

# CITY COUNCIL WORKSHOP MINUTES

**MAY 18, 2010**

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Vice Mayor Block Called the workshop to order at 6:00 p.m.

## **ROLL CALL**

Mayor LaCascia, Vice Mayor Block, Councilor Adorno-late, Councilor Blethen, Councilor Kimsey, City Manager Cory Carrier, City Attorney Jeff Sullivan and City Clerk Patricia Jackson.

Also present were Assistant City Manager Pam Peterson, City Planner Gene Kniffin, Code Enforcement Officer Kathy Delp, Finance Administrator Pamela Lawson and Mike Azzarella, Hydro Solutions.

## **Bankruptcy – Attorney Sullivan**

Vice Mayor Block asked Councilor Kimsey what he would like to discuss regarding the bankruptcy; Councilor Kimsey advised he would like to hear from the Attorney. Attorney Sullivan then went through a brief description of Chapter 9, which is the bankruptcy law pertaining to municipalities; in the 75 years it has been law approximately 600 municipalities has taken that direction. Attorney Sullivan then went over the requirements for filing Chapter 9; the City would have to be insolvent – cannot pay debt service payments in the new fiscal year or the next fiscal year; he also noted that Chapter 9 does not forgive the City of the debt it owes; the City can renegotiate a reduction in interest and/or principal, which is what the City is currently doing now. Attorney Sullivan commented he does not know why the City would want to do it. Vice Mayor Block asked about the initial cost; Attorney Sullivan advised the City would need to hire a bankruptcy Attorney, and they would require a retainer to come in, which could run anywhere from \$5,000 to \$10,000. Attorney Sullivan noted that as far as he can tell, the City is trying to work with creditors now, which you would have to do under Chapter 9; Mayor LaCascia advised we are currently doing this in-house. Vice Mayor Block feels the best thing to do is put this on the back burner. Councilor Kimsey thought we could reduce the principal; Attorney Sullivan advised you can ask to have principal reduced, but the debt cannot just be wiped out all together. He also advised certain types of bonds cannot be touched; the Attorney advised he doesn't see the urgency at this time. Mayor LaCascia then discussed the situation with the County; they are not going to forgive the debt, but are willing to possibly reduce the interest rate from 11% to 7% and lengthen the note. Some discussion followed regarding the debt with Polk County. Discussion took place about past history in Polk City regarding the utilities

and Federal Bonding (1937/1942). After further discussion, it was the general consensus not to proceed at this time and to put the bankruptcy issue on the back burner (no vote was taken, the consensus came from general discussion).

### **Discussion of FGUA Proposal for Operations of Utilities**

Vice Mayor Block advised FGUA put together a proposal for the operation of the utilities based on the City's numbers; they propose to save the City approximately \$252,531 (in FGUA's presentation). Pamela Lawson and other city staff met to put together numbers showing what they think could be saved if the utilities were outsourced to FGUA. At this time Pam Lawson went over the presentation she and staff developed with City Council. Pam advised she used the Fiscal Year 2010 adopted budget, but did not take into account the debt service and capital; however, some equipment was considered. She broke down the funds as follows:

- **Sewer** – Budgeted \$920,630; the FGUA proposal is \$851,362, which would be a difference of \$77,000 yr
- **Water** – Budgeted \$949,844; the FGUA proposal is \$921,374, which would be a difference of \$28,000

Pam advised this does not include the utility bills of \$112,000, which we would have to pay either way. The total savings would be \$105,738 unless you factor in the utility bills of \$112,000, which would leave an additional \$7,000 being added back in. Pam also advised with the FGUA contract, the following positions would be removed:

- 4 water and sewer employees (2 are vacant)
- 1 utility billing clerk
- Other positions in General Fund were identified as possible lay-offs

