

CITY COUNCIL WORKSHOP MINUTES

APRIL 6, 2010

Mayor Donald Penton called the workshop to order at 1:00 p.m.

Mayor Penton then advised that this is a workshop only; no motions or decisions will be made, and no audience participation will take place until the April 13 meeting.

Roll Call

Present: Mayor Donald Penton, Vice Mayor Nancy Adorno (late), Councilor Joe LaCascia, Councilor Paula Roddenberry, City Manager Cory Carrier and City Clerk Patricia Jackson.

Absent: Councilor Kristi Eilertsen and City Attorney Jeff Sullivan.

Also present were Council Elect: Trudy Block, Mike Blethen and Don Kimsey, and City Staff.

Presentation of Fiscal Year 2008 Audit

The Auditor, Mike Brynjulfson, gave the City Manager and Council a letter, which is a requirement for the first time in 2008, and is intended to be a detailed “report” of the audit results. He advised there are things in this letter that doesn’t go into the Audit Report.

The Auditor presented the Council with the Fiscal Year 2008 Audit and went through each page (a copy of the audit is on file with the City Clerk’s Office). Highlights of items discussed:

- Management’s Discussion and Analysis
- Independent Auditor’s Report
- Single Audit Report for Expenditures of Federal Awards over \$500,000— Councilor LaCascia asked if this was the first time this was done; Mike advised last year there was one.
- Governmental Accounting, which is General Fund, and Business Type Activities, which is the Enterprise Fund
- Liabilities – lengthy discussion took place regarding the Polk County Impact Fees; the balance owed to the County as of 9/30/08 is \$531,960. Councilor LaCascia asked when did the City find out this was owed; Pam Lawson advised within two weeks after she started working with the City (October 2008). The impact fees have been kept up to date since that time.
- Deferred Revenue/Customer Deposits, Long-term liabilities

- Fund Balances in General Fund – Mike advised General Fund will rebuild itself, if City doesn't have to give to the Enterprise Fund.
- Fund Balances in Enterprise Fund
- Statement of Net Assets in the Water and Sewer Funds – the City met a condition of financial emergency (unreserved balance in the General Fund is a negative \$101,392 and the Enterprise Funds (w/s) is a negative \$173,888)
- Statement of Revenues, Expenses and Changes in Fund Net Assets in the Water and Sewer Funds – there was a 90% increase in revenues. When asked if Mike audits other cities, he advised he does and is finding similar stories whereby a city counted on something and the revenues are slow coming in. Councilor Elect Block asked if grants continue on a yearly basis or is a one time deal; City Manager Carrier advised grants are applied for each year.
- Statement of Cash Flows
- Capital Assets
- Long-term Obligations—City Manager advised some of this will change; the City has been working diligently in restructuring some of the long-germ debt; it will be reflected in the next audit
- Notes to Financial Statements – discussion took place regarding subsequent events – Debt Service, County Impact Fees and Notes payable to the County. Councilor Elect Kimsey asked if any inspections were done regarding the Mt. Olive System, and are there any reports. City Manager Carrier advised the City knew about the plant; it was going to be demolished and the waste would go to the new plant. She also advised it was her understanding the collection system was in pretty good shape; we relied on consultants.
- Future Revenues that are pledged
- Comparison Schedules – budgeted, final, and actual
- Auditors' Report on Compliance and other matters
- Auditor's Management Letter – recurring items until we get the Audit caught up – some discussion took place regarding the Law Enforcement Education Funds, Internal control over Polk County Impact Fee Receipts and Remittances – these are currently being maintained
- Audit completion date – the Audit has been late for three years; however, the Fiscal Year 2009 Audit should be completed on time (prior to September 30, 2010)
- Deteriorating financial conditions, annual financial report and the audit are in agreement, financial condition assessment
- Councilor LaCascia commented on the FY 2009 Audit that will be forthcoming, and commented there will be a plan going forward to address all of the issues discussed in the FY 2008 Audit (new council). City Manager Carrier advised since the FY 2007 Audit came out steps were immediately put into place to reduce some of the problems. City Manager Carrier then mentioned some of the cuts that were made in the budget.
- Council Elect Mike Blethen asked why the Audit was delayed; the Auditor advised new rules, the 2004 hurricanes, the FY 2006 Audit was 14 months late, someone had to be hired; Pam Lawson advised the FY 08 Audit was 18 months late and the FY 2007 Audit was given to Council in June 2009 – the bank

reconciliations were not up to date; someone was hired to come in and get those up to date. The Auditor advised he will be here within a month or so to get started on the FY 2009 Audit.

