

CITY COUNCIL WORKSHOP MINUTES

APRIL 20, 2010

Mayor Joe LaCascia called the workshop to order at 7:00 p.m.

Mayor LaCascia explained the format of the workshop and how it will be less formal; if this works tonight, we will adopt for future.

ROLL CALL

Mayor Joe LaCascia, Vice Mayor Trudy Block – phone conference at 7:20 p.m., Councilor Nancy Adorno, Councilor Mike Blethen, Councilor Don Kimsey, Assistant City Manager Pam Peterson and City Clerk Patricia Jackson. Also present were Gene Kniffin, City Planner, Pam Lawson, Finance Director and Mike Azzarella – Hydro Solutions.

Discuss Operation Options for Water and Sewer

- Mayor LaCascia advised the city is facing a difficult decision; he referred to page 17 of the FGUA Presentation whereby they could save the City \$300,000 a year if they manage it. The question is where the savings would come from.
- Councilor Kimsey asked what the cost would be to operate it; Mayor LaCascia advised we would not know that until the next meeting.
- Councilor Kimsey would like to know how they can save the city that much money. He then mentioned Severn Trent – who manages systems; Mayor LaCascia advised FGUA uses third party providers; his question was if the city can save \$300,000 where would it come from.
- Councilor Adorno commented with them working with other cities, they purchase in bulk – economy to scale, and they can save in other areas.
- Mayor LaCascia asked if we would need to hire more people; Councilor Blethen asked how many were on current payroll. Gene Kniffin advised we currently have two in the field; discussion took place regarding current personnel and the number of personnel that would need to be hired if the city kept the operation of the utilities. Gene advised we would need two additional people in the field and one in the office. Mayor LaCascia commented we were looking at approximately \$100,000 for two people; Mayor LaCascia then brought up the water and sewer operators; the cost is approximately \$86,400 year, which includes two wastewater treatment plants and three water plants. The breakdown is as follows: Cardinal Hill -- \$847.50 month, Mt. Olive Water Plant -- \$600 month,

Polk City Plants (2) -- \$625 each per month, Mt. Olive WWTP -- \$4,500 (higher because of the number of hours that have to be spent at the plant).

- Gene advised he has seen some of the numbers, and FGUA is talking about changing the operation by doing away with the Mt. Olive WWTP and send everything to the Cardinal Hill Plant; however, he doesn't know that for sure. Gene doesn't see where FGUA could do it any cheaper.
- Councilor Blethen asked about the number of water and sewer connections. Pam Lawson then went over the numbers based on the last billing (utility billing summary attached), and what the billings were for April 2010. Councilor Kimsey asked what was it costing to produce.
- At this time Vice Mayor Block was on the phone (7:20 p.m.) and Mayor LaCascia brought her up up-to-date on what discussion has taken place thus far.
- Pam Lawson went over the worksheet from FY 2009 showing expenses for Utility Billing, Water Fund Operating costs and Sewer Fund Operating costs. She also included the debt payments.
- Pam Lawson advised she did a spreadsheet for the new rates, and that was gone over as well.
- Mayor LaCascia and Gene Kniffin talked about changing the operation; Pam Peterson advised FGUA will have information ready at the May meeting. Mayor LaCascia advised he would be asking for 50% increase in rates in order to get revenue in as quick as possible.
- Mayor LaCascia and Pam Lawson then discussed the revenue/expense projections, which show General Fund will have a deficit in July, Sewer Fund will have a deficit in April, and the Water Fund will not have a deficit. By the report it shows the water fund will carry the other two funds until September (copy is attached).
- Mayor LaCascia advised notices would have to be sent to the utility customers before the rate increase could take place. Councilor Kimsey doesn't think all options have been explored; he would like for us to touch base with the other municipalities. Councilor Adorno advised this is temporary in order to get money in; Councilor Kimsey advised it would be on the backs of people who may not be able to pay, and Councilor Adorno feels it could be too late if we wait. Councilor Kimsey commented there would be no chance that the 50% will be rolled back. Councilor Blethen asked how much income would it be, and Vice Mayor Block asked shouldn't we have a plan of what we have already decreased and other cost-cutting measures – general government getting down to the bare bone and take a look at everything, split some of the things up and have another workshop. Mayor LaCascia agrees in trying to stay away from the general fund tonight, and only look at water and sewer.
- Mike Azzarella advised compared to other municipalities Polk City is under staffed.
- Discussion took place regarding the number of water and sewer users and the ratio of water users vs. sewer users, inside and outside city. The proposed increases were also discussed (50% increase – copy attached).
- Councilor Kimsey discussed the possibility of going to the County and asking them to take the system back. Discussion took place regarding Mt. Olive Shores

