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TOWN OF LAUDERDALE-BY-THE-SEA

TOWN COMMISSION

WORKSHOP MEETING

MINUTES

Jarvis Hall

4505 Ocean Drive
Tuesday, January 19, 2012
7:00 P.M.

1. CALL TO ORDER, MAYOR ROSEANN MINNET

Mayor Roseann Minnet called the meeting to order at 7:00 p.m. Also present were Vice Mayor Stuart Dodd, Commissioner Birute Ann Clottey, Commissioner Scot Sasser, Commissioner Chris Vincent, Town Attorney Susan L. Trevarthen, Town Manager Connie Hoffmann, and Deputy Town Clerk Glenn McCormick.

2. ITEMS FOR DISCUSSION

a. King Engineering Sewer System Evaluation Presentation (Municipal Services Director Don Prince)

Franklin Torrealba, project engineer, gave an overview of their findings, analysis and recommendations.

Municipal Services Director Prince stated the Town installed manhole cover seals to prevent rain water seepage which would create a tremendous savings for the Town.

Town Manager Hoffmann asked what the available capacity of the system currently is currently, assuming the Town was able to make all the Inflow and Infiltration (I&I) repairs.

Mr. Torrealba estimated the I&I repairs could be executed with 60 to 70 percent improvement. He clarified that at each pump station there was available capacity. At the Hibiscus pump station there was approximately 300 percent capacity. At the Seagrape Station there was 60% available capacity. The model was created to determine the capacity of the gravity system. One would need to measure flow at each manhole to calculate availability capacity of the system overall.

Vice Mayor Dodd asked what it cost to process rainwater. Whenever it rained, the sewers became charged with water and the pumps worked overtime to send the diluted mixture to the treatment plant. He stated the Town needed to be more efficient, and if it meant spending the funds now to give a continuing payback after six years, he supported improvements. The sewers were in much better condition than expected, but the Town should still take aggressive action to ensure the system was even more

efficient and work towards an extended reduction in cost by alleviating the infiltration problem. It was possible to pressurize the sewer system with smoke. He recommended as a trial run to see if it revealed any serious leaks.

Commissioner Clottey asked what population figures did Mr. Torrealba base the Town's future growth. Since the Town was almost completely built out, she wondered whether the figures were pertinent for the current system.

Mr. Torrealba explained they used census data from 2010 and looked at the Florida Department of Transportation (FDOT) TAZ maps used to predict future trends to 2035, such as expected growth. They applied those variables to the Town's data.

Commissioner Clottey pointed out the Town's population decreased in the last decade, and therefore, the estimated figures might be excessive.

Commissioner Vincent asked if the 55 percent overage was due to the I&I. He also asked what the I&I average was for other towns similar in size or greater with well-run sewer systems.

Mr. Torrealba said each system was unique. He believed the I&I should average 45 percent.

Commissioner Vincent asked how efficient the Town's system was.

Mr. Torrealba felt the Town ran its system well, but needed to prevent extra water getting into the sewer system.

Commissioner Sasser wondered where all the water that now flowed into the sewer system via I&I, would go after the repairs were made.

Mr. Torrealba said the Town should not pay to process ground water. It was not possible to completely seal all the holes and some ground water would get into the sewer system. He indicated taking steps to prevent groundwater flowing into the sewer system would make little difference to the amount of ground runoff. Thus, by fixing the sewer system, the Town was not going to compromise its drainage system.

Municipal Services Director Prince said the water that would be prevented from going into the sewer system would flow into the stormwater drains and percolate into the ground. The Town had great percolation rates, so drainage would not be an issue.

Commissioner Clottey asked where the water that came in from the City of Fort Lauderdale was measured, noting it went through the Town's system.

Mr. Torrealba replied the sewer pipes in the Town were owned by the Town; water that flowed down the pipes went into the gravity sewer, to the Sea Grape pump station, pumped to the City of Pompano Beach and, ultimately the Broward County Treatment Center on Sample Road.

Town Manager Hoffmann remarked the City of Fort Lauderdale's water came into the Town through their water pipes and were not mixed in with the sewer pipe; they were separate systems. Mr. Torrealba confirmed that statement.

Municipal Services Director Prince stated water that went through the Town went through a water meter. He explained that a consumer's sewer rate was based on that consumption. Eventually, the majority of it went into the sewer pipes owned by the Town and on to the City of Pompano Beach.