- City Manager Carrier went over some of the reasons the Audit is behind. Councilor Adorno asked when the FY 2009 Audit is anticipated to be completed; the Auditor advised some of the work has been started and he will be here within four weeks to begin and get everything updated.
- Councilor LaCascia feels the only issue we need to contend with is knowing where we are at, and what are we going to do – where are we going
- City Manager Carrier advised the Audit will be on the Agenda at the next meeting, and the Auditor can come back for any questions that will need to be answered.

Mayor Penton called for a five minute recess.

Mayor Penton reconvened the meeting at 2:50 p.m.

City Manager Carrier introduced Charles Sweat, who is with the FGUA.

Presentation from FGUA

Mr. Sweat advised he is the Vice President of Water Resources Government Services Group, Inc.; he then introduced Lee Ann Thomas, who is Chairperson of the FGUA, Jeffrey Wilson and Faith Doyle.

Mr. Sweat went over the presentation from FGUA regarding the Potential Purchase of the City Utilities (a copy is attached and made a part of the minutes) as follows:

- History of the FGUA
- FGUA Today
- Structure of the FGUA
- Utility Valuation Process
- Sample Acquisition Process Phase I – Mr. Sweat advised since December 2009 he has met with Cory and staff (Gene Kniffin).
- Sample Acquisition Process Phase II – Perform preliminary financial and engineering; due diligence has been done. The things that have not been completed under this to date are: Prepare a final 5-year cash flow due diligence calculation, negotiate a preliminary purchase price and general terms of asset acquisition, negotiate the terms and conditions of required operation and management agreements, present preliminary purchase price and general terms of acquisition together with operation and management agreements to local government representatives for consideration and approval
- Sample Acquisition Phase III – the City has executed the Interlocal Agreement and passed a Resolution to look at Utility and become a member. The FGUA would not select a financial advisor and underwriter for required bonds because the FGUA would acquire existing debt if transferable; not selling bonds.
- Sample Acquisition Phase IV – Have a plan. The bonds are not necessary in this case. A lot of work, time and due diligence has been done.

- Background – Introduction to City in 2008; met the City Planner in March 2009 and was called December 3, 2009 to come and look to see if the acquisition of utilities could be accomplished.
- Polk City Issues – largest problem is \$10,000,000 debt; no revenue stream to pay for operational costs or the principal and interest on debt.
- Water and Wastewater System Historical Loan Table
- Is FGUA Acquisition Feasible – FGUA does not relish having to raise rates for an acquisition; the growth is not there and there are revenue shortfalls
- Water and Wastewater System typical monthly residential bills for combined water and wastewater service
- Debt Reduction – need to reduce current debt; met with FDEP to re-negotiate SRF loan payments, City doesn't need the land it purchased from the County
- Comparison of Debt/Customer Accounts with other cities
- What's next – need to look at water and sewer increases
- Management and Operation – FGUA does not have employees; they outsource
- City of Polk City Disposal Site Locations (map) – the Mt. Olive Treatment Plant could be phased out and piped to the Cardinal Hill Plant; this would save on operational cost. Councilor LaCascia asked what parcel on the page (map) could be done away with; it is the Mt. Olive Wastewater Facility remote spray field on S.R. 33 (the City Manager had an offer on that property).
- Capital Projects to Improve Service – Mt. Olive Wastewater Treatment Plant, Mt. Olive Collections System I & I (inflow and infiltration) and lift station improvements and repairs. There was a noise problem with the blowers at the Stevens Plant; however, FGUA, with the approval of the City Manager, corrected this problem.
- Next Step – After learning of the widespread public opposition staff can't recommend to the FGUA Board to pursue the transfer of the City Utility; however, staff would entertain recommending to the FGUA Board an operations plan if the City desires.

