

**MINUTES OF THE EMERALD COAST UTILITIES AUTHORITY
CITIZENS' ADVISORY COMMITTEE
WEDNESDAY, JULY 18, 2018, 2:00 P.M.
ECUA BOARD ROOM
9255 STURDEVANT STREET, ELLYSON INDUSTRIAL PARK
PENSACOLA, FLORIDA 32514**

Members Present: Vicki Campbell, Chairman
Larry Walker, Vice Chairman
Deborah Benn
Lois Benson
Catherine Booker
Paul Frederick
Chuck Kimball
Randy Ponson
Louise Ritz
Mike Steltenkamp

Members Absent: Elvin McCorvey
Dale Perkins

Staff Present: Stephen E. Sorrell, Executive Director

ITEM A - INVOCATION AND PLEDGE OF ALLEGIANCE

Prior to calling the regular meeting of the Citizens' Advisory Committee to order, Chairman Campbell requested that Mr. Kimball provide the invocation and lead the Pledge of Allegiance.

ITEM B - CALL TO ORDER

Chairman Campbell called the regular meeting of the Emerald Coast Utilities Authority (ECUA) Citizens' Advisory Committee to order at approximately 2:03 p.m.

ITEM C - ADOPTION OF AGENDA

Chairman Campbell added the following topics to the agenda under New Business:

- (1) Update on Triumph Gulf Coast (TGC) grant request and how to go about that from Mr. Tim Haag, Director of Government Affairs.
- (2) Administrator Review.

A motion was made by Ms. Benson, seconded by Chairman Campbell, to approve the adoption of the agenda for the regular Citizens' Advisory Committee meeting of July 18, 2018, as presented and amended.

Motion carried 9-0. Chairman Campbell stated that Mr. McCorvey and Mr. Perkins were absent.

Chairman Campbell realized the vote was incorrect because there are currently ten members in attendance, not nine. Mr. Ponson stated that he was not logged into the computer system when the vote was made. A second vote was taken by a show of hands, and that changed the vote to the correct number of members present.

Hand vote: Motion carried 10-0.

ITEM D - OPEN FORUM

Ms. Gloria Horning, 310 South Devillers Street, Pensacola, Florida, initially addressed the Committee to speak as an individual concerning security deposits. Ms. Horning explained that during the last Board meeting, the Chairman requested this Committee look at addressing a waiver for established restaurant owners for deposits on opening up new restaurants. Ms. Horning stated that if the ECUA is rolling in so much dough, and they do not need these deposits, the ECUA should reach out to disenfranchised communities and waive their deposits. Especially when she reads the campaign contributions that read as a "who's-who" of restaurant owners in Pensacola. Ms. Horning relayed this is very puzzling and very political that rich people in the community cannot handle their deposits. Imagine what the disenfranchised communities are facing; especially with sewer tap-in's. Ms. Hornig asked the Board to think about that seriously if it is brought up as a waiver for established restaurants so they do not have to give a deposit.

Ms. Horning addressed the Committee as the Vice President, on behalf of the Tanyard Yard Neighborhood Association for her second topic. Ms. Horning stated that the work going on at the ECUA main station is natrocious... natrocious. She has given presentations to multiple public bodies in the community and sent pictures. Ms. Horning relayed that they have algae going down the street and running into stormwater. The pumps started out as two and now they are up to five. The five pumps run 24 hours a day and seven days a week. They hear the pumps all night long. She needs to look at the contract and see if it is plus cost because they do not work every day, but the pumps run every day. She asked Mr. Sorrell if he could go out there and see what is going on. She would really appreciate it, and the community would appreciate it.

Ms. Horning relayed that she got a street cleaner to come out yesterday, and that their sidewalk is covered in water because that is where they are pumping the water - onto a city sidewalk. The sidewalk is as slick as ice and the smell is atrocious. The gnats look like a black wall. Something has to be done about the construction site; it is out of control. Mr. Sorrell said the contractor is installing a vault for the sewer main and it has to be 14 feet deep. The groundwater is three feet deep and they have to dry the pit before they can do any construction work. When water comes in like that, they have to use more pumps. Once that is done, they can do the construction work and fill it back in. The water being pumped out is groundwater, it is not contaminated.

Chairman Campbell asked if they were dewatering it, and Mr. Sorrell relayed they are discharging at the site and it is probably flowing into the storm drain. Florida Department of Environmental Protection (FDEP) and the City are advised. They are supportive and understanding that the contractor needs fourteen feet when there is only three feet. Ms. Horning relayed that she would be more than happy to share some of her pictures.

