

MALABAR TOWN COUNCIL WORKSHOP
APRIL 4, 2005 7:00 PM

This meeting of the Malabar Town Council was held at Town Hall at 2725 Malabar Road. The meeting was called to order at 7:05 pm by the Chair, Bobbi Moccia. The prayer and pledge were led by Bobbi Moccia.

<u>ROLL CALL:</u>	MAYOR/VICE-CHAIR	TOM ESCHENBERG
	CHAIR:	BOBBI MOCCIA
	COUNCIL MEMBERS:	FRANK HICKSON (excused)
		BRIAN VAIL
		STEVE RIVET
	ADMINISTRATOR:	ED BOOTH
	ATTORNEY:	KARL BOHNE (excused)
	ENGINEER:	BILL STEPHENSON
	RECORDING SECRETARY:	CINDI KELLEY

DISCUSSION OF THE MALABAR WATER UTILITY:

Moccia-addressed Council and asked them what would be the first parts of discussion regarding the water utility.

Rivet-stated that out of the options provided to them in their packets, option #3 made the most sense to him.

Booth-came forward and made his presentation. He also informed Council that staff was here to answer any questions that they may have. He would like to do some explanation as we review this information because there is a lot of impact in this. This isn't an action meeting, it is a workshop. The Town will put together, from your decisions, the ordinances, proclamations and resolutions that are needed. The reason we are really here is the Engineer, Bill Stephenson, came to me and stated that we are running the water utility with Carl Beatty, two men and a truck. This was okay when we had two subdivisions. The utilities were fairly new and the truth is Palm Bay does a lot of the maintenance. We are about to drastically expand the system by putting two miles worth of lines down U. S. #1, by putting the lines that are already down Corey Road to Malabar Road, by putting the lines from Malabar and Weber Roads all the way down to Hall Road. This will be discussed further in the Council meeting. With all of the other developments going on, we will more than double our utility system within the next year or two and we have some decisions to make. At that time, we will have more than one lift station that will have to be repaired. These are large structures that have large pumps in them. They have to be maintained regularly. There will be more meter readings, more connections to be made and more repairs that will need to be made. Mr. Beatty does spend some time out cleaning systems and making them operate. We have hard water here, the system tends to clog up.

The sewer systems probably will not expand nearly as much as the water systems. The truth is any time the frontage of a house is more than 100 feet, it's just not economically feasible to run sewer pipes. This is flat land, which means lift stations. We are just not going to get there. We are really talking about an expanded water system at this time.

Once the water system goes south on U. S. #1, there is no doubt that Harris will hook into the water system. This will also expand the system some more. Palm Bay really has, by contract requirements, provided all of our needs. This was a two edge sword for this contract. One is that we are paying retail rates and on the other side, they are required to take care of all our needs. The other is to, and we just have recently, provide them what our forecast is for the next five years. Each year, we will revise this as needed. This allows them to size their facilities as needed. Their growth is going to determine what their needs are. They also want to expand to start providing water in the County as well. This was just offered in a recent meeting. Right now, our system works well and for the next few years, it should continue to work well. The courses of action are as follows:

Action 1 – we could take no action and try to continue to operate the way we are until it falls apart.

Action 2 – we could turn it all over to Palm Bay. Their discussions with Mr. Booth are that, if this is what you would like to do, they would put a surcharge on it and take it over. They can take it over in two ways. The first is to take it over the way it is now or they can bring it up to standards and they would pay for it. There would be some loss/gain, the money that we put into it would be what we get back. If this is the option you choose, then I would recommend that we turn it over to them, period.

Action 3 – is to go ahead and start building the system. This will slowly take place over the next number of years. We really want to get this into place now because the building growth has started now. We would like to tap into the building growth that is there rather than on the other side of it, which would require the rates go up significantly. If we catch it this side, we can grow our system or at least put the monies aside from the impact fees that we are getting. Even at a 10% increase is fairly small compared to what the normal bill is. We would put these funds into a reserve fund until such time as it is needed.

Rivet-if we give it over to Palm Bay, would it be permanently with them?

Booth-yes, it would be a permanent thing, unless we buy it back from them. Opened the discussion up for any questions from Council. Mr. Beatty, who is the operational side of the system, and Mr. Stephenson, who is the technical side of the system, is here to answer any questions from Council as well.

