



City of Palm Coast

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Meeting Minutes City Council Workshop

Mayor Jon Netts
Vice Mayor Bill McGuire
Council Member Jason DeLorenzo
Council Member David Ferguson
Council Member William Lewis

Tuesday, January 8, 2013

9:00 AM

Council Conference Room

>Other matters of concern may be discussed as determined by City Council.

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A. Call to Order

Vice Mayor McGuire called the meeting to order at 9:00 a.m. Mayor Netts was excused from this meeting.

B. Pledge of Allegiance to the Flag

C. Roll Call

Present: 4 - Vice Mayor McGuire, Council Member DeLorenzo, Council Member Ferguson, and Council Member Lewis

Excused: 1 - Mayor Netts

D. PRESENTATIONS

1 [12-884](#) PRESENTATION ON THE UTILITY REVENUE SUFFICIENCY, RATE AND CHARGE STUDY.

Mr. Landon gave a brief overview of this item. Mr. Robert Ori and Mr. Jeff Wilson of Public Resource Management Group (PRMG) gave a PowerPoint presentation (attached to these minutes). Mr. Mark Galvin, Southwest Financial Advisor, was also present for questions. City staff present for questions: Mr. Chris Quinn, Finance Director, and Mr. Richard Adams, Public Works/Utility Director.

CM Lewis - Is it a good idea to free up the debt service and not have a reserve? Mr. Ori - He believes it's a good idea. Mr. Galvin - In freeing up the debt service reserve, one of the issues we had back when we issued the original bonds is that we purchased debt service reserve surety bond(s); basically it meant you don't have to

fund the debt service reserve if you buy this insurance policy. Everything was going great, then the bond insurance companies got downgraded so low that the City was required to refund the debt service with existing cash, so you took \$6.2 mil. out of the operating fund and put it into the debt service reserve. What we're doing now, because of the strength of the rating, we expect to be able to release that debt service reserve; give you back the \$6.2 mil. to use towards projects; as long as you maintain strong rates and rating, we feel very confident that you should be able to free up that debt service reserve.

CM Lewis - That means we will not have a debt service reserve or insurance? Mr. Galvin - That is correct, but the bond rating agencies and bond investors feel that a utility of this strength and the rate requirement that requires that if for some reason your rates ever went too low, then you could increase your water and sewer rates to insure they remain whole. Mr. Landon added that we still have strong income balance and that's where it came out from so we still have that insurance; we are doing this so we have a rainy day reserve. If we just keep the \$6.2 mil. in the bank for an insurance policy, then we would have to issue additional debt, because the \$6.2 mil. is going into capital proceeds as part of this whole equation.

CM Ferguson - We set it up provisionally for a good purpose, did we ever have to tap into that? Mr. Quinn - No, we only had the reserve for the last couple of years, because previously the insurance on the bonds was the reserve (as Mr. Galvin just described).

VM McGuire asked for an explanation of the alternative. Mr. Landon - Basically, you would leave it in your savings account and issue \$6.2 (mil.) in debt, which means you would have an additional debt payment; you would have to raise the rates even higher. Mr. Ori added that your bond resolution will require an annual review of your rates, budgets and to the extent that the rates may not beat these covenants you are required to adjust the rates, so these safeguards are built in and the financial policy relative to cash reserves as well; he believes it is a good move to do this now.

VM McGuire - Are we talking about floating bonds to handle the capital projects of the water systems but this will not impact the stormwater fees? Mr. Landon - Yes, stormwater is a separate utility/separate fund; we're talking about water and wastewater here.

CM DeLorenzo - For the issuance of the bonds, we're saying we're going to have very slow growth (1%), but if we do better, that's good for us? Mr. Ori - Right, your position could only be better; it's doubtful it could be worse. Mr. Galvin - If anything, the market will look at this as conservative and will not have any question of the feasibility report; it will be well received in the market.

VM McGuire - When you say it is conservative, this reflects the here and now? Mr. Landon - Actually, a little less than the here and now.