ITEM E - APPROVAL OF MINUTES

A motion was made by Mr. Ponson, seconded by Ms. Benn to approve the minutes of the regular Citizens' Advisory Committee meeting of June 20, 2018, as presented and amended.

Motion carried 10-0.

After voting on Item E – Approval of Minutes, Chairman Campbell realized the vote was incorrect because there are currently 10 members in attendance, not nine. Mr. Ponson stated that he was not logged into the computer system when the vote (for adoption of the agenda) was made. A second vote was taken by a show of hands, and that changed the vote to equal the correct number of members present.

Hand vote: Motion carried 10-0.

ITEM F - WAIVER OF BIDDING FOR LIQUID POLYMER

Recommendation:

That the Board waive the bidding process based on the prior trials and price quotes, and extend a contract for one year to Polydyne Inc., in Riceboro, Georgia, at the price of \$0.93 per pound for bulk deliveries and \$0.95 per pound for tote delivery, with funding from the appropriate budget line items.

Comments:

Ms. Ritz asked if the totes are recyclable or reusable, and Mr. Sorrell said that they are reusable by that particular company. This is a flocculent used to dewater the sludge.

Several companies try to sell the ECUA things, and ECUA performs tests on the products and make the companies supply the materials. The ECUA found two that work well. This (recommendation) is the cheapest and it works well.

Ms. Ritz asked if it is possible to have a two-year extension on the request for chemicals when dealing with bids. Mr. Sorrell explained that the ECUA tries to get extensions, but companies will not bid a guaranteed price due to the economy and other increases in cost. A two or three year extension is probably not likely on these types of chemicals.

Motion and Vote:

A motion was made by Mr. Kimball, seconded by Ms. Ritz, that the Board waive the bidding process based on the prior trials and price quotes, and extend a contract for one year to Polydyne Inc., in Riceboro, Georgia, at the price of \$0.93 per pound for bulk deliveries and \$0.95 per pound for tote delivery, with funding from the appropriate budget line items.

Motion carried 10-0.

ITEM G - PURCHASE OF THIUGUARD (MAGNESIUM HYDROXIATE)

Recommendation:

That the Board approve a one-year contract extension with Premier Magnesia LLC., effective in September 2018, for the sole source purchase of Thioguard at the price of \$2.49 per gallon, with funding from the appropriate budget line item.

Comments:

Mr. Frederick commented that this appears to be the only option and there is a 6.8 percent increase over the current price, but he asked if there were any other options. Mr. Sorrell relayed that this answer is similar to the earlier item. The ECUA asks the companies to give them the material to test. The ECUA tries to buy the most effective material for the least amount of cost, and this option is the most effective for the least amount of cost. See Note 1.

Mr. Ponson indicated that he sees the 6.8 percent increase in the extension, and if the ECUA buys hundreds and thousands of gallons, which is different than buying tens and thousands of gallons, how would he know what is part of that 6.8 percent. He inquired if there is a simpler way to show what is included in the scope of that 6.8 percent. Mr. Sorrell asked Mr. Randy Sears, Director of Water Reclamation, how many gallons the ECUA uses in a year. Mr. Sears said one tanker is about 4,500 gallons a month, and Mr. Ponson asked if it would be appropriate to include that information in a report (the memorandum). Mr. Sorrell apologized and stated that was an oversight on his part. He said that it is appropriate, and staff will see that it is included in the future.

Motion and Vote:

A motion was made by Mr. Kimball, seconded by Ms. Benn, that the Board approve a one-year contract extension with Premier Magnesia LLC., effective in September 2018, for the sole source purchase of Thioguard at the price of \$2.49 per gallon, with funding from the appropriate budget line item.

Motion carried 10-0.

ITEM H - AWARD OF CHEMICAL CONTRACT FOR ALUMINUM SULFATE (LIQUID ALUM)

Recommendation:

That the Board approve the contract for Aluminum Sulfate to Southern Ionics Inc., the low bidder, in the amount of \$234.00 per dry ton, for one year, with two one-year options to extend, with the agreement of Southern Ionics Inc., and the ECUA Board, and authorize payment from the appropriate budget line items.

Comments:

Mr. Steltenkamp asked if the alum is used continually or only when needed. Mr. Sears relayed that this is used at all three treatment plants, and the State standards are extremely strict and ECUA cannot meet the limits without the alum. The Central Water Reclamation Facility (CWRF) is flow paced, and as the flow increases the alum increases or if the flow decreases, so does the alum. It is used on a continuous basis at the other treatment plants.

Motion and Vote:

A motion was made by Mr. Frederick, seconded by Mr. Steltenkamp, that the Board approve the contract for Aluminum Sulfate to Southern Ionics Inc., the low bidder, in the amount of \$234.00 per dry ton, for one year, with two one-year options to extend, with the agreement of Southern Ionics Inc., and the ECUA Board, and authorize payment from the appropriate budget line items.