Pam advised the total savings of all this would be \$307,179; this does include personnel. If FGUA takes over operations the personnel cost and benefits would not be there, but for the City to keep utilities and continue on would make our cost much higher. Vice Mayor Block mentioned capital expenditures, and they will be there regardless; the savings we are looking will be personnel. City Manager Carrier advised the savings is strictly personnel; if you don't look at personnel the savings is not that great, and if you add the utilities back in that would leave a negative \$7,000. City Manager Carrier then advised the figures that were used was from the FY 2010 adopted budget; however, at the end of the year there may be savings realized in that budget. As an example she used the last audit whereby the general fund, water fund and sewer fund had a savings of \$536,460 – money that was budgeted to be spent but wasn't.; that in itself is a savings. She commented that we have not seen a contract and don't know what the contract will say; that is her concern. City Manager advised Council her concern is we have been successful in saving money for the citizens and the City as a whole – both in the general fund and the utilities. We have cut budgets to the bone and then some. Again, the budget is just a number to work from; if we go with FGUA that is a hard cost – we are going to pay that out no matter what. Mayor LaCascia feels it

could go the other way as well; with FGUA you have a set cost, and if we do it ourselves we could go over budget. Mike Azzarella commented we have not seen a contract with FGUA; he discussed FGUA's proposed savings, but mentioned there is nothing for any major repair or emergencies. City Manager Carrier's concern is who is more liable to save the City money, the City or a company who signs a contract and looking to make a dollar; she has looked at both sides, and the only savings they can show is personnel. Mayor LaCascia referred to page 13 of Pam's handout; the \$307,179 represents a savings that is strictly personnel (salaries and benefits). City Manager Carrier then advised the employee(s) it gets rid of doesn't just deal with utilities, it also gets rid of everyone in the building who answers the telephone and who is the initial; it also includes the Administrative Assistant to Public Works, who handles all of the compliance issues. Mayor LaCascia responded he understands, i.e. services are going into the general fund; cost is allocated according to the activities of personnel. Vice Mayor Block asked what would we be missing here (it is hard without a contract to look at); we wouldn't be billing here, they wouldn't be paying here, and what was heard from one resident is he didn't care. Vice Mayor Block wanted to know what other things are we concerned about that we wouldn't have; City Manager Carrier responded this would be the other issues across the board that we would need to deal with:

- There would be no personal telephone service in the City
- There would no longer be a Christmas Parade
- There would be no Safe Haven Halloween; there would be no outside activities unless citizens step up and did it because we would no longer have the personnel to handle that. Mayor LaCascia commented those funds are in the general fund. City Manager Carrier advised it doesn't matter about the money; the position would be eliminated.
- The position would be gone that does all of the compliance for DOT, NPDES, and all of the other State Agencies; all of that would be shifted back into the City Manager's Office, if that is what she needs to do.
- There would no longer be grant writing because the position doing that would be eliminated.

There are more repercussions to the \$307,000 savings than what you are actually looking at. Councilor Kimsey commented if FGUA can make a dollar, somewhere along the line we can do it ourselves. Mike Azzarella then discussed the Public Works Director position, who also oversees Parks and Streets/Roads; that salary is in the General Fund. You are looking at two vacant positions in the Utility Fund of \$100,000. Mayor LaCascia noted you would only be left with the inmates. Councilor Blethen noted the 50% increase in water and sewer rates, which is included in the proposal; you only have to look at the savings on the bottom line and numbers are easy to maneuver. Vice Mayor Block commented she is not seeing this as General Fund; what she would need to see is what each person does every day and the amount of hours they spend doing it. She wrote down eight things -- personnel would be gone, Christmas parade, all functions, compliance, streets, grants, stormwater and parks. It seems to her that we may be able to cut some positions and still function; she thinks we owe it to Polk City to cut some positions. One of the positive things about FGUA is they have a greater

scope of experience and they can look at other areas. City Manager Carrier advised there is nothing that says we cannot use them as a consultant, which is what we have been doing all along; Dundee uses them in this capacity. City Manager Carrier agrees they have a tremendous amount of information and knowledge; however, she is not sure from a management perspective if it is right to hand over the operation of our utilities to them. Vice Mayor Block asked about Blount Utilities. City Manager Carrier advised the City contracts with him to check the plants, which is required to be in compliance with the State and DEP regulations (3 hours a day); we do everything else in house (meters, maintenance, etc.). Mike Azzarella advised the City could put out a RFP to see they can get a better contract for those services that Blount provides. Mike also advised the largest expense is the Mount Olive Wastewater Treatment Plant. Discussion then took place regarding the operation of the plants,