That concludes the presentation from Mr. Sweat. The Council and Council Elect questions and or comments are as follows:

- Councilor Elect Kimsey asked how long before a rate increase was done in Lehigh Acres – Mr. Sweat advised a major increase took place 2 years ago. Some discussion followed regarding percentages.
- Councilor Adorno wanted to confirm that FGUA didn't want to take over the utilities, but would help with the operations – Mr. Sweat advised they would not recommend taking over as ownership, but would negotiate a contract for operations
- Councilor LaCascia spoke about the wide-spread opposition – the main reason is that the citizens don't want to lose control of the utilities; he also commented if the City keeps control of the utilities, a plan will need to be put in place quickly because of the City's financial situation. Councilor LaCascia spoke about rate increases, education of the citizens.

- Councilor LaCascia discussed rate structures at 80% to 90% and how long would that need to be in place. City Manager Carrier advised those figures (80%-90%) do not take into account the reductions that are currently being worked on. The City would need to rehire at least two people. Councilor LaCascia commented the only thing we know right now is there will have to be a rate increase.
- Councilor Elect Blethen asked what the benefits would to have a contract for operations with FGUA – Mr. Sweat advised the City would receive expertise the City cannot afford such as engineering, finance, power to purchase, years of managerial expertise, etc.
- Councilor LaCascia mentioned the current projections from finance; there are no options left.
- Councilor Roddenberry asked if this was for water and sewer; she was advised it was
- Councilor Adorno advised the best we can do at this point is to try and sell the property and other assets to put toward the debt. City Manager Carrier went over some of those options
- Councilor Elect Block discussed the values of contracting out the operations and what they could bring to the table. She also mentioned if the City is restructuring the debt, we need to look at those numbers
- Discussion took place regarding proposed increases
- Councilor Elect Block ask if there was a way to cut costs in other places and put those funds into the water and sewer; City Manager Carrier advised that has been done to the detriment of the General Fund; there is no where to cut other than programs and services.
- Mayor Penton commented the only thing we can hope for is an upturn in the economy; we have to get more customers. The College will be here in one to two years and there will be a lot of building in this area; we have to strife through the next couple of years.
- Councilor LaCascia advised the City will be working on a new budget soon; City Manager Carrier advised the City has taken steps to reduce significantly with the least amount of pain possible in services.
- Councilor LaCascia commented the next step would be the April 13 meeting whereby Council can bring this up for a vote. City Manager Carrier feels the presentation will need to be made to the public. Mr. Sweat advised he will follow through; it is important the public sees presentation. Discussion took place regarding the possibility of outsourcing; Mr. Sweat advised he would not have any information before the April 13 meeting.
- Discussion took place regarding the possibility of outsourcing, and what kind of numbers the city would be looking at. The Council could authorize Mr. Sweat do start that process during the April 13 meeting. Councilor Adorno asked if that would have to be advertised; City Manager Carrier advised it would not because it would be government to government.
- Councilor Elect Kimsey wanted to know if we have explored all of our options; have we made other contacts, and are they the only two options we have. City Manager Carrier advised the last time the City approached Auburndale, it was higher than anyone else, and she doesn't see that would have changed.

Discussion took place regarding other possible options, and the history of what happened when Auburndale was approached before.

More discussion took place between Council and Council Elect on what the possible options are for the City, water and sewer rates increases, etc. Councilor Elect Kimsey brought up bankruptcy. Councilor LaCascia advised that can't happen; the State would put into receivership in order to bring the City back on track. More discussion took place regarding restructuring the debt, shutting down the Mt. Olive Plant and sending the waste to the Cardinal Hill Plant, etc. City Manager Carrier advised she has an open door policy, and welcomes one on one meeting with Council Members. Discussion also took place regarding citizen participation, notices, using the website, and other forms of communication.

There being nothing further to discuss, the workshop was adjourned.

Patricia R. Jackson, City Clerk

Joe LaCascia, Mayor