Town Manager Hoffmann said there were no City of Fort Lauderdale sewer pipes in the Town, only their water pipes.

Commissioner Vincent asked whether health issues were created by rising water in the Town's sewer system.

Municipal Service Director Prince responded there had been no health issues to date; even with the three-day rain event, the Town's system did not overflow.

Mayor Minnet, on behalf of the Commission, thanked Mr. Torrealba and his team, as well as Town staff for a thorough and comprehensive report that showed the status of the Town's existing sewer system in the south part of the Town. She agreed the system should be aggressively cared for, and the recommendations were very positive and went toward creating an economically sound sewer system for the Town.

Town Manager Hoffmann agreed the Town needed to move forward with the sewer system upgrades as soon as possible. She would need to bring back a budget amendment to the Commission to appropriate money from the Sewer Fund Balance to fund the capital projects. Town staff was unsure how much of the upgrades could be completed before the end of the current fiscal year.

Municipal Services Director Prince added Town staff already started with minor repairs, installing the rain guards and trying to relocate some of the cleanouts. The hope was to have the construction contract bid out by April, select a vendor and move forward.

Town Manager Hoffmann stated Town staff would utilize the budgeted $200,000 for as many projects as possible in the current fiscal year. If they used all those funds prior to the end of the fiscal year, they could ask the Commission to appropriate funds from the Sewer Fund Balance to do more, and then budget for the remaining repairs in the next fiscal year's budget. She noted that the Sewer Fund had $1.6 million in cash and the Town budgeted $200,000 in its current fiscal year for capital repairs.

Vice Mayor Dodd supported moving forward as soon as possible to take care of the leaks in the Town's sewer system.

Commissioner Sasser questioned whether each stage of the repairs would be inspected. Municipal Services Director Prince answered yes.

Commissioner Vincent wished to confirm that the Town archived the repairs to the Town's facilities and infrastructure, enabling a review of those records. Municipal Services Director Prince affirmed this to be the case.

Commissioner Clottey also supported moving forward with the necessary repairs to the Town's sewer system as soon as possible.

b. Further Discussion of Sewer Rates Issues (Town Manager Connie Hoffmann)

Mayor Minnet opened the meeting for public comment.

Arthur Franczak believed the Town made an unintentional mistake in following the City of Pompano Beach's wastewater ordinance, He believed an independent study would show that hotels and condominiums were significantly overcharged, and there was a resulting surplus in the Sewer Fund. He requested the Town set aside up to $500,000 in the Sewer Fund for refunds to customers. He asked the Town to make refunds if a study revealed the hotels were overcharged and treated unfairly.

Thomas Carr reviewed his sewer bills noting the sewers were repaired some ten to 12 years ago, yet over the years both the sewer and water bills continued to rise, though the water use was lower.

George Hunsaker stated there was no rationale for charging a base rate for a condominium based upon the number of condominiums in the Town. He understood a base rate should be based upon the fixed cost of the sewer system, plus the amount needed to maintain an adequate reserve for maintenance and repairs to the system. According to the Broward County Property Appraiser's website, there were 280 parcels in Silver Shores, Lauderdale-By-The-Sea, and the condominium in which he lived had 96 units. He felt there was no rationale for his condominium to pay approximately a third of the base rate for an area the size of Silver Shores. Their base rate prior to the rate change in February 2011 was $190 per month; the new base rate was $1,368.96 center, representing a 621 percent increase. Based on the Town Manager's report, the real rate in their condominium was $8.27 per 1,000 gallons, 67 percent higher than the same rate for a single-family home at $4.95 per 1,000 gallons. He urged the Commission to do a rate study to determine how sewer charges were computed in the area of Lauderdale-By-The-Sea south of Pine Street.

Bryan Carman did not favor the formula used to calculate sewer charges. He felt each property in the Town should pay for the linear footage parallel to their property as a base monthly fee and not be charged by property classifications, number of units, meter size or special use. All the properties shared the same main sewer, and sanitary sewer installation costs were the same, whether they served a 100-foot single family home, a motel or condominium. He suggested the base rate be applied to usage of one to 10,000 gallons and those with usage in excess of 10,000 gallons be charged an increased rate set by the Town.

Cristie Furth said the increase in the sewer rates presented a true hardship for local small business owners. The lodging industry was the Town's number one industry and there were few other means of revenues. They were not asking the Town for any special allowances. The increase in the monthly sewer rates was atrocious; her bill that was about $250 a month had gone to $500, one going as high as $700. She stressed such increases were very hard on the bottom line of a small businesses. If the increase was a way to build up the coffers for repairs that appeared would not be as costly as anticipated, using such a method would only hurt their industry, and that would be detrimental to the whole community.