Councilor Kimsey wanted to know how many people we actually have billing the customers. Pam Lawson advised currently it is herself, a finance clerk and a temporary finance clerk; she advised she is “drowning” and needs a full-time utility billing clerk and could use another part-time finance clerk. City Manager Carrier advised we already did lay-offs trying to trim the budget, and in addition to that took pay cuts; we are doing everything we can do, and to lay off more people would not be feasible because we can’t keep piling more on people without recognition. City Manager Carrier then mentioned the article in the Ledger whereby Polk City employees were the lowest paid; she doesn’t see that getting any better. Councilor Kimsey advised he had no idea how involved meter reading and sending the bills out were. Discussion took place regarding the front desk in the utility department. Discussion also took place regarding the meter reading (2 men @ 4 days); Vice Mayor Block noted the trucks and equipment would be covered under FGUA. Discussion then took place regarding FGUA taking over the equipment, all of the calls, call-outs, time of response, and the numbers would need to be looked at. Councilor Kimsey warned about statistics; they can be made to look as though they don’t favor Polk City. When asked who put the hand-out together, Pam Lawson advised she did. Vice Mayor Block advised her concern is capital investments and doing what is mandated; City Manager advised that is over and above the contract. Discussion followed concerning capital improvements, and how FGUA could provide the necessary expertise. Lengthy discussion took place regarding FGUA and a possible contract as to what they can provide; the contract would be for five years. Councilor Adorno asked if it would be possible to have a partial operations contract whereby we control the personnel; Mayor LaCascia advised cost would go up. Discussion then took place regarding FGUA and their current contracts and customer satisfaction; that needs to be researched and homework needs to be done to see what those customers think.

At this time City Manager Carrier brought Council up-to-date on the plan to reduce the debt service; she has spoke with individual Council Members, but has not been able to meet with Councilor Kimsey. City Manager Carrier advised she is working with a bank and a Bond Attorney to refinance all of the City’s debt, plus some. She met with Bond Counsel, and without going into actual numbers, the City’s debt would be refinanced under one obligation; this would be repaid through special assessments in all of the utility service area. Under the plan, the preliminary estimates show the water and sewer

rates could possibly drop between 30%-40%. The special assessment would vary from neighborhood to neighborhood; in addition to that we are looking at a possible reduction of 15%-20% in the millage rate (1.5 mills). At this point we don't know what the real cost is. Mayor LaCascia compared it to having a house loan, a boat loan and several other loans with different interest rates and different time periods to pay them off, and you consolidate them into one loan with a longer period of time to pay it off. What Council and staff will have to make sure of during the time of the note and paying it off, is we don't come back to the residents and say we're going to increase your water rates or sewer rates; there will have to be a built-in guarantee that rates would not go up more than the CPI Index or rate increase per year as part of the package. Councilor Blethen asked if the special assessment would be on the tax bill or on the water and sewer bill; City Manager Carrier advised it would go on the tax bill and residents can claim this on their taxes. Some discussion followed regarding the advantage of putting it on a tax bill. It was also brought out that under this plan the City could not obligate additional debt unless it is done by referendum. This plan would also do away with the WAC and SAC; it would be equal across the board. A lot of thought has gone into this when meeting with the Attorney and looking at it from a rate payer/tax payer point of view. The benefit of doing this would lower utility rates, the WAC and SAC would go away, lower tax rates and it would set up an advisory committee to the Council. Mayor LaCascia also discussed the growth that would take place over the period of the loan, which would increase the number of residents paying the special assessment; the City could possibly pay the loan off in 20 years and have lower rates and lower taxes. The banks look closely at that; we will have to wait to see about debt reduction. Some discussion took place about rate increases using CPI Index. City Manager Carrier advised Bond Counsel is in the process of getting a legal opinion, and should be ready by Friday (May 21); she had a good two hour meeting with him today and he feels it is a good plan, but he needs to check a couple of things out. The funding agency is waiting on that legal opinion; it is a domino effect.

Councilor Kimsey commented knowing that, he feels we are going down the wrong road to consider FGUA. City Manager Carrier advised that FGUA is looking for Council to agree on June 8<sup>th</sup>, and then set down and look at a contract. Councilor Blethen doesn't see how we can think of pursuing this when the public has already said they didn't want it. City Manager Carrier advised the operation of the utilities is different than taking ownership of the system. Both Mayor LaCascia and Vice Mayor Block said they have not heard of voting for something without a contract; City Manager Carrier advised Council would be voting on negotiating a contract. Councilor Blethen advised he is not talking about going into negotiation and Councilor Kimsey would like to hear what the City Manager can come up with. City Manager Carrier advised we have worked very hard to pull this together, and after this morning she is pretty enthused. Councilor Blethen wanted to know what the average interest rate was on the bonds, but City Manager Carrier could not give him an answer at this time. City Manager Carrier advised the Bond Counsel has asked to let him know if the funding mechanism we are using falls through; he feels it would be the perfect opportunity to go on the municipal bond market. Additional discussion took place regarding the possible restructuring of the City's debt. City Manager Carrier advised it would have a significant impact on

utility services; it would take the pressure off of having to use rates to fund debt service and put money back into operations, planning and capital improvements. We could also explore taking down the Mt. Olive System and send it to the Cardinal Hill Plant. Mayor LaCascia advised this is paramount; before this evolved he was concerned with hitting the citizens with a 50% increase (FGUA wanted 90%), and who knows what after that. This creates more distrust in City Government. Vice Mayor Block commented this is a good thing, but two separate issues; we need to run the numbers again. Mayor LaCascia used \$20,000,000 as an example for the loan amount with terms and conditions; relation with FGUA in that regard have dollars committed, and if FGUA is involved not sure how that would work and be able to put it into a feasible contract as a third party. City Manager Carrier advised should this restructuring not go through then we can revisit the FGUA issue. Vice Mayor Block commented it's not the right time to do this (contract). Vice Mayor Block noted that when people move they look at rates; City Manager Carrier advised that is what concerns staff; it could alleviate pressure elsewhere; she advised this is very preliminary and we will not know until the legal opinion is done and given to the funding agency. We are waiting on the preliminary number from the Auditor, but it is all coming together. Councilor Adorno noted the estimated projection of population in the future was done by the previous consultants and wanted to know if we could use lower numbers and be more conservative. Mayor LaCascia advised the growth rate for the past 20 years has been 20% to 25%, which is about 2% a year. City Manager Carrier advised the numbers from the consultants were too high and 2% is conservative. Vice Mayor Block asked about the percentage breakdown of neighborhood by neighborhood (special assessment). City Manager Carrier advised this has not been done yet; some are for utilities and some would be for general fund, and there are a lot of things to look at. Councilor Adorno asked if FGUA has charged anything to the City for anything they have done to date; City Manager Carrier advised they billed the City for the Tallahassee trip. Vice Mayor Block suggested we may want to table the FGUA contract until we have numbers; if we get funding the numbers will change. Discussion then took place regarding meeting with some of FGUA's current customers; City Manager Carrier will obtain a list of their facilities. Mayor LaCascia suggested they present some type of contract with terms and conditions for the June meeting; City Manager Carrier advised there would be nothing to talk about, and to go ahead and get a sample contract. Discussion then followed regarding getting a customer list, why others left or withdrew, and also look at customer service. The City Manager will work on getting the necessary information for Council. City Manager doesn't think this will be ready for the June meeting, but could be done in a workshop.

