 Bayberry Drive, requested a summary regarding cost and connection fees.

Richard Kidd, 426 Rosewood Lane, questioned why the City was working on newer homes rather than the older ones.

A gentleman from 321 Bayberry (couldn't hear his name as he didn't speak into the microphone) had questions about the low income and CDBG Program.

Mr. Ray McAlister, 231 Greenleaf Lane asked when the drawings would be available for review, and if sewer lines go in would everything be put back as was.

Mr. Mike Blethen, 320 Crepe Myrtle, had extensive questions and comments. He was asked to put any other questions in writing and submit them to the Clerk.

Ms. Joan Ames doesn't want to pay any money, but we have to consider the next generation.

The meeting was adjourned.

Patricia R. Jackson, City Clerk

Donald L. Penton, Sr. Mayor