Edmund Malkoon noted many of the businesses adversely affected by the sewer rate increase were small, family-owned businesses, and the Town needed to give them some relief. He also requested a sewer rate study. The Town Commission did a good job opposing the 25 percent surcharge by the City of Fort Lauderdale and the City of Pompano Beach, but there were other issues, such as the need to classify properly. He said the Town had the dollars to fund the necessary repairs, and it was up to the Commission to determine the type of reserves needed.

Rosalie Michailiuk stated, due to the rate increases, she was unable to pursue her hobby of growing tomatoes. Her monthly bill doubled and then tripled, she urged the Commission to do something to help the residents.

Margaret Winiarczyk, Breakaway Guest House, said the water and sewer rates were increasing, and it appeared properties were not being treated equally and fairly, which is what small business owners and residents were requesting. Their businesses were also where they lived and raised their families, and they were doing everything they could to save money. She asked the Commission to think of them as not only business owners but as residents who loved the Town and planned to remain for years to come. She also urged the Commission to authorize a study.

With no one else wishing to speak, Mayor Minnet closed the public comment portion of the meeting.

Commissioner Sasser cautioned if the Town were to lower rates for some customers, the rates of other residents would have to increase, as it would not be possible to decrease everyone's rates. He asked whether the incoming revenue was more than the expenses.

Town Manager Hoffmann said that the sewer expenses were not comprised only of what the City of Pompano Beach charged the Town. She explained the Town budgeted in the current fiscal year to collect about $1.1 million in revenue from the sewer rates and expended close to that amount. The Town budgeted to pay the City of Pompano Beach $600,000 for sewer services but, as indicated in the report, that figure was under-budgeted by at least $80,000. Town Manager Hoffmann explained the reason was that last year the Town received a credit in that amount from the City of Pompano Beach for past overbilling, but the new Finance Director was unaware of that credit when they prepared the budget. This meant the amount the Town would pay to the City of Pompano Beach in the current year would be closer to $700,000. She stated the

Town had its own personnel costs for the sewer system of about $87,000, and there was a one-time cost of $48,000 to have the sewer system study done. The Town spent $80,000 annually to video the sewer lines and make minor repairs as they arose; $36,000 was spent to operate the pump stations, as they were very power intensive and had sizable electric bills. She noted, though the Town paid the City of Pompano Beach to maintain the pump stations, repair costs were covered by the Town; $25,000 was budgeted for emergency repairs. Town Manager Hoffmann indicated in the current budget, $200,000 was allocated to make capital repairs to the sewer system, a new expense in the budget that had not been included in the Town's budget for many years. $50,000 was budgeted for contingencies or unknown expenses. She remarked if the $48,000 for the study and $200,000 for capital repairs were removed in the next fiscal year budget, the Town's ongoing annual expense for its sewer system would be $1 million.

Commissioner Sasser said the Town was already running close between expenditures and revenues associated with its sewer system. The rationale and goal behind raising the rates was to ensure the Town did not operate that system at a loss, as the Town had been subsidizing those costs through various means in the past. He asked if it was fair to assume if some users' rates decreased, it meant other users' rates would increase, as there were no excess of funds being held by the Town.

Town Manager Hoffmann mentioned the Town had $1.6 million cash in the Sewer Fund. The sewer report indicated repairs would cost $1 million, which meant, minus the $200,000 budgeted for capital sewer repairs, $800,000 for the repairs would come from the $1.6 million. She indicated the condition of the laterals was as yet unknown, and there might be additional dollars required for further repairs in that area. Televac had been instructed to do videos of the laterals this year, rather than of the main sewer lines, to enable Town staff to determine what repairs and expenditures would be needed. She reiterated some unknown portion of the remaining $800,000 would be spent for those repairs. Town Manager Hoffmann added, if the Town made all the necessary repairs, this would reduce the I&I and should result in cost savings in the amount the Town paid to City of Pompano Beach. She also noted the City of Pompano Beach was in the process of raising the Town's rates.

Commissioner Sasser believed the City of Pompano Beach planned to raise the Town's rates by 9.5 percent, and the volume rate would increase by 7.05 percent.

Town Manager Hoffmann affirmed this to be the case, stating the rate increases would take effect this month. Theoretically, any remaining cash could be used to help lower the sewer rates but not for long; once those remaining funds were utilized, the rates would have to be raised again.

Vice Mayor Dodd disagreed with using the City of Pompano Beach's methodology for the Town's sewer rates, as the hotels/motels received no benefits for being larger customers. When the Commission adopted the rates, his concern was that the sewer system in the southern section of the Town might be in need of significant repair and there would be large construction costs. It had appeared logical to apply the City of Pompano Beach's methodology town wide to raise the funds for those repairs, with no

thought it might create such an inequitable situation for the hotels and motels. The rate study recommended by the Town Manager appeared appropriate. Like electricity, he felt water should have a capacity/supply charge, and then a metered usage charge. In this way, those who cut back on their usage would benefit for their efforts; it was unfair to charge by the unit in order to apportion operational costs. He recognized changing the methodology could lead to an increase in some residential rates in order to decrease the hotel/motel rates. He felt that the new rates calculated in adjusting the methodology should apply retroactively to January 1, 2012.

Mayor Minnet agreed the most affected were motels, hotels and condominiums.

Commissioner Clottey agreed employing the City of Pompano Beach's methodology posed a hardship for the Town's hotels/motels. However, she mentioned previous conversations with the Town Manager on the amount the Town had in the sewer reserve fund; using the reserves could result in an across-the-board rate reduction for the Town by over 17 percent. In those conversations, she told the Town Manager that Town staff needed to look towards equity, questioning why the residents to the north should be burdened with paying into reserves for sewer work in the southern part of Town. However, she wondered if, since the residents to the south contributed to the new sewer system in the north, should residents in the north have a responsibility and/or ethical obligation to help pay for sewer repairs in the south on an equal basis. She reiterated the way things were set up at present was very unfair, and sewer repairs should be paid for from the General Fund. The Commission needed to look further into the matter, as it was an issue of equity.

Commissioner Vincent asked if the $200,000 budgeted for sewer repairs included the aforementioned $80,000 credit.

Town Manager Hoffmann said no. She felt she needed to set out a five-year budget as to what would take place as the sewer repairs were done. For instance, the Town staff was told the sewer lines could be televised less frequently.

Commissioner Vincent acknowledged there was a very significant disparity in the charges and rates between the hotels/motels, businesses, condominiums and residences. He asked if there was some way to set up a rebate program for the businesses, condominiums and hoteliers. The savings recognized from the repairs, could be used to offset the high increases and help ease their financial burden. A rate study would be very helpful as well.

Town Manager Hoffmann remarked a rebate program would be a policy decision. She agreed it was clear there were real equity issues with the existing sewer rate structure of charging per unit. Town staff erroneously assumed by using the methodology employed by a large city, such possible outcomes would have been evaluated. She said previous cities she worked for used the meter size method. However, in looking at the analysis, the meter size method would also result in an inequitable system, as under the old system, the hotels/motels and condominiums benefited more than residents. She believed it was time for the Town to develop its own equitable system and throw out the standard methodologies that did not work.

Town Attorney Trevarthen stated Town staff would have to explore the possibility of a rebate program further before expressing an opinion as to its possibility and merits.

Mayor Minnet summarized there was a Commission consensus as to an inequity in the calculation of the sewer rates and that a rate study was necessary in order to analyze and resolve the situation. She was saddened to hear discussion of the south versus north. She thought Lauderdale-By-The-Sea was a unified town. She agreed it was time to move forward, learning from past happenings but not dwelling on them.

Town Manager Hoffmann sought further direction from the Commission on timeliness. In order to hire a rate consultant under the purchasing guidelines, the Town would have to send out a request for proposal (RFP). Another option was to waive the purchasing policies, and negotiate directly with a company for a proposal.

Commissioner Sasser agreed with the need to expedite the process.

Vice Mayor Dodd concurred, stating Burton & Associates did an excellent study for the Town in the past and he had faith in their ability to come up with a beneficial solution to the situation.

Mayor Minnet acknowledged the Commission's consensus to expedite the process for hiring a firm to conduct the sewer rate study.

3. ADJOURNMENT

Vice Mayor Dodd made a motion to adjourn. With no further business before the Commission, Mayor Minnet adjourned the meeting at 8:40 p.m.

DRAFT

_____
Mayor Roseann Minnet

ATTEST:

_____ _____
Town Clerk, June White Date