

The Special Meeting and Public Hearing of the City Council of the City of Panama City Beach, Florida, regarding the Budget Workshop for the Utility Fund, held on September 14, 2017.

ROLL

MAYOR MIKE THOMAS

COUNCILORS:

JOHN REICHARD

JOSIE STRANGE

PHIL CHESTER

HECTOR SOLIS

CITY MANAGER:

MARIO GISBERT

DEPUTY CITY CLERK:

JO SMITH

CITY ATTORNEY:

AMY MYERS

Mayor Thomas called the Special Meeting and Public Hearing to order at 4:00 P.M. with all Council members, City Manager, Deputy City Clerk and City Attorney present.

Councilman Chester gave the invocation and led the Pledge of Allegiance.

Ms. White said she would give a broad overview of the Utility Fund and if the Council had any specific questions about the operations, Mr. Shortt or Ms. Jenkins could answer those questions.

Regarding revenue for the Utility Fund, nothing significant changed. She did include the slight increase of 1% for Water and 2% for Sewer, already approved from the rate study. She also had the Stormwater Assessment increase, approved as part of the Stormwater Assessment Study already approved by Council. There was not anything significantly different other than the \$500,000 capital contribution from Bay County for the Bayside repaving. Those funds were received, non-recurring. Ms. White said cash carry forward for 2017 was \$52 Million Dollars with 2018 as \$44 Million Dollars, all part of the rate plan and the cash on hand for capital projects. She said over the next several years, the unrestricted cash number would continue decreasing as funds were used for the planned capital projects.

WATER

For Water personnel, Ms. White said there was a substantial increase of 15% due to adding five people allocated between Water and Wastewater. She said they would also share the cost of the IT employee. Because the bulk of the City employees were in Water and Wastewater, the cost for the COLA and Merit Increase was a large factor. In Operations, nothing changed except an increase in water purchased from Bay County.

Councilman Reichard questioned the Legal fees and Ms. White explained the Utility Fund was legally separate from the General Fund and bore its own share of legal costs. She explained why the legal fees were all rolled into one in the General Fund. Councilwoman Strange asked the total figure for legal fees and Ms. White said she would have to look. Mr. Gisbert said the majority of legal fees were in the General Fund, about \$500,000, and Ms. White said the fees were within budget. She left the budget at the same amount for 2018 as Staff anticipated the same amount of legal activity. Councilwoman Strange said she thought the City should have inhouse legal. Ms. White said from her experience with other cities, she did not believe it would be a cost savings. Councilman Chester asked about the County and Mayor Thomas said inhouse legal cost them more. The County went inhouse because they had been having problems in accessing the firm at times.

Ms. White said on the capital side, some projects that were planned this year were pushed into 2018. Mr. Gisbert said with the hurricanes, FDEP would be moving slower than normal and grants were probably frozen so he did not anticipate any Stormwater grants being awarded. Ms. White said only one current project in Water and Wastewater was funded by grants.

Mayor Thomas said he had been told that the City's system in Bid-A-Wee was bad. He said it was an old system but the water availability was there. Mr. Shortt said that was correct as the pipes were undersized and rusting from the inside. He continued that \$675,000 was budgeted this year for the old metal galvanized pipe to be replaced.

Councilwoman Strange asked about the proposed condo development and if it would tax Bid-A-Wee's service. Ms. Shortt said for the proposed project, a hydraulic analysis had been run to determine the water and fire demand on the line, and if it did not meet the requirements, the developer would have to upsize the system to meet that requirement without hurting everyone else. Mr. Gisbert said the new project would not be tapping into the neighborhood line.

Councilman Reichard asked why not require the developer to replace the old lines in that area. Mr. Shortt replied that if the individual project did not push over the threshold, it would be difficult to ask the developer to spend the extra funds.

Councilman Solis asked about the utility land for sale and if the projections were included. Ms. White said no because she had no idea what may or may not sell this year and its absolute cost. Councilman Reichard asked about the Bay Point land. Mr. Gisbert said they were not listed yet as the matter was more complicated than originally thought. Mr. Shortt said those two parcels had to go through a public notice period and had not yet been noticed. Signs would be posted and all real estate firms would be noticed that the properties were available. He questioned a real estate fee to the City and Councilwoman Strange said she thought the properties would sell on their own. For the two properties in Bay Point, Mr. Shortt said he would confer with Mr. Leonard to see if it would be noticed to all property owners within Bay Point or just within a certain radius of those properties. He confirmed any sale contract would come to Council for approval. Councilman Solis suggested placing ads in the paper for the smaller lots. Mayor Thomas said he would prefer signs placed on the lots and allow the neighborhood the first opportunity, and then after a month place the ad in the paper.

Councilwoman Strange asked about the leachate, waste hauled for the County, and said the late payments had been decreasing. Mr. Shortt said that item was under contact with Bay County, some years \$75,000 and others over \$200,000. Ms. White said the online payments helped that decrease, avoiding the late charge and improving the City's cash flow.

Councilman Solis asked if the City charged a credit card processing fee, and Ms. White responded no. She said it was a substantial cost but the credit card companies charged the City a reduced rate as a government that did not pass the fee to the customers. She said that was a decision made by the sitting Council when the credit cards were implemented in order to encourage the use of credit cards by absorbing the fee. Councilwoman Strange said that was better for the residents. Ms. White continued that on heavy months during the summer, the fees were as high as \$6,000 per month. However, late payments decreased which improved the City's cash flow. Mr. Gisbert said payment with credit cards also reduced the work for the workforce. Councilman Reichard said it had also been very successful with Homeowners Associations.

Ms. White said one form of payment not currently offered but which Staff would recommend was IVR, integrated voice, call in and pay by phone. She said Staff now was looking into that option but the City was not at that point.

WASTEWATER

For Wastewater, personnel costs increased with two new Maintenance Trainees and a Plant Operator (paid 100% by Wastewater) and a portion of the Water personnel costs. Mr. Shortt explained for the new Maintenance employees, the lift station crews previously worked Monday through Friday but with growth, the new people would allow seven days per week system coverage and not rely on calling someone into work on overtime and have the risk of sewer spill. Mr. Gisbert said this would reduce the overtime with a weekend crew. Mr. Shortt said two people on the water side would also go to weekend coverage. Ms. White explained that she took the same level of overtime and added the COLA and merit factor but did anticipate it would be lower next year.

Ms. White said Fire Department personnel were used for some of the burns at the Conservation Park rather than paying an outside contractor. The Utility Department reimbursed the Fire Department for those costs, and she had \$30,000 in the proposed budget for FY18. Last year's proposed cost was \$30,000 but the cost was actually \$10,000. Councilman Reichard asked if the reimbursement to the Fire Department could be used for anything or if merely a savings to the City. Ms. White explained that the reimbursement went back into the General Fund as a Revenue Reimbursement.

Councilman Reichard said Bid-A-Wee had serious stormwater problems and asked if there would be an opportunity to fix those problems when the pipes were replaced. Mr. Shortt said changing the water pipes would not change the stormwater issues. Ms. Jenkins said Sea Oats had the drainage problem and Mr. Shortt's project would not be on that street. She continued that combining the two projects did not make sense because there were two different areas.

For Operations, there was a substantial increase from \$4 Million Dollars to \$6.8 Million Dollars, the bulk in the Sewer Rehabilitation Project. Mr. Shortt said the project was not replacing the pipes but rather inserting a new liner inside the pipes for \$2 Million Dollars and \$650,000 replacing the piping in the influent pump station at the Sewer Plant. The pipe was originally installed in 2001 and the hydrogen sulfide gas over the years had eaten the steel pipes.

Councilwoman Strange asked about the Miscellaneous/Other, a constant figure. Mr. Shortt explained it was the FDEP required monitoring program at the Wetlands, about \$95,000 annually, basically contracted work. Ms. White said that line item also included IT as well as Bond Disclosure reports due every year. Councilman Reichard asked if the FDEP matter had a five year cap. Mr. Shortt said the Corps did the five year inspection but FDEP had not yet done theirs. He said the site must meet a certain threshold before being released from monitoring.

Ms. White said she also increased the electricity costs because the Sewer side was a heavy user and she did not know next year's rates. On the Capital side, some projects had been completed this year, such as the Edgewater Lift Station. Next year, Bayside Utilities should be competed as well as the Reclaimed on Cauley.

STORMWATER

Ms. White said one new employee was added in Maintenance and employees were allocated between the CRA, Stormwater, and Street Departments. The planned COLA and merit increases added to the additional cost. On the Operating side, the large increase was the Professional Engineering for the basin study, part coming back from Bay County. Ms. Jenkins said $\frac{3}{4}$ of the \$70,000 would be coming from the County. For the Capital projects, some were hopefully to be funded via grants so those projects may be pushed out depending upon the funding. Mr. Gisbert said Sea Oats were listed under Capital Projects at \$500,000 to address the stormwater issue.

DEBT PAYMENTS IN THE UTILITY FUND

Ms. White said these items were the principal and interest payments on the outstanding longterm debt. She said one large increase in the Amended Budget was the payoff of the State Revolving Fund (SRF) #1. This removed \$1 Million Dollars annually for that note. She said at one point, the City had three SRF loans and now only one remained. She said there were three outstanding Bond issues and the 2009 issue was primarily refunded in 2016 but the call date was June 2019 so a few more years of payments were still outstanding. Ms. White said she had prepared a schedule which was placed at each seat. She reminded that it was only the Utility Fund, and the only other was the Bond issue in the CRA. Regarding the SRF #2, several Council members had questioned paying off that loan. The rate was fairly low, less than 2%, and if paid off, it would save approximately \$430,000 over the next ten years in interest payments. Councilman Solis said he had asked the question because he personally opposed paying interest on loans if the money was available to pay the note in full. He said the payoff could generate less paperwork, not affect any projects, and if the Council agreed, another \$430,000 could be saved over the upcoming years. Ms. White said the City had a ratings call next week and current bond ratings were AA- and A+. Periodically, the firm would send the City a list of questions and once answered and then reviewed by the rating firm, the firm would either uphold the existing ratings on the Bonds or downgrade them. She said last year, the Bonds were upgraded. Councilman Reichard asked her what she expected the rating to be now. Mr. Shortt said the Fund was in good financial shape and Ms. White said she expected the firm would uphold the existing rating but added that it was difficult to go up from the City's current rating. She said at the end of FY18, if paid according to the current schedule, the total outstanding principal balance would be \$42,636,000.

Councilman Reichard questioned about the SRF #1 loan payoff. Ms. White said on October 15, 2017, at the next scheduled payment, the payoff would be \$2.8 Million Dollars. Councilman Reichard agreed with Councilman Solis to pay off that loan. Ms. White said \$300,000 was budgeted this year for the normal payment and she did not think it would hurt the Utility Fund to pay off that debt. Mayor Thomas asked Mr. Shortt his opinion on the payoff, stating that it would save a substantial amount of money. Mr. Shortt agreed but stated that the reserves would be heavily used over the next four years, and by the time the rate study was completed, the reserves would be down to about \$20 Million Dollars.

Councilman Solis made the motion to pay off the SRF #2 note. Second was by Councilman Reichard. The motion passed by the unanimous roll call vote recorded as follows:

Councilwoman Strange	Aye
Councilman Solis	Aye
Councilman Reichard	Aye
Councilman Chester	Aye
Mayor Thomas	Aye

Ms. White said she would make that change and obtain a payoff amount.

Councilman Solis said he had met with Ms. White to discuss the large cash areas and meeting with new people to discuss savings opportunities. After that conversation, she received an email from Regions Bank looking at the City's entire relationship. She said years ago, when interest rates were so low and the fees high, the bank restructured the City's aggregate, pooled the interest and removed all fees which could be substantial at thousands of dollars per month. Ms. White said Regions knew the City was shopping with other banks. She reminded that a few months ago, an account had been opened with Ameris Bank. Councilman Reichard asked about the City's relationship with SunTrust and if they could shop other banks for the City. Ms. White said Staff was already looking into this matter and stated she received calls daily from various banks. Ms. White said she would bring information back to Council.

Councilman Reichard asked Ms. Jenkins about the City's attitude going forward concerning the streets that always flooded through no fault of the City. He said at a prior meeting with the Glades Homeowners, the owners had paid only \$47,000 in Stormwater Assessments but the City had spent \$300,000 in their neighborhood trying to correct a problem that the City did not create. He said there was the same problem in Bid-A-Wee. He questioned how this attitude affected the budget since the problems were not being alleviated. Ms. Jenkins explained that historically, engineers did studies which noted the problem areas. Recently, the priorities were changed to areas where homes flooded. The focus was then Gulf Highlands, the Glades, and Sea Oats. Some owners could argue that development occurring around the area would adversely impact the homes. She continued that the City could afford to do these projects over time and she distributed copies of the projected five year project summary.

Councilman Reichard asked if this five year plan would correct the flooding in those problem areas and Ms. Jenkins said she could not guarantee that ultimately the flooding would be fixed. Councilman Chester asked if homes had been flooded on Sea Oats and Ms. Jenkins replied affirmatively in 2013. Mayor Thomas said he thought Gulf Highlands was the worst and Ms. Jenkins concurred.

Councilman Solis asked about the FEMA grant prospects for Gulf Highlands. Ms. Jenkins explained that she had been notified that the award was on hold as of September 5th because of the immediate needs and funding restrictions due to recent hurricanes. She said she spoke to them again today and nothing had changed. Regarding the grant, she explained it was approximately \$600,000 and the City had already received \$90,000 for the engineering and surveying. If the City did anything with this project, those funds would have to be repaid. Ms. Jenkins said more information may be forthcoming in a few months. Councilman Reichard asked if this would affect the pipes going under Front Beach Road and Ms. Jenkins replied yes.

Councilman Solis mentioned a property on Alf Coleman, Surfside Storage, with an expired leaseback and asked about collecting the past due payments. Ms. Myers stated that a demand letter had been sent and the business attorney was in contact to discuss options. Councilman Solis said nothing had been paid for almost two years. Ms. Myers explained that the company had made a business damage claim, and as part of the resolution for that claim, the City allowed them to sit on the land to reduce the cash to be paid. She explained it was a mediated agreement with the leaseback agreement contemplating that they could stay on the land for six years because the City did not have an immediate need for the land. That term expired and the building was unoccupied with trailers sitting on the vacant lot. Councilman Solis said the storage unit had 100 units and questioned whether the City would receive the \$72,000. He mentioned that site had been the area for a retainer pond which might alleviate some of the flooding on Alf Coleman.

Ms. Jenkins said they had looked at that option briefly and the pond site was viable if the road was raised. She said she did not think it would help significantly without the raised road but would look further. Ms. Myers said the land belonged to the City and the business was a holdover tenant. Councilman Reichard said that portion of Alf Coleman was a higher elevation and Ms. Jenkins stated there was a point on the road where it drained south. Mayor Thomas asked if the City built up the road, would it flood the Cabana West subdivision. Ms. Jenkins said the City would have to ensure that there

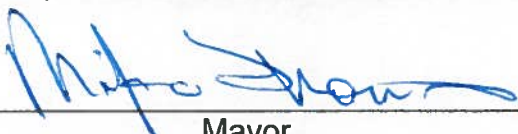
would be no flooding. The Mayor asked if the subdivision used the crown of the existing road and if the City raised the road, how would the water not go into the subdivision. Ms. Jenkins said she said she did not believe the road could be raised higher than their development. However, it was a stormwater review through the County, not the City. Mayor Thomas said if the City built the road higher, it would be a problem with the water going into the subdivision.

Councilman Solis asked if the Council would consider opening another payment plan for those residents connecting to the sewer system. He said he hoped for another opportunity for older homes with poor septic systems. Mr. Shortt asked if he meant specifically the seven neighborhoods converted over the last fifteen years. Councilman Solis said yes. Ms. White mentioned the five percent interest rate charge and putting a lien on the home. Councilman Solis said he thought the 5% was reasonable. Councilman Reichard mentioned the sewer lines placed on South Lagoon paid via the airport fines years ago. Mr. Shortt said the South Lagoon area had approximately 1300 home sites, with \$500,000 from the fines and \$700,000 from the City, and the sewer was built for about 100 homes. He said the last estimate for the entire sewer line would be \$20 Million Dollars, largely due to the roads to be rebuilt. He said the City was not prepared for the remaining 1200 home sites. Councilman Reichard spoke of the low participation at the meeting with the Friends of the Lagoon, and Ms. White confirmed the low participation for the Impact Fee financing. Only sixteen connected to the system. Mr. Shortt said in the neighborhood, there was only 25% connected to the system. Councilman Solis said he had some residents mention that if the sewer was available, they would connect but could not afford without some form of financing. Mayor Thomas said it did not hurt to offer the option as often as possible. Mr. Gisbert asked what time frame was being considered, such as a three month window. Councilman Solis said yes and Councilman Reichard concurred.

With nothing further, the meeting was adjourned at 5:15 P.M.

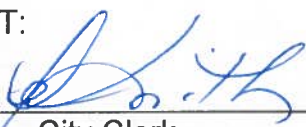
READ AND APPROVED this 9th of November, 2017.

IN THE EVENT OF A CONFLICT BETWEEN THE FOREGOING MINUTES AND A VERBATIM TRANSCRIPT OF THESE MINUTES, THE FOREGOING MINUTES SHALL CONTROL.



Mayor

ATTEST:



City Clerk