Motion carried 10-0.

ITEM I - SECURITY DEPOSITS FOR OTHER THAN SINGLE FAMILY RESIDENTIAL CUSTOMERS

Discussion:

Chairman Campbell indicated that this item did not have a vote, and asked Mr. Sorrell if it is for discussion purposes. Mr. Sorrell related that staff was asked to present the information and the Committee can act accordingly.

Ms. Benson relayed that she was the one who brought this item to the Committee because a businessman in the community brought it to her. The businessman told her that he owned approximately ten businesses, no restaurants, and he has never missed a payment to the ECUA in over 40 years, but he must have a \$2,000 deposit at all times.

Ms. Benson said he also told her that he is losing interest, and he is here to create jobs, but wanted to know if there is a vehicle to waive the deposit once the credit history is established, and he is never late. Ms. Benson thought it was a reasonable request, and she relayed that he did not give her a campaign contribution. She informed the businessman that if she brings this item to the Board, she cannot accept a campaign contribution from him.

Comments:

Dr. Walker commented that if he understood correctly, security deposits for residential accounts are not required after a certain amount of time if there are consistent good payments. Mr. Sorrell told Dr. Walker that he was correct because they are smaller and the Board adopted this policy. For industrial or commercial accounts, because if somebody does not pay, the ECUA could get hurt financially. Dr. Walker said it is a fact that commercial accounts could leave, owing thousands of dollars, and as he recalls the largest failure of a payment was the old Driftwood restaurant. They declared bankruptcy owing ECUA \$12,000 – this was back in the 1990s. He suggested caution on doing away with the security deposit.

Mr. Ponson asked if \$2,000 is the normal deposit for a small business. Mr. Sorrell indicated that it is based upon billing and consumption, but each one is a little different. Some business owners have multiple businesses and it gets complicated because he does not believe ECUA has the mechanism to tie it all together, but to answer the question - it depends on the usage. Mr. Ponson indicated that there needs to be a guarantee that the ECUA will get paid, but it does seem like an obstacle, especially for small businesses. It seems like a letter of credit or bond is a good option for the ECUA.

Mr. Steltenkamp readdressed the subject about waivers being granted to some, but not all, and asked what is basis or criteria to issue a waiver. Mr. Sorrell asked Mr. Gabrielle (Gabe) Brown, Director of Customer Service to approach the podium to address questions about security deposits.

Chairman Campbell clarified if Mr. Steltenkamp was referring to the issuance of waivers for residential, and he said it also included commercial. Mr. Brown explained all commercial customers are required to pay a deposit and it stays on their account for its life history or until the account is terminated. It is a security to have some type of money in case the business falls, and there are several that fall. For residential customers, the Board put that in place after a 24 months of good pay history, their deposit is refunded. Mr. Steltenkamp asked what does the concept of a waiver mean, and Mr. Brown relayed that the ECUA does not waive any commercial deposits. He added that the only entity that does not pay a commercial fee is the school district. Mr. Steltenkamp asked if residential customers got waivers and Mr. Brown replied that they do not, until they establish a 24 month good pay history.

Ms. Benn asked if the deposits are held on the individual accounts, and Mr. Brown said yes, and they receive a small interest percentage that gets credited back to their account every year. Ms. Benn asked if the credit is done automatically, and Mr. Brown stated that the computer system keeps track of delinquent notices. If they have two or more delinquent notices within a year's time, it will stay in the system until they have a consistent 24 month good pay history.

Ms. Benson asked Mr. Brown if most people have a deposit that has been credited toward that debt or has it been waived. Mr. Brown said that for commercial customers, if there is a deposit on file, it normally triggers a red flag for ECUA if the customer pays well, and they suddenly appear on the delinquent notice report. The ECUA will place a lean on the account. Eventually, the account goes into delinquency, they terminate, and that goes towards their final bill. In many cases there is not enough deposit because ECUA charges by the meter size. Other entities charge two and a half times the customer's monthly usage, and that is throughout the State of Florida.

Mr. Brown said that looking at the higher side, he discovered that Orlando (Florida) takes a \$20,000 deposit, keeps it on file, but gives a waiver if the customer has a credit score of 850 or higher. However, if the customer agrees to automatic payment withdrawals they will get that deposit back in six months. All of the entities have strict rules when they have high users because that's where they lose money. Ms. Benson asked if Orlando seemed like a reasonable alternative since it is for people with high credit scores, and if he knew what their experiences have been. Mr. Brown did not know about Orlando's experience, but he reiterated that ