

**CITY OF TEMPLE TERRACE, FLORIDA
MAYOR AND CITY COUNCIL
REPORT OF WORK SESSION**

**Tuesday, April 7, 2009
Council Chambers - City Hall
5:00 p.m.**

Having been duly advertised as required by law, the Vice Mayor and City Council of the City of Temple Terrace, Florida, met in a work session, beginning at approximately 5:05 p.m., for a presentation of the Water/Wastewater Rate Study by the administration and the City's project consultant, Tampa Bay Engineering.

PRESENT WERE: Vice Mayor Alison M. Fernandez, Council Members Ron A. Govin, Ken Halloway, Mark A. Knapp, and Mary Jane Neale, City Manager Kim Leinbach, Acting City Attorney Cathleen O'Dowd, and City Clerk Lisa Burns. **ABSENT WERE:** Mayor Joe Affronti, Sr., and City Attorney Mark Connolly.

ALSO PRESENT WERE: Public Information Officer Michael Dunn, Public Works Director Joe Motta, Code Enforcement Director Joe Gross, Finance Director Diane Reichard, Police Chief Ken Albano, Deputy Fire Chief Ian Kemp, Public Works Deputy Director Mike Darrow, Deputy City Clerk Judith Read, Steve Dulch, Sal Albustami, Nick Pirko, Jr., Joyce McKenzie, and several other persons.

Vice Mayor Fernandez called on the City Manager to introduce the topic of the work session. The City Manager announced that Rick Bowers of TBE Group, Inc., and staff are here this evening for the presentation. He commented the City is proposing a rate adjustment to keep up with increasing costs to maintain the City's aging water and sewer systems.

Utilizing a PowerPoint presentation, Rick Bowers of TBE Group, Inc., presented the results of the water/wastewater rate study, a copy of which is part of the record. He briefly reviewed the City's size, service area, amount of piping, and number of customers served, noting that in 2008 the Southwest Florida Water Management District (SWFWMD) renewed the City's 10-year water use permit and that SWFWMD increased the City's annual average pump rate to 5.15 million gallons per day (MGD) from 5.0 MGD, which was a rare move for the District.

Mr. Bowers continued that through water conservation and flat customer growth, there has been lower water consumption; the decrease between 2006 and 2007 and between 2007 and 2008 was approximately 4.5 percent and 3.4 percent, respectively. He continued that the result of flat growth in the customer base and a decrease in water consumption is an annual operating income deficit, which the City has experienced over the past two years and was validated by the City's annual income statements; the water and sewer fund is shrinking. He added that the 2009 trend is a decline in water consumption for the first quarter, and the projected operating income will be at a deficit by the end of the year; the City will be depleting its water and sewer fund at a higher rate due to upcoming Capital projects. He emphasized the City needs to be operating "in the black."

In a February 2009 press release by SWFWMD, Mr. Bowers said it is recommended that water utilities, like Temple Terrace, significantly reduce water use among high-use customers, and consider a drought surcharge, which can be implemented in a flat fee or a percentage increase during drought conditions, to encourage high-use customers to conserve water. He briefly reviewed recent editorials regarding drought surcharges imposed by Charlotte County and the City of Tampa, a copy of which is part of the record, adding that those surcharges are pretty substantial for high-use customers during a drought.

Mr. Bowers noted the City increased water rates on May 1, 1996, and subsequently decreased those rates on January 9, 1997, to the current rate. He added that the City's wastewater rate has not been increased since January 1, 2004.

Mr. Bowers presented the proposed rate structure:

- 12% increase in the water/irrigation base rate up to 8,000 gallons per month (GPM);
- 12% increase in the water/irrigation rate over the base, for high-use customers;
- Change the current "high-use" definition for irrigation from 12,000 to 8,000 GPM, which is in line with the SWFWMD and City's water conservation efforts;
- 6% increase in the wastewater rate; and
- An annual increase in water and sewer rates tied to the Consumer Price Index (CPI-U), not going below 0% or exceeding 3% (2.5% has been the average over the past 10 years).

Mr. Bowers briefly reviewed the financial analysis for the past, present, and future, projected from 2003 through 2014, which they used to come to the proposed rate structure, a copy of which is part of the record. He explained the first page of the analysis includes water, irrigation, and wastewater revenue streams with current and proposed rate structures; other revenue streams; operating expenses; operating income without depreciation; and debt service. He continued that the second page of the analysis includes the capital projects for water and sewer from 2009 through 2014, which aligns with the City's current Capital Improvement Program. He pointed out that this analysis reflects a \$1.5 million shortfall in income for 2009, which will draw the water and sewer fund from its current \$4.9 million down to approximately \$3.3 million, with the depletion continuing through 2012, and shrinking the fund to about \$400,000. Noting that some water utilities have a minimum water/sewer fund reserve of 20 – 25%, he said the City's fund would be depleted to only a few percent, which is not a conservative approach, with the proposed rate structure. He added that based on upcoming capital projects, it would take until the 2018 to 2020 timeframe to repopulate the fund to current levels.