Mayor LaCascia advised there is some urgency in getting this resolved due to the financial position of the City; it is possible we will run out of money in the general fund and sewer fund, and the water fund has been supporting those funds at various times. He has been looking at the budget and we could possibly have a deficit in the general fund by the end of the fiscal year. City Manager Carrier advised Bond Counsel is trying to move very quickly on this, and looking to have something in July. Pam Lawson advised we would not get revenue until December; City Manager Carrier advised the Bond would come in sooner than that. Pam Lawson advised in June we will start

struggling with paying bills; we are about out of Ad Valorem revenue, and Mayor LaCascia commented we are 90 days away from a bad situation. Some discussion then took place regarding personnel and reading meters. Mayor LaCascia suggested that remaining Council should get with Gene Kniffin and take a tour of the facilities; you will immediately be aware of what goes on and what needs to be done. City Manager Carrier advised it is also helpful to know what individual people do, and she suggested Council come and find out what those jobs consist of. Mayor LaCascia advised he sees what is going on, and a huge amount of time during the day is eaten up by the public. Discussion followed regarding what work is being done and the amount of projects that are being worked on; Councilor Blethen asked if there was a list of projects. City Manager Carrier advised there is not a current list, but something could be put together. More discussion followed regarding customers coming into City Hall regarding their utility bills. At this time Vice Mayor Block advised we have drifted from FGUA (tabled) and moved on to CDBG.

### **Discuss Small Cities Community Development Block Grant**

Vice Mayor Block advised the City will need to choose a category and a project. Mayor LaCascia would like to start with staff's recommendation. Vice Mayor Block advised staff recommended Railroad Heights sewer and water project, and after driving around with Gene she agrees that is a critical need; however, she was wondering if Damascus and Golden Heights could be added and put all into one project. City Manager Carrier advised she doesn't think that area would qualify, and Pam Peterson advised it has to be for one area.

Discussion took place regarding the amount of the grant, which is up to \$650,000, and what percentage of that grant would go toward the administration of the grant (8%).

Gene Kniffin advised the first portion of the grant would be for the design and engineering, which will be about \$115,000; he suggested when the grant application cycle comes back around, apply for the construction portion. Councilor Kimsey asked about doing a paving project in the Honeybee area. City Manager Carrier advised through her experience in a city she previously worked in and received a small cities grant, once you are approved for a Small Cities Community Development Block Grant, they usually continue to approve project funding in subsequent years; that is a good portion of your points. Councilor Kimsey asked about the grants going to the same project. City Manager Carrier suggested the first phase be a master plan for water and sewer in Railroad Heights and Honeybee, which is one large area (they are across the street from each other). She also suggested putting the Clearwater area in there as well. We can do master planning, and then do a little at a time. Councilor Kimsey asked if it was more pressing to have a study done on water and sewer than repair holes. Vice Mayor Block advised after traveling with Gene, it sounds like there are a lot of calls in Railroad Heights, and it appears this is the area we are spending more money in. City Manager Carrier advised there is a different grant for paving that we can apply for; Pam Peterson advised that particular grant comes out in July. City Manager Carrier

informed Council the City actively goes out and looks for grants, and not every grant has a match.

Mayor LaCascia feels the purpose of this workshop is to move us forward to the June meeting to get a sense of what category we are going to propose when it comes up. Mayor LaCascia suggested to Councilor Kimsey he may be interested in Housing Rehabilitation because we don't have to get consultants involved. It assists low and moderate income residents with physical improvements that address code, safety and other rehabilitation items, and in some cases severely damaged structures may be demolished and replaced. This is a "pot of money" to have available to provide low to moderate income residents with help; that is a way of repairing some blighted conditions and/or code conditions. This meeting is to explore those categories to see where we want to spend this money. Councilor Blethen commented on the 1.5 million dollars that was spent in engineering over the last five years, and would like to know where those reports are and why we can't use them on Railroad Heights. City Manager Carrier advised very little was done in Railroad Heights. Vice Mayor Block commented we have four categories to choose from, but two of them we can't use – Commercial Revitalization and Planning/Design Specifications. Pam Peterson advised one grant at a time could be done, but it was stated planning and design could come out of the Neighborhood Revitalization. At this point Vice Mayor Block advised we are down to two choices: 1) Neighborhood Revitalization and 2) Housing Rehabilitation. Vice Mayor Block feels the biggest problem in our City right now as a whole is the Railroad Heights area because of the amount of money that is being spent there; there is no water pressure there. Mayor LaCascia asked if that area would meet the 51% requirement; City Manager Carrier advised it would. Councilor Kimsey asked what has the City spent in that area on water; Gene advised he doesn't have a figure at this time, but we are always out there repairing breaks, leaks, pipes, etc. Councilor Kimsey asked if this work is done by our own employees; he was advised yes, and Councilor Kimsey commented that labor is a fixed cost. A lengthy discussion took place regarding the proposed Railroad Heights Project as follows:

- No Fire Protection/water pressure
- Good use of grant, and way to move forward with utilities
- Includes sewer
- Additional revenue once utilities installed
- Septic issues
- Concern for citizens being able to pay; however, it doesn't mean they don't deserve good water pressure
- Do a plan for entire area including Railroad Heights, Oakridge, Honeybee and Clearwater Estates
- Concern over the amount of the grant and how much can be done; move forward even if have to apply for grants year after year
- Vice Mayor Block agrees with choosing Neighborhood Revitalization as the category. It appears the best way to use the money is doing the planning and design for Railroad Heights, Honeybee and Clearwater, and then seek additional grant money in subsequent years.

- Councilor Adorno commented it is not coming out of our pocket
- Councilor Kimsey would like to spend the entire \$625,000 on the project itself.
- Vice Mayor Block then asked if it was the consensus of the Council to move forward with this project; City Manager Carrier advised a roll call vote could not be done.
- Councilor Blethen would like to see an outline from Gene; Gene advised this has already been done, and City Manager Carrier suggested to do this as a Master Area
- Gene discussed the project and what areas that would be covered
- City Manager Carrier discussed septic issues; we need to look at existing neighborhoods in need
- Clearwater Estates is not included in what Gene described; City Manager suggested maybe wait until October to include it
- Councilor Blethen suggested we get engineering done and pipes in the ground first
- Gene suggested once the project is declared to proceed with door to door survey to ensure the area qualifies

After discussion, it was the general consensus of Council to do a Neighborhood Revitalization Project in the Railroad Heights, Honeybee and Clearwater Estates area, but to find out how much of that area was included in the prior study done by the Engineers.

At this time City Manager Carrier had one other thing to discuss that was not on the agenda. She knows that some of Council is getting calls regarding temporary shut-offs because the City is now charging the base charges throughout the year. She then explained the history of the Ordinance dealing with the administrative fee, the meter charges and water consumption fee; she also explained what took place when the water and sewer rate study was done in 2007 by Burton and Associates; they advised there were too many charges broken down and to put it all under one base charge, which is what the City did. Some of the items should have been corrected when the ordinance was done, but unfortunately, it was not. She then explained when the new rate structure was put into place in 2007 the customers who were getting temporary shut-offs were not being charged the base, when in fact they should have been charged; this is against our bond covenants. This was an oversight and needs to be corrected. City Manager Carrier advised the Auditor has sent a letter in regard to this, and she will be putting together a memo with that information and send it out with the utility bills (a copy of the Auditor's letter is attached and made a part of the minutes). Councilor Blethen asked about the Bond Covenants and City Manager Carrier explained them; there is no free service. Mayor LaCascia commented the bond holder wants to make sure no one is getting a free ride; he doesn't know. Mayor LaCascia doesn't think the objection is why it was done (base charge), but the way it was done. Mayor LaCascia thinks it may have been better to continue as we have been through this summer and speak to the customers when they get back, and then implement the next time they go away. The customer is now not paying to turn off. City Manager Carrier advised when the Ordinance was amended in 2007 it should have gotten rid of the activation and

deactivation fee, and the administrative fee should have been repealed. We can't just let it go since we have been made aware of it. Mayor LaCascia feels it could have been a softer blow. City Manager Carrier advised a decision has been made by management that whoever paid the activation fee or deactivation fee will be reimbursed (a credit will be issued on their bill). City Manager Carrier also commented the benefit to deactivating the account is the garbage rate will not be charged. Mayor LaCascia thought garbage was charged all along; he was advised no. Code Enforcement Officer Kathy Delp advised the City has no control over garbage outside of the city limits; this is charged on the tax bill. Mayor LaCascia confirmed it was only inside the city.

The meeting adjourned at 8:25 p.m. by a motion and second.

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Patricia R. Jackson, City Clerk

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Joe LaCascia, Mayor