At this time, the meeting was turned over to Bill Stephenson, the Town Engineer, to make a presentation to Council regarding the Water Utility.

Stephenson-your 155 customers will generate \$55,000/year. We are charging the same rate to our customers as Palm Bay charges us for the water. You are basically a pass-through agency. We have no recovery for water used through a fire hydrant or water used through a damaged water line. We don't recover any funds for the insurance costs, billing costs, meter reading costs, or postage costs. The way that we survive is that the base facility charges add up to around \$10,000/year. Our base facility charge per customer is \$8.50. Palm Bay charges us less than this or a base facility charge which is less than what we are charging our customers. In terms of cash flow, we generate approximately \$4,000 to \$5,000 a year. But when we put this on the books against depreciation, we are loosing

money with the water utility system. This doesn't include any of our costs for insurance, lost water, meter reading, billing, etc. This is where we are now. If we raise our base rate from \$8.50 to \$10.00 per customer each month, we will generate approximately \$4,000 to \$5,000 a year. This would be guaranteed funds coming into the Water Utility. If you put a percentage on the water distribution itself, you'll find that about 80% of your revenue is generated from the customers who use between 3,000 to 10,000 gallons a month. There are a few people who don't use much during the month. Some of the revenue comes from the larger customers. It just depends on what you want to do. The deal that we made with PBUC is a two edge sword. We are required to give them a five year projection of water/sewer growth each year. There are some pretty good numbers in the report for Malabar. There is going to be some growth, so if you can actually generate some money. If you want to put an additional connection charge, then you really have to designate a fund to put that money in so that we don't run a foul of the utility regulations and have it designated as a Capital Improvement Fund so that it goes back into helping the system grow. Another thing that was suggested by Mr. Stephenson, which he provided information to Mr. Booth, if we pay \$165,000 to extend the 12" water line along Malabar Road, we should establish a connection charge to capture the outlay of investment. He is going to come to us with an agreement between ourselves to set up a connection charge for people connecting directly to the pipe and also for people who extend that line to a short distance or so within some radius that makes use of that pipe even if they extend the system further so that we can re-capture that money from the customers who benefited or who will benefit from it and have that money available to grow the system. We are going to be in a posture where developers come in and, we currently require them to oversize the facility to what we think is going to be needed and set up a refund agreement so that they can re-capture some of their money over and above what there own needs on their own sites are. They do not make any money on this, but they do have the opportunity for some re-capture. There is no reason why the Town shouldn't do the same thing with our investment. With that, he will stand aside and answer any questions that Council may have.

Moccia-asked Mr. Stephenson if he had a recommendation regarding what the Town should do?

Stephenson-the Town is about 11 to 12 years into the 30 year agreement with Palm Bay. The Town is locked into the retail rates of Palm Bay and we are obligated to follow the rules of the contract. On the other side of that, we have guaranteed water plant and sewer plant capacity. We control our own destiny. You can control the connection/impact fees. Or we could take the opposite approach and be done with it. It should be a source of revenue for the Town. It could be a choice of we aren't big enough and we don't want to be big enough. But if this is the choice that Council makes, then it becomes a permanent decision. If the Town of Malabar wants to be in the water business, then they system should be generating revenue for the Town. If you don't want to be in this business, then you should get out of it all together. There is nothing wrong with getting out of the business, but if you do, then you loose control on several counts.

Vail-this is the reason we're here. The auditors have stated for a few years that the utility fund is losing money. You had mentioned raising the base facility charge from \$8.50 to \$10.00, saying that \$1.50 would help. If we turned it over to Palm Bay, their rate is \$12.82, which would be charged to our residents.

Booth-there would also be a surcharge passed on to the customer as well.

Vail-I hear that other fees are being assessed as far as accuracy checks and water tests, etc. If you say \$1.50 would get us headed in the right direction, what would \$4.30 do for the Town? If we match the rates that Palm Bay is charging, he doesn't feel that would be out of line.

Moccia-then we would still have the control of the water utility.