and how many customers were there; Mayor LaCascia advised there were approximately 300 families and out of that 20% travel. Water is paying for itself, but sewer is the problem. At this time Gene Kniffin advised if it is returned to the County, the debt for the property goes away; however, the problem with that is the County would be taking back the bulk of the sewer customers, leaving us with the bulk of the sewer debt. There would be fewer customers to pay more debt. Discussion took place regarding the number of customers in Citrus Grove, Mt. Olive, Fountain Park, etc. Mayor LaCascia asked if we give back to the County, do we have any evidence, anything at all, that would lead us to believe they would take it back at this time. Pam Peterson advised we were told they would not take it back. Gene Kniffin advised at the last meeting with staff is when we were told that; however, he has since talked with an individual who advised they were waiting on a decision from the City. We need to put together a game plan to go to them as soon as possible. Councilor Kimsey suggested the Mayor touch base with them.

- Councilor Blethen commented we are not going to get rid of the debt, and he doesn't see FGUA taking it over; deal with money internally based on 80% to 90% increase. If we don't spend the money, we will not have a problem. It was noted we are waiting on them to come and make a presentation for operation. A 50% increase would be about \$11 per customer for water and \$28 for sewer. Pam Lawson then went over expenditures through September of this year. It was a consensus to look at a 50% increase as soon as possible. Councilor Kimsey asked how many people were on the cut-off list during a month; Pam Lawson advised on an average of 40-45 people. Councilor Blethen commented that is not a bad with 1,800 customers. Councilor Kimsey commented he can afford the \$11, but some constituents can't; he again stressed the need to explore all alternatives. Gene Kniffin informed Council that some cities look into raising rates and a portion go into a benevolent fund for lower income customers. Mayor LaCascia commented this is something to look at.
- It was noted the 50% increase would only make the City solvent through the large debt service payment; Pam Lawson advised we are one year behind on the spray field payment, and next year we would owe the County three payments. Councilor Blethen advised that would not get us anywhere and Mike Azzarella commented it would allow for the restructuring. Vice Mayor Block advised we have to do something, and she would agree to the 50% increase, but we need to look at other avenues. Mayor LaCascia concluded from what had been discussed, it is the consensus we have to do something, and to move forward with the 50% increase in rates for water and sewer. Vice Mayor Block suggested it be evaluated and reported on at every meeting. Mayor LaCascia advised there are reports every month, and it can be implemented, monitored and adjustments made when needed.
- Councilor Kimsey discussed the possibility of bankruptcy. Mayor LaCascia advised it would not be a viable alternative. If a municipality is insolvent, the State would appoint a receiver to come in and make sure everyone is paid. Bankruptcy cannot forgive a public debt. A question of whether or not that would be a better alternative was asked. Councilor Kimsey feels it could be; it is

something to explore. Vice Mayor Block advised it doesn't release the City from any debt, and Councilor Blethen agreed; we are going to have to pay it.

Mayor LaCascia then moved to the expense side of the utilities and discussed the bonds (debt service) as follows:

- Series 1999 Revenue Bonds (USDA) -- Gene Kniffin explained what that bond was for; the City had to provide sewer to the school and downtown area because the school (Polk City Elementary) had to expand and couldn't have a septic system. The City was issued a consent order to install sewer, and when it was first put in it went to the Mt. Olive Plant.
- SunTrust Series 2005 – this was originally for \$2,000,000 for the Cardinal Hill WWTP, force main and lift stations. Councilor Kimsey wanted to know if we told them we needed additional money; Gene advised yes, we had to go back to them for an additional \$2,000,000. Mike Azzarella stated he doesn't know where we were getting the figure of the additional \$2,000,000 from; Gene advised he doesn't know how it was broke down. The City wanted to borrow as little as possible, but we didn't receive impact fees as anticipated. As of 9/30/09 the balance owed is \$3,785,878.
- Series 2004 Water System Bond (USDA) – This is for the water line to Fountain Park. Councilor Blethen asked where this water line started; Gene advised it picks up at Stevens Drive (Lake Margaret Road area), and it is an 8" line. When asked how many quotes were received; it was noted that this was published and a public bid.
- Land Purchase (spray field and ribs from County) – The plant, water system and the collection system belongs to the City. Gene advised originally the intent was to build the regional plant and take the Mt. Olive WWTP off line and tear it down, which would have solved the problems for the County, City and residents; however, the economy went bad. It was the intent when the Mt. Olive WWTP was taken off-line that we would have a commercial piece of property that could be sold (the spray field). The problem we now have is we own the wastewater plant and collection system, the water and DEP permits. Discussion took place regarding the property being purchased from the County. Mayor advised it is a 10 year loan at 11% interest rate. It was noted the City Manager is in conversation with the County; Gene advised they want to come up with a plan. Some discussion took place regarding the plant facility and collection lines; there needs to be improvements made, which were known upfront, and that is why when this all took place, it was never intended to operate the plant, but take it out of commission and send the wastewater to the other plant; 70% of operation is the Mt. Olive Plant.
- DEP WWT (Jones-Edmunds Design) in the amount of \$2,696,564 – bought land. This is a 20 year loan and the first five years is for interest only. Mayor gave a brief review of his trip to Tallahassee with the City Manager and Mr. Sweat to meet with DEP regarding this loan. The loan amount went from \$87,000 twice a year to \$32,000 twice a year; Mayor LaCascia advised this is as good as it is

going to get. Councilor Blethen asked if the money came from DEP; he was advised yes it did.

- Trucks – this loan is for various trucks.

Mayor LaCascia advised it was the intent of Council to let the taxpayers know what money was borrowed to do certain things, and in some instances it didn't work out; however, he agrees with the thinking at the time. Councilor Blethen commented it is gross mismanagement and DEP; Mayor LaCascia advised he doesn't think anyone knew it wouldn't work. Councilor Blethen then talked about the type of plant the City intended to construct; now we have this debt. Discussion then took place regarding the property that the Cardinal Hill Plant sets on; it is leased, and the lease is up in 2012. Councilor Blethen wanted to know what we were going to do with the temporary plant on this property. Gene gave background information on the property in question; we are currently looking into having an appraisal done to find out the value, and we are speaking to the owner as well. Currently, the annual cost of the property is one sewer and one water impact fee per month; if we go past the lease, the penalty is one sewer impact fee, one water impact fee and \$1,000 per month. Should the City purchase the property, we will have to purchase the certificates back (sewer/water impact fee). Councilor Blethen asked if that would be enough land to run the plant and effluent disposal; he was advised it would not be adequate for the effluent disposal; however, there are possibilities. Mike Azzarella advised if there are public wells it would reduce the set-backs of property; also, if the Mt. Olive WWTP is taken off line and transferred to Stevens Drive, the spray field on 33 can be used. Mike Azzarella advised for the cost of the piping, you could put a new effluent lift station at the Stevens Plant (Cardinal Hill). Discussion followed concerning capacity of the plant and growth. Councilor Blethen asked what a rough cost estimate would be to shut down the Mt. Olive Plant; Mike Azzarella gave him an estimated amount (operate for a year, demolition, and cleanup).

Mayor LaCascia summed up discussion regarding operations options as follows:

- Move forward with recommending a 50% increase in water and sewer
- Understanding of loans since 1999
- Continuing to restructure the debt (based on expenses)
- Get money into revenue stream; look at this as an interim plan

Councilor Blethen made comments regarding the 2.9 million dollars, DEP, the four million dollars and the temporary wastewater plant. Pam Lawson advised those loans are based on pledged revenues. Discussion took place regarding the engineer drawings and plans for the plant that got "shelved", the temporary plant (Cardinal Hill) and how it came about. Mike Azzarella advised his firm has done a lot of pro-bono work for the City; Gene Kniffin advised they have done a lot of work for Polk City. Mike Azzarella advised he doesn't see where a savings of \$300,000, as proposed by FGUA, is attainable; however, it was noted that we will have to look at the numbers and draft document when it comes in.