Mr. Bowers requested discussion and input regarding the drought surcharge options: flat fee, percent over base or increased Code Enforcement fines. He recommended a 15% increase, which was not included in the analysis.

Council Member Govin questioned at what point the 15% is calculated, to which Mr. Bowers responded that SWFWMD has suggested the surcharge kick in when they issue a drought of critical or extreme nature. Council Member Govin concluded that implementing both the increase in rates and the drought surcharge would result in a 27% increase. The Finance Director interjected the drought surcharge would only affect the high-use customers who use over 8,000 GPM.

Mr. Bowers noted that most of the City's users fall under 8,000 GPM and would not be affected by the drought surcharge. Council Member Govin expressed concern with penalizing commercial businesses, which may be unable to reduce consumption due to the nature of their business, and may pass on the extra cost, thereby penalizing the community. Council Member Govin requested a list of customers who use over 8,000 GPM, in order to determine who makes up this group – whether they are residential users or primarily commercial users.

Council Member Halloway inquired about the average residential usage, to which Mr. Bowers responded is about 6,000 GPM. Council Member Halloway concluded that the 8,000 GPM is a “step up” for most people. Council Member Govin rhetorically questioned whether a citizen, who pays higher property taxes and is critical to the City’s existence through taxation, should be allowed a greater usage. Mr. Bowers responded that he understands the issue; however, conservation needs to be encouraged in these extreme times. Council Member Govin asked whether they know how many customers make up this group. Mr. Bowers said the information will be provided to them.

Mr. Bowers noted that the average monthly increase for 8,000 GPM is \$2.96, which is based on a 6% increase in the wastewater fee, which is different from the amount shown in the Executive Summary, which was based on a 12% increase. Council Member Knapp questioned whether the penalty would be imposed only on the usage *over* 8,000 GPM, to which Mr. Bowers confirmed the charge is based only on the portion *over* 8,000 GPM.

Council Member Knapp questioned whether people could water more than once per week if they paid the penalty. Mr. Bowers responded that they would need to observe SWFWMD’s regulations.

Council Member Neale remarked on the irony that the less water used results in a larger financial problem for the City. Council Member Halloway confirmed with Mr. Bowers that approving the recommended rate increases will give the City proper balance in the fund at the end of 2014. He asked whether the calculations include the higher-rate amounts of usage over 8,000 GPM and how the “total take” is calculated based on usage. Mr. Bowers responded it does vary and would be a lengthy, complex spreadsheet; they wanted to make it more simplistic, based on the average user. The Finance Director added that it is based on five years of actual historical data.

Mr. Bowers briefly reviewed a comparison of the City’s current base rate of \$1.53 per thousand gallons versus Tampa Bay Water’s rate of \$2.25 per thousand gallons, and pointed out the shortfall in the City’s base rate. He noted the current difference is \$.72; the proposed 12% increase would result in a \$.54 difference, confirming that the City would still be cheaper than Tampa Bay Water.

Council Member Halloway mentioned that the figures will be inaccurate if everyone conserves water. Mr. Bowers acknowledged that the data is based on the past five years of usage, and there has been a decrease in consumption; water conservation efforts are working, which, unfortunately, creates a deficit in the City’s operating income and will need to be adjusted accordingly.

In response to a question from Council Member Neale, Mr. Bowers responded the analysis that shows coming “into the black” in 2014 does not include the drought surcharge; by implementing the drought surcharge, the City would be increasing the revenue stream. Council Member Neale concluded it could bring the fund “into the black” earlier. The City Manager mentioned the need to get “into the black” as quickly as possible, but said the administration is trying to make it as innocuous as possible and not burden the consumers. He continued that the administration does not like being below the 20-25% reserve; however, they felt it was a good way to catch up.

Council Member Fernandez questioned whether the City would be able to fund all ordinary maintenance projects and/or emergency situations.

The City Manager responded for normal operations, the City has a schedule; however, an emergency would necessitate a switch in priorities to make it work; having reduced reserves is a handicap.

Council Member Fernandez expressed concern that an emergency repair could exceed the \$400,000 low point of reserves. She stated that she is not comfortable dropping the reserves down that low, especially considering the age of the City's system. She also mentioned this doesn't allow for any type of funding for improvement or creation of the City's own wastewater treatment. The City Manager concurred with remarks from Council Member Govin regarding the availability of grant funds for those types of projects, adding that grant funding and financing had been looked at in the past when considering the implementation of a wastewater treatment plant.

Council Member Govin questioned what implementing this entire scenario would mean to the average customer. A brief discussion occurred, with Council Member Fernandez confirming with Mr. Bowers that the average user, provided they don't exceed 8,000 GPM while in a critical drought, will see their bill increase by no more than \$2.96 for water and wastewater. The Public Works Director interjected that if irrigation is used, it will be higher. The Finance Director confirmed with Council Member Govin that irrigation would be \$1.44 for 8,000 GPM.