Stephenson-\$4.30 jump would generate \$8,000/year, multiplying \$4.30 x 165 customers x 12 months. That's based on today's customers. There are seventy-four lots in Stillwater Preserve, that's going to increase your customer base by almost 50% right away. Then there's the construction on U. S. #1, which might add another couple of hundred customers over a couple year period. If you look at it, say three years down the road, when you have maybe 500 customers, then you will eventually generate \$25,000/year in revenue versus \$8,000/year, with a \$4.30 increase. This will put us in a much better financial posture, it's not like we will be squandering this money away, and it's going to go towards the growth of the system.

Vail-this money will be needed at one point to bring in the lift stations and take care of the system. We are not out of line since we're paying retail rates with Palm Bay. Palm Bay has established what their cost to maintain their facility and their cost is \$12.82. Why shouldn't we match their costs and as we gain more customers, we can build the fund? Once the fund is stable, we look good and we have the money needed to repair the system. This would be a good start.

Moccia-hears a breath from one of the Council Members regarding the raising of the rates.

Rivet-made a couple of comments with regards to this. The easiest thing is to turn our water utility over to Palm Bay. However, surrendering our sovereignty is not something that makes a lot of sense. If we surrender it to them, we are not going to get as much attention because we are in a dense area. If we control the building, expansion and maintenance of the system, then the need of our residents will come first. This is a major philosophical reason why we should keep the water utility.

Moccia-this is a good reason. She doesn't ever want to see Palm Bay have control over what we have control over and she believes that the Town's people feel the same way. They wouldn't want to see Palm Bay be able to interject and have complete control if we were to give it up.

Eschenberg-can't argue with this. He has a concern regarding the \$750.00 connection charge that Palm Bay charges. Is this like an impact fee?

Stephenson-yes this is. This pays for a prorated share of the cost of them expanding their water treatment facilities and their transmission lines between the water plant and where we connect. They get all the funds for this, we keep none of the \$750.00 impact fee. Mr. Booth's suggestion of \$250.00 added to this impact fee, for Malabar, is a good idea. This will take place with the new customers. The growth will not affect the existing customers.

Vail-the people causing the expansion to the line will be the ones paying for it? Palm Bay does charge the connection fee, do the other municipalities charge a similar connection fee?

Stephenson-there is a vast range of impact fees. Some communities are \$500.00 to \$2,500.00. It's based on the system and how it was set up. If the systems were built early on and they oversized it early on, then the impact fees will be lower than someone just getting started.

Vail-the proposed rate of \$750/hook-up, the fee would be \$250.00?

Stephenson-the fee would be PBUC's \$750.00 plus the \$250.00, and in his opinion, this would not deter from hooking up to the water line.

Vail-thinks that the Council should review the rates once a year. If it is deemed necessary, the rates can be changed.

Booth-there is one side that has an advance for the community as we expand the utility. It is the housing insurance for homeowners. There is a 9/5 rating, meaning your rate a 9 if you are not within 1000 feet of a fire hydrant, a rating of 5 if you are within 1000 of a fire hydrant. This plays a very important role in the insurance for homeowners. This can make a difference of several hundreds of dollars on your yearly insurance premium. As we get into expanding, it's been our policy not to force anyone to come onto the system, but they will be able to take advantage of this.

Moccia-homeowners have to notify their insurance companies of this information, it is not a given. It is a definite plus for the community.

Eschenberg-it's probably time for the Council to do something about this. The auditors have made mention of this for several years. What bothers Mayor Eschenberg is that the current users, Country Cove and Brook Hollow will need to have these changes explained to them properly. They need to understand that their rates aren't going up to pay for the current growth. The developments and expansions are not going to happen over night, so we need to consider the timing of it all. If you pass the proper ordinance or resolutions within the next month, all the sudden people could get the wrong impression that they are paying for all new growth coming into Malabar. If we wait too long, then we would have to pay for all the growth that has already happened.

Booth-the newsletter is a good tool to make people aware of this. A good example that we can show is that during the hurricane, we have a lift station at Brook Hollow, there was no power there, but the water was coming. That lift station came very close to overflowing. We are going to have to spend close to \$16,000.00 for a generator to ensure that it doesn't overflow. If it were to overflow, that \$16,000 would have been minor compared to the cost of the clean-up and the EPA. Then we would have to levy hefty fees.

Eschenberg-his point was, as long as it is explained properly to the homeowners in these two subdivisions, he believes that they will understand. The system for both of these two subdivisions are getting old, I don't know the age of a utility system, but you need to start thinking of repairs. Explain to them that they have not paid anything, in the past, toward repairs and they are going to be facing repairs on their system, not that it has anything to do with new growth.