CM Ferguson - What could the range of interest rate premium be for municipalities that have a weaker financial position? Mr. Galvin - The difference shown on one of the previous charts between A and AA rated is 50-60 basis points, etc.

CM Ferguson - What has the ceiling been for our total indebtedness for these expenditures over the last five or so years? Mr. Ori wasn't sure of the maximum debt outstanding; Interest rates are much lower, etc.

VM McGuire asked about the savings; is that actual money? Mr. Quinn - That is actual savings; interest payments we won't have to make every year.

CM Lewis mentioned the recent (financial) cliff; how does that impact the bond market? Mr. Galvin - It could have a substantial impact; depends what the Federal Government does. No one knows but everyone thinks Congress will do the right thing and interest rates may start trending upward (after next four to six months); hopefully the economy will move forward; taxes will also make a big difference. We are at record lows for interest rates; even if interest rates went up 20-50 basis points, we're still at record lows. Mr. Quinn added this ties into the 5 year capital budget we talked about last summer; these are the same numbers we talked about at budget time, and we projected the need for the \$15 mil. for the coming year, etc.

CM DeLorenzo - 5 year total, that is over the whole 5 year period, right? Mr. Quinn - Yes.

CM DeLorenzo - What did we collect in facility fees for 2012? Mr. Quinn - \$500,000+.

CM DeLorenzo - That will cut down our future need, right? Mr. Ori - Yes, that is correct (or delay the issue as well). Mr. Quinn - The 2015 bond amount; if we receive more impact fees than anticipated, that will allow us to borrow less. Mr. Adams cautioned that depending on where the growth is, it could cause the need for additional capital investment. If all of a sudden Town Center popped up, we might have to upgrade the major pump station and force main.

VM McGuire - Are matching Federal and State funds on City projects part of the gross revenues? Mr. Ori - No, they are capital dollars not gross revenues.

CM Lewis - Are you saying it's optimal, as opposed to necessary (slide 16)? Mr. Ori - He believes it is more necessary than optimal; you could reduce it but then he would recommend you issue more debt which raises the debt cost, reduces flexibility and coverage.

CM Ferguson stated he's lacking the history of enhancements to the existing system; what kind of population demand was used in the 5 year projection? Mr. Adams - If you suddenly had some growth, you might have to change your capital project plan to provide the facilities for that growth; the capital plan is based on our forecasted population growth but he explained there are a lot factors involved.

VM McGuire - The water treatment plant, is how old? Mr. Adams - The original Water Treatment Plant 1 was built in 1979.

VM McGuire - With a life expectancy of? Mr. Adams stated it's probably beyond its life expectancy, but there have been capital improvements made to it along the way.

VM McGuire wanted to point out that this is for updating older systems also. Mr. Adams - Yes. Mr. Quinn agreed that sometimes things like that are overlooked. Mr. Ori mentioned Miami-Dade had a big problem with their older sewer system (\$200 mil. per year to start fixing their problem).

CM DeLorenzo - The capital projects, what capacity is going to be added to the projects? Mr. Adams- First two years, adds no capacity; the second bond issue anticipates the need for wastewater treatment plant 2 and that's really the additional capacity that gets added in this 5 year capital plan. It will be a 2 mil. gallon a day plant.

CM DeLorenzo - Zero liquid discharge (ZLD) doesn't add to this? Mr. Adams - It will add water treatment capacity, but the purpose is for compliance. Mr. Brian Matthews,

Utility Project Specialist, added we generally project that 100 gals. a day per capita for drinking water; 2017 or end of 5 year project we will be at 19 mil. gallons a day; that's 110,000 people (we currently have a population of approximately 75,000). Wastewater is 65 gals. a day (per capita) for comparison.

Mr. Landon - Before water treatment plant 3, what was our capacity? Mr. Adams - We were just over 12.

CM DeLorenzo - Are those percentage increases set in stone (slide #14)? Mr. Ori - We are recommending that you do that.

CM DeLorenzo - So, if we have strong growth rate we can adjust it? Mr. Ori - Yes; there is certain criteria that must be met, regulatory and service criteria.