Council Member Govin questioned the average household usage for irrigation, to which Mr. Bowers responded that could be calculated based on average square footage. Council Member Govin mentioned that would be good information to have. Mr. Bowers confirmed for Council Member Govin that based on the data received from the billing system, most of the users did not exceed 8,000 GPM including irrigation.

Council Member Fernandez questioned how many citizens have irrigation meters, to which the Public Works Director responded approximately two-thirds have them. Council Member Fernandez noted that if a citizen does not have an irrigation meter, they would be paying for wastewater on irrigation and could be exceeding the 8,000 GPM, therefore, paying the surcharge.

Council Member Govin questioned whether the surcharge included both the domestic water and irrigation. A brief discussion occurred with the Finance Director clarifying for Council Member Govin that the two categories are *not* combined. Council Member Neale added that the 8,000 GPM are *per meter*.

The City Manager requested direction with regard to the report and recommendations in order to prepare an Ordinance to bring before Council. Concerned by the possible impact on businesses, which rely on water usage for their livelihood, Council Member Govin again requested the number of users who exceed 8,000 GPM in any category, including whether they are businesses, in order to determine whether something may need to be carved into the Ordinance for water-reliant businesses.

Concerned with the prospect of having the reserves so low for several years, Council Member Fernandez said that she can support this; however, she does not want to overdo increases. She added that the whole point of the drought surcharge is to encourage people to conserve.

Mr. Bowers reviewed his understanding to move forward with the recommendation from Council to look at the 15 percent drought surcharge and go from there.

Responding to a suggestion from Council Member Govin, the City Manager mentioned that he will try to send the information with the Friday Report.

Council Member Knapp said his understanding is that the City has a permit to pump a certain amount of water per day and asked whether the City is below that amount. Mr. Bowers and the Public Works Director responded that the City pumps approximately 3.4 or 3.5 million gallons per day (MGD); the permit is for 5.15 MGD.

Council Member Fernandez questioned the City's ability to serve future annexed areas with the City's permit to pump, to which the City Manager responded that is exactly why they requested the increase, which was granted - to have that cushion. He continued that the proposed annexation agreement with the County includes the City's Urban Services Area, and also future expansion to I-4 and I-75.

Council Member Govin asked whether the City's rate structure is lower than the County's. Mr. Bowers responded that compared to the City of Tampa, Hillsborough County, and surrounding cities, Temple Terrace falls about in the middle with the proposed increase.

The Finance Director remarked that the drought surcharge will not generate a lot of money. Council Member Knapp questioned why the City would impose it if it does not generate a lot of money. Mr. Bowers responded it is an initiative by the SWFWMD and the State to show some type of conservation effort. Council Member Fernandez added that they have specifically requested a drought surcharge be put in place.

Council Member Knapp questioned why the City is going to stick with 8,000 GPM, if historical data indicates an 8,000 GPM usage watering twice a week for irrigation, and now watering is down to once a week. The Public Works Director clarified that irrigation was at 12,000 GPM, and they are recommending lowering it to 8,000 GPM. Council Member Knapp questioned why it is not lowered to 6,000 GPM, since they are watering once a week; theoretically, the usage would be half as much as watering twice a week. Mr. Bowers responded it would keep consistency with the City's base rate structure. Council Member Knapp concluded that if the amount goes down to 6,000 GPM, the City would have less revenue; however, there would be more penalties, to which Mr. Bowers concurred.

Council Member Govin remarked that if the City is going to do this, it should be done quickly, expressing concern that the Legislature is considering unrealistic caps on local government. Mr. Bowers concurred and added that this is in line with the City's Comprehensive Plan. The City Manager mentioned the administration would provide the information on high-end users.

Council Member Fernandez concurred with Council Member Knapp regarding the 6,000 GPM irrigation usage, stating that her previous understanding was the 8,000 GPM was for total usage and not split between household and irrigation uses; if the total usage is actually 16,000 GPM that is quite a bit.

Council Member Govin requested a spreadsheet on how many houses have usage at 6,000 GPM, 7,000 GPM, and 8,000 GPM, etc. Mr. Bowers responded that there are roughly over 2,200 customers over 8,000 GPM out of the City's 32,400 customers. The City Manager added that includes the Urban Services Area, which is not in the City. Council Member Fernandez questioned whether these are combined gallons, to which Mr. Bowers responded these are gallons per meter, which is not a lot.

Council Member Govin mentioned there might be a need for an exception; he suggested that Mr. Bowers look at that. Further explaining his concern for businesses that rely on water usage, Council Member Govin requested the spreadsheet be per meter. Mr. Bowers said they cannot do it per meter, but per household, using the total usage per customer number for water and irrigation.

Council Member Govin requested them separately, so Council can look at the numbers and apply what Council Member Fernandez is saying regarding using 6,000 GPM rather than 8,000 GPM. Mr. Bowers asked whether Council Member Govin would like the raw data in order to “play with the numbers,” to which Council Member Govin responded affirmatively and suggested the information be emailed in an Excel format.

The work session ended at 5:51 p.m.

Submitted by,

Melissa E. Burns, MMC
City Clerk