Moccia-when an explanation is made, we may want to add that this is something that past Council has put off and it needs to be addressed at this time.

Booth-with a credit to our Engineer, he put in the requirements and standards by the city for the system. Brook Hollow's and Country Cove's systems were put in without standards. The expansion will be better constructed. A good constructed water system can have a 25 to 50 year life, without major repairs. Brook Hollow and Country Cove do not have this life span.

Vail-in response to the Mayor's request of explanation, it can also be explained that this has been a losing proposition and that the Town has been subsidizing the difference out of the taxpayer's money, from the General Fund.

Stephenson-if you maybe set up priority as to maybe:

A. Adopting rule or resolution to recapture of own funds expended and;

B. Connection (Impact) Fees (other than existing customers)

You can then demonstrate, in good faith, that growth is going to fund the needs and that these people will not be paying for the growth. The fixed cost of running the system divided by 300 people as opposed 150 people, would make a huge difference.

Booth-within the fees that we pay Palm Bay, the postage fees have been added into the total costs. Palm Bay Utilities could take over the administration of mailing and collecting of funds if the Town of Malabar wanted them to. Mr. Booth stated that this was being thought about.

Eschenberg-stated to Mr. Booth to give the City Manager of Palm Bay a counter proposal with these fees taken out and we would continue to do what we are already doing.

Vail-asked how many man hours does it take to get the billing in the mail.

Kelley-it takes about eight hours a month.

Vail-we don't have that many hours tied up at this point regarding hours spent on readings and mailing.

Rivet-155 customers are not that many.

Moccia-this sounds like we need to grow a little bit, this is something that Malabar should handle. We are not in the position to make money here, we need to take care of what we have in our community.

Vail-the fund has to be self-sufficient.

Rivet-stated that he has suspicion as to the City of Palm Bay's City Manager stating that he will take care of the mailing and collection of funds for the water utility.

Stephenson-stated that this could have merit. Since we are locked into paying the same rates as the citizens of Palm Bay, it would be feasible for them to take care of the mailing and collection of funds. The City of West Melbourne buys water from Melbourne and sells it to their customers just like you do.

Rivet-doesn't understand the summary of the residential water billing rates. Palm Bay is higher than Malabar's.

Stephenson-the water is the same but the base facility rate is higher then ours.

Moccia-for the next 18 years, we building something strong and by that time, we'll have to repair what we have.

Vail-we should have the funds to do it. Yearly, we can adjust the funds to make sure we have the funds available to make the repairs that may be needed.

Moccia-thinks this is a good investment for the Town.

Stephenson-pointed out that we have a sister city doing the same as we are. The City of West Melbourne buys water from Melbourne and re-sells it to their customers just like you do.

Moccia-what is the next step in this? We need to let the people know, which has been established in this meeting. We need two good faith steps, which would be the adopting a resolution to recapture funds and then also the impact fee of \$250.00, to be added to the \$750.00 impact fee, for the new growth to be paid for. Stephenson-stated that the fee of \$250.00 impact fee is per equivalent residential connection.

Booth-would like to set up this first, the additional \$250.00 impact fee, as soon as possible, as this is coming up very soon. This will not affect any of the existing customers, this would be for the new people coming into the Town of Malabar. As we inform the public, we will come back to Council for an increase in the water rates.

Rivet-stated that this is an excellent idea to handle this in this order.

Moccia-as far as these other stations in need of repairs and maintenance, do we have some information regarding this? Can Council have something in writing stating when the maintenance repairs should have been done? Actually, we've been putting this off, we need a ball-park figure of what the costs are going to be to maintain these lift stations.

Booth-actually, we haven't been putting this off. We have been hiring Palm Bay to come in and do repairs to the lift stations.

Moccia-have they been repaired to standards?

Booth-the repairs have been made to standards. We are building more lift stations and as we build, that in itself takes maintenance. As we move into having our own utility people, they will be trained in the upkeep and maintenance of the equipment.