CM DeLorenzo - Where is the tentative program for the second larger bond issue? Mr. Ori pointed to 2015, second bond issue (slide #14).

VM McGuire - Where does the additional revenue come from (slide #14). Mr. Ori - Rate increases to all the City's customers.

CM Ferguson - At the end of 2017, what will our capacity be with this (5 year) capital plan, in millions of gallons a day? Mr. Adams - The only capacity we are adding is ZLD on the water side; we are adding 2 on the wastewater treatment capacity. Mr. Ori added so you're at 6.83 with wastewater that's adding 2, so you go to 8.83.

VM McGuire - What are the forecasted gallons coming from Beverly Beach? Mr. Adams - 30,000 gals. a day approximately.

VM McGuire - What is the source for the chart (on slide #26)? Mr. Ori - The rates are based on the rates they adopted on their tariffs - 4,000 gals. average usage; pointed to Melbourne as a close comparison in population and usage to the City.

CM DeLorenzo - These aren't really apples to apples? Mr. Ori - No, he explained all cities have different ways of treating, different expenses, etc.

CM Ferguson - Why wouldn't Flagler County (which is really Beverly Beach on the chart) want to buy water from the City (looking at the fees on the chart)? Mr. Ori - They do.

CM DeLorenzo - How long at \$2.19 (slide #28 - Bulk Water and Wastewater Rates, cont'd.)? Mr. Adams - Half that until 2004, then it was indexed.

CM DeLorenzo - Palm Coast residents? Mr. Adams - Once, plus indexing.

Mr. Landon discussed the scheduling of public hearings on this matter.

Council consensus was given.

The Presentation was Received and Filed.

E. WRITTEN ITEMS

- 2 [12-860](#) RESOLUTION 2013-XX APPROVING A CONTRACT WITH S.E. CLINE CONSTRUCTION, INC. IN THE AMOUNT OF \$1,379,757.50, INCLUDING A 10% CONTINGENCY FOR THE CONSTRUCTION OF

**THREE SISTERS (L-1, L-4 AND L-6) WATER CONTROL
STRUCTURE COMPLEX REHABILITATION PROJECT**

Attachments: [Resolution Three Sisters Water Control Rehab Project](#)
[Contract Summary - SE Cline](#)
[Bid Opening Tab](#)
[Map-Location 3 Sisters](#)
[Stormwater CIP 2012-2017](#)

Mr. Landon gave a brief overview of this item.

CM Lewis - Has Cline taken care of their liquidated damages? Mr. Landon - We have substantial completion of the Belle Terre Pkwy. project; doesn't think that affects this project.

CM Lewis - Why didn't fourth contractor (Lucas Marine Acquisition Company) submit a bid? Mr. Michael Brennan, Stormwater Manager - This contractor had the most questions but decided not to bid.

CM DeLorenzo - Did any bid that weren't qualified? Mr. Brennan - No.

CM DeLorenzo - He was wondering if the new procedures (three-year look back) were limiting the number of bidders. Mr. Brennan - Actually it looks like there is an increase in the number of bids.

CM DeLorenzo asked if Mr. Brennan was comfortable with the new process. Mr. Brennan - Yes, he had some input as well.

VM McGuire - Is there a contingency in this? Mr. Landon - Yes, it includes 10% contingency.

VM McGuire - So, it could come in for less than that? Mr. Landon - Yes, it could end up being \$1.254 mil.

There was discussion about L4 Weir in Town Center, there was a huge void in the concrete structure (huge hole); Cline drilled holes and pumped concrete in to fill the void; did a good job.

The Resolution was Continued.

Enactment No: R2013-01

3 [12-881](#)

**RESOLUTION 2013-XX APPROVING A MODIFICATION TO THE
SUB-GRANT AGREEMENT WITH THE FLORIDA DEPARTMENT OF
ECONOMIC OPPORTUNITY FOR THE NEIGHBORHOOD
STABILIZATION PROGRAM.**

Attachments: [Resolution-Modification4 to SubGrant Agrmt DEO](#)
[PC NSP1 Mod 4 To Subgrant Agreement](#)
[PC NSP1 Mod 4 Attachment A](#)
[PC NSP1 Mod 4 Activity Work Plans](#)
[PC NSP1 Mod 4 Transmittal Letter](#)

Mr. Landon gave a brief overview of this item.

VM McGuire - What Council action is required here? Mr. Landon - Approving the extension (for six months) and modification to this agreement so we can close it out.

VM McGuire - What is the modification? Mr. Beau Falgout, Senior Planner - The modification is extending the time and program budget changes; basically, moving money around in the grant budget to reflect our last draw down that we plan on making; matching expenses that actually occurred.

CM Lewis - \$138,181, is that the amount of money we need to spend in order to close out? Mr. Falgout - No, that's a decrease in the program administration budget. This is the actual original grant amount, divided up into different categories. We actually have \$281,000 left at the State grant level that we need to draw down so that matches our current expenditures; we're shifting funds around to match the different line items, so they match our expenditures.

CM Ferguson - Has this program met expectations? Mr. Falgout expressed it has met expectations/goals and succeeded in areas of selling foreclosed homes and homeownership.

The Resolution was Continued.

Enactment No: R2013-04

4 [12-877](#)

RESOLUTION 2013-XX APPROVING CONTRACTS TO TRI-COUNTY BOBCAT SERVICES, INC. & ALL AMERICAN MAINTENANCE OF FLAGLER, INC. FOR CODE ENFORCEMENT MOWING AND GENERAL CLEAN UP SERVICES (PUBLIC NUISANCE).

Attachments: [Resolution-Code Mowing & Clean Up Services](#)
[Contract Summary - Tri-County Bobcat](#)
[Contract Summary - All American Maintenance of Flagler](#)
[Evaluation Summary Mowing](#)

Mr. Landon gave a brief overview of this item.

VM McGuire - Did these bidders go through the bidding process? Mr. Landon - Yes.

VM McGuire - Happy with their performance? Mr. Landon - Tri-County we've used in the past and have been happy with; this is the first time we'll be using All American Maintenance of Flagler, Inc.

The Resolution was Continued.

Enactment No: R2013-03

5 [12-874](#)

RESOLUTION 2013-XX APPROVING THE FIRST ONE YEAR CONTRACT RENEWAL OPTION WITH CONNECT CONSULTING, INC., TO PERFORM HYDROGEOLOGICAL ENGINEERING SERVICES.

Attachments: [Resolution CCI FY13 renewal](#)
 [Renewal Letter - Connect Consulting](#)

Mr. Landon gave a brief overview of this item.

VM McGuire - What is a hydrogeological engineering service? Mr. Landon - They figure out where the water is underground and how to deal with it.

The Resolution was Continued.

Enactment No: R2013-05

6 [12-878](#)

RESOLUTION 2013-XX APPROVING AUTHORIZATION OF THE CITY MANAGER TO EXECUTE THE TWO ONE-YEAR RENEWALS TO THE CONTRACT WITH PALMETTO ELECTRICAL, INC., TO PERFORM CITY-WIDE ELECTRICAL INSTALLATION AND REPAIR SERVICES.

Attachments: [Resolution-Palmetto Electrical Inc.-contract extensions](#)

Mr. Landon gave a brief overview of this item.

CM Lewis - Did they do any work on the renovation here? Mr. Landon - Yes, he believes they did.

VM McGuire - Are they local? Mr. Landon - Yes.

The Resolution was Continued.

Enactment No: R2013-02

F. DISCUSSION BY CITY COUNCIL OF MATTERS NOT ON THE AGENDA

CM DeLorenzo mentioned the TPO (Transportation Planning Organization) reapportionment meeting set for 1/9/13; did Mr. Landon and Mr. Coffey get the map all straightened out? Mr. Landon - No problem, everything is good to go; no reason to dwell on that. We'll see how the governing board is going to take shape.

CM DeLorenzo expressed he would like to see all of Old Kings Rd. south to the Volusia line included, but he understands. Mr. Landon - Once we are part of the group, we can work on those details.

CM DeLorenzo - VCARD (Volusia County Association for Responsible Development), VCOG (Volusia Council of Governments) and Volusia League of Cities is having a learning program on Saturday, 1/12/13; sounds good, they are going to talk about the entire development process with elected officials from Volusia and Flagler Counties (he is going) at Daytona State College 9:00 a.m.-12:00 noon (8:30 a.m. registration).

CM Lewis spoke of the e-mail received about the inmates that we use for mowing and how much we pay them, etc. Mr. Landon - We have a contract with the State prison system for \$56,000 per year, per crew (for the supervisor only); we have two of them (no payments by City to inmates).

VM McGuire has no problem with it; supports it.

Mr. Reischmann stressed we have contracts with the Florida Department of

Corrections; we are not involved in the compensation of the prisoners; that is a State matter.

CM Ferguson showed concern about Panera's decision to not open their second store in Palm Coast; someone stated that the City was not business friendly; he's very concerned about that; doesn't want the negative press. Mr. Landon stated they may have made the decision not to open, but the idea that it was because of the City is false; it's also the opinions of the other development people and realtor involved. They had a dysfunctional design team, we pre-approved their site plan; it sat on the shelf for many months and then the one that was submitted was totally different; we did concurrent review. Two different sets of plans were submitted by their design team and both were approved. Florida Department of Transportation (FDOT) approval was needed because it is on SR 100; two different plans submitted to City and FDOT (entrances were in different places); not good.

CM Ferguson hopes we can get the true story out through the media.

CM DeLorenzo stated the Flagler County Chamber of Commerce (Chamber), with input from local investors as part of the customer service economic summit, have a "raise the bar" electronic survey that can be used so we can get realtime feedback.

VM McGuire - We're being proactive with the Business Assistance Center (BAC), etc.

CM Lewis added, less than a year ago the electrical and construction industries were asking how they can help the City improve their processes (and comments were encouraged); we are a very business friendly City.

CM DeLorenzo spoke of a restaurant that wanted to open before the holidays, but they needed an emergency exit door with breaker bar and failed inspection. Mr. Landon expressed that maybe we could be more proactive and let these small business owners know more in advance of things they will have to do to avoid these surprises in the future.

CM DeLorenzo - Myregion.org (11 counties involved); open for business and almost every county in that region is looking at their processes for development and trying to align themselves similarly and join with Myregion.org; it would be easier to do work from one municipality to another. He has asked the Chamber to have Myregion.org do a presentation for the City.

VM McGuire - The balance is that we would like to be as professional here as we can, and still be conservative with funds, etc.

CM Ferguson - We should always try to continuously improve; we need to get the word out that we are business friendly. CM DeLorenzo added that the article said it was the contractor that said the City is unfriendly to business.

There was discussion about concurrent review and how there may be some problems with it, etc.

G. DISCUSSION BY CITY ATTORNEY OF MATTERS NOT ON THE AGENDA

Mr. Reischmann - No comments.

H. DISCUSSION BY CITY MANAGER OF MATTERS NOT ON THE AGENDA

We had a couple of contacts from soccer organizations; the whole sports alliance is

working out well; we are getting more positive publicity.

CM DeLorenzo - Hockey tournament - we're going to give it a go; see if we can draw some people from Orlando (for deck hockey, ball hockey, youth league, etc.).

I. ADJOURNMENT

The meeting was adjourned at 11:24 a.m.

*Respectfully submitted,
Barbara Redline*

[12-885](#)

MEETINGS CALENDAR AND AGENDA WORKSHEET

Attachments: [Meeting Calendar](#)
 [Agenda Worksheet 2012](#)

[13-02](#)

ATTACHMENTS TO MINUTES

Attachments: [Utility Rate Study & Bond Feasibility Report Briefing](#)
 [Three Sisters Presentation 1-8-13](#)