Discussion of Fiscal Year 2008 Audit Findings/ Fiscal Year 2009 Audit

Mayor LaCascia advised at the last Council meeting the Fiscal Year 2008 Audit was accepted; this was done without getting into a lot of details. The City is now coming upon the Fiscal Year 2009 Audit and he wanted to look at the comments in the FY 2008 Audit as a model. He began on page 30 of the FY 2008 Audit (Auditor's Management Letter); the three things to ask will be who, what and when. He then commented that Finance is understaffed; if some of the functions need to be outsourced so that things can be brought up to date, then we need to do it. Mayor LaCascia also advised he has been speaking with governmental lending offices (banks), and they have been more than willing to take a second look; we will have to give them reliable documents.

The Mayor then went through management points from the auditor as follows:

- **08-01M: Accounting for Law Enforcement Education Funds Needs Improvement** – Pam Lawson advised this is on track; it was paid this month.
- **08-02M: Audit Completion Date** – Pam Lawson advised some may not be corrected until the beginning of Fiscal Year 2010. The audit will be done on time for Fiscal Year 2009; the city has hired someone to assist with the pre-audit work and bank reconciliations. Councilor Blethen asked what isn't happening in order to get these done monthly. Pam Lawson advised she doesn't have all of the details as to why; however, it is her understanding some of the financial information was lost from a previous financial program the City was using; it was a very hard program. Pam also advised when she began with the City, the bank reconciliations were three years behind; someone has been hired to do nothing but bank reconciliations and they are being caught up to date. Councilor Kimsey had a question pertaining to bank reconciliations; Pam advised they have been caught up to the beginning of Fiscal Year 2009 (September); there was a glitch in the system, but it is being worked on. Once the bank reconciliations are caught up to January, training will be set up with her and bank reconciliations will be done monthly.
- **08-03M: Internal Control Over Polk County Impact Fee Receipts and Remittances** – Some discussion took place regarding how this was missed and the money being put into the wrong account, reports being submitted on a monthly basis, and paying this on a monthly basis. Pam Lawson found the mistake when she began working for the City in October 2008. Gene advised the City has changed the permitting to "Hanson", which is being done through the County; Gene gave some background information on the City's permitting prior to that and what was being submitted. The County now has the ability to check to see what the City is doing permitting wise when they didn't in the past. A separate bank account was not set up to transfer the money into; however, Pam Lawson advised a separate bank account does not need to be set up for this. Pam Lawson advised the city keeps their portion of the impact fee and the County is paid on a monthly basis. Pam Lawson also advised she made the City Manager aware of fees other being collected and not being sent to the Department of Business and DCA (having issues with program); this is not

thousands of dollars (approximately \$1,500) and it is currently being taken care of. Mayor LaCascia advised the City Manager is working with the County regarding the County Impact Fees.

Mayor LaCascia then went to page 40 of the Audit Report regarding the Financial Statement Findings (Material Weaknesses) as follows:

- **08-01: Utility Billing Sub-ledgers Should be Reconciled to the General Ledger** – Pam Lawson advised that has not been done yet due to the lack of an employee; Pam Peterson is being trained in payroll and utility billing. The reconciling is time consuming.
- **08-02: Restricted Cash Monitoring Needs Improvement** – Pam Lawson advised this is now being done; however, there is not a separate bank account, but is being put into restricted funds. Discussion took place regarding DEP requesting a separate bank account for loan payments; Pam Lawson advised she doesn't have the authority to do this, but has asked that it be done. Some discussion took place regarding a possible issue with this (opening separate account) and how it is being handled now, which is working.
- **08-03: Bank Reconciliation Procedures Needs Improvement** – After discussion, Pam Lawson advised it should definitely be caught up by September.
- **08-04: General Ledger Not Being Maintained Current** – Pam Lawson advised there are a couple of things that can't be done because more entries need to be made. This is being fixed from year to year; discussion took place regarding "Due To" and "Due From" – these are done monthly (Pam Lawson went over what makes up the due to and due from). Mayor LaCascia asked if the Governmental Fund is on an accrual basis; Pam Lawson advised it is on a cash basis. Pam Lawson is hoping to have this resolved; more adjustments will be made for Fiscal Year 2009 and will continue to be made until we get through the current year.
- **08-05: Failure to Correct Internal Control Deficiencies** – Pam Lawson advised numerous changes have been made, and will see a better report on this. Councilor Blethen asked about the control problem; Pam Lawson advised not having the proper personnel caused a problem with separation of duties, which has been corrected. Councilor Kimsey asked what is needed; Pam Lawson advised the bank statements need to be caught up so that the Audit is on time; she discussed the functions of the finance department.
- **08-07: Billing for Commercial Dumpster Service Needs Improvement** – Pam Lawson advised this is being corrected; when the City receives a bill from Florida Refuse regarding an extra pick up for a dumpster, it is now being billed through the billing program and reconciled monthly.
- **08-08: Computer Access Controls Needs Improvement** – Pam Lawson advised this has been done.
- **08-09: Internal Controls Over Cash Disbursements Need Improvement** – Pam Lawson advised a lot of changes have been made; requisitions and purchase orders are being issued prior to purchasing, and the City Manager and Assistant City Manager have to approve anything over \$500, as well as

Department Heads and Finance. Pam Lawson advised when something needs to be purchased it is more of a need than a want. Councilor Blethen asked about requisitions and why so many people write them; Pam Lawson explained the process of the requisition. Vice Mayor Block asked about Department Head meetings whereby the problems could be discussed at that time; Pam Lawson noted that we could use Department Head meetings. Vice Mayor Block volunteered to be the representative for Council (liaison); it was also mentioned to have these meetings once a month. Councilor Adorno suggested these meetings be held between 8 and 8:30 so they would not be disturbed.

- **08-10: Internal Control over Financial Reporting** –When asked if George could be used as an independent party to work between the City and Auditor, Pam Lawson responded he could be that person; the City pays him and issues a 1099. George currently pulls information for the Auditor from the City. Councilor Blethen asked if he was looking at the current year; Pam Lawson advised he is working on information for the Fiscal Year 2009 Audit. She also advised prep work for the Fiscal Year 2010 Audit will begin in September and the audit will begin some time in December.
- **08-11: Long Term Debt Issue Compliance – a(3)** – no entries were being done; **e** – continuing negotiations

Findings Related to Federal Awards:

- **08-12: Non-compliance – Timely Filing of Federal Single Audit** – Hope to have in compliance for next audit

Finds Related to State Awards:

- **08-13: Non-compliance – Timely Filing of State Single Audit** – Hope to have in compliance; we will be filing this
- **08-14: Non-compliance – Florida Department of Environmental Protection CFSA# 37.039: Polk City Wastewater Treatment System – Phase I** -- Pam Lawson advised this is being addressed.

Mayor LaCascia advised even though it is not usual for Council to take questions from the public, Council will entertain any questions at this time.

Kevin Bouffard, Ledger – asked about the amount of past impact fees owed to the County. Mayor LaCascia advised staff is in the process of working on that and we have not heard what the real number is at this time.

Sue Olsen, 912 Lakeshore Drive – asked if any of the property bought on a loan could be sold. Mayor LaCascia advised the only property he is aware of is the Mt. Olive Parcel; he is unsure whether or not that would be a good thing to do. Councilor Blethen asked about the property where the “pit” is; he was advised the City owns that property.

Mike Ho-Shing, 505 Orange Blvd. – trying to get a sense of what is happening; need to have a clear understanding of what happened. He wanted to know if it was possible to get some real clarification of what happened. Mayor LaCascia advised there was anticipated growth that the city planned for that did not happen. Mr. Ho-Shing commented on the general picture, but more specific answer of inventory. Mayor LaCascia commented we know what we have and where it is—condition of pipes, how many linear feet needs to be repaired, etc.

Al Schneider, 775 Teaberry Trail – asked about making a rational comparison to other cities. Councilor Kimsey commented we don't have any figures of what we charge compared to other municipalities. Mr. Schneider feels it makes no difference what they are paying; we're going to pay whatever is charged – it doesn't matter. Councilor Kimsey advised he never said our rates should be compared. Further discussion took place regarding rates compared to other municipalities; Pam Lawson advised we did a comparison; Polk City is the fourth highest. More discussion took place regarding rates. Mr. Schneider then discussed the WAC and SAC whereby he as a resident can turn his water off and go away for four months and not have to pay the WAC and SAC, but if he has an empty lot those fees have to be paid. He feels the WAC and SAC should be charged to everyone, even if a customer has their water temporarily turned off. Some discussion followed concerning the water and/or sewer base charge being charged to users all year around.

The meeting adjourned at 10:14 p.m.

Patricia R. Jackson, City Clerk

Joe LaCascia, Mayor