Beatty-added some additional information to Mr. Booth's statement. Relative to the hurricanes, Palm Bay was so swamped with their own problems, Public Works operated the lift station for the duration. They were on site four times a day manually pumping the lift station. As far as turning over the billing to Palm Bay, this could turn into a nightmare. As far as the franchise goes, if you turn it over to Palm Bay, then they run the show and they may dictate that everyone has to hook-up to the water system. Mr. Beatty doesn't feel that this would be a good idea to give it to Palm Bay.

Stephenson-a good example of what you would be faced with as we grow, Mr. Stephenson has reviewed the preliminary plans for the condos on U. S. #1. They propose a private pump station situated some six to seven hundred feet west of U. S. #1. One of our comments was that if the Town of Malabar is going to have its own utility, this needs to be a public lift station for the community. It needs to be situated adjacent to U. S. #1 and it needs to be put in a location where the general public can use it and connect to it. And it needs to be sized for the community and we need to get a deed from them for a thirty by thirty foot parcel of land so that we own the site where the lift station is situated.

Moccia-as a together thing or do we own it?

Stephenson-you own it outright. Do not have a partnership with a lift station. This is what we can do if we are the utility. If we turn this over to PBUC, then the residents of Malabar are locked in with the decisions that PBUC makes and they won't get to enjoy some ideas that you may have for better serving the public for the same amount of money and outlay. This is one of the benefits of owning and operating the system. On the negative side, we are responsible for the entire system. On the other side, as a public utility, you do a lot of things that benefits the general public. You are able to do this by making your own rules.

Mulucky-1280 US #1-positive comment-something that he has seen work, although not popular, is a water availability fee. This would be in addition to the impact fee. It seems like a crime to charge someone for something that they are not getting or chooses not to get, but the theory is that our property values, as the water and sewer goes past the property, the value of the property goes up whether a person chooses to tap into the water or not. So for no cost to them, they have a benefit even if they have to sell the property to reap the benefit. It's like a carrot on a stick, the carrot is that we want you to tap on because that reduces the cost for everyone, but if you don't, it's okay. But we do want to, through a property assessment vehicle, is the way that he's seen it done, is to have water availability. The justification for that is a Council, although maybe not popular, we've already brought up. If there is a fire hydrant on my property, my fire insurance drops drastically. So I get a direct cash benefit immediately because I'm going to notify my insurance company and let them know this information. So there is a water availability impact, on a positive sense. So as you consider your impact fees, I don't think the one time fee will be a deterrent, it's the concept of time over time. You are going to pay us over time because it's available to you as the property owner. We really do want people to convert to water and sewer and any of us at the end of the line appreciates why water and sewer is a good thing, not a bad thing.

Vail-as far as water availability fees, what kind of fees are we looking at?

Stephenson-PBUC has a capacity reservation charge, as opposed to a availability charge. If you are not ready to put your lines in, you can pay a reservation fee to Palm Bay for a certain amount of lots. You still have to pay the impact fees. They will charge you the reservation fees as well.

Moccia-is this a monthly fee?

Stephenson-stated that he didn't know. He would have to read the agreement. It could be monthly or maybe it's an annual fee.

Moccia-it doesn't sound like Malabar.

Eschenberg-agrees with Bobbi Moccia, it doesn't sound like Malabar. With something like this charge, believes we would have a hard time.

Vail-in lieu of that, the water runs in front of the properties, which makes the property value go up, you're going to get more in the general fund just by the fact that the lines are running along the properties. We, as a Town, are already making out better. Doesn't see where this would be applicable to charge this fee.

Booth-there is a fine amount of water that goes through the pipe, so if you delay and other people build, there could be a possibility, five years down the road, that

there may not be capacity to hook-up. This is something that needs to be considered.

Rivet-this is something that should be considered. He has a negative reaction to this, doesn't think we should dismiss. This is a figure that is set by Council, it can be whatever we want it to be.

Moccia-we are heading in a real good direction. We are not in a race to get anywhere. Let's take it slow and steady.

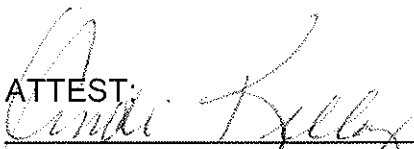
ADJOURNMENT:

This meeting was adjourned at 7:55 p.m.

BY:


Chair Bobbi Moccia

ATTEST:


Cindi Kelley, Recording Secretary

DATE: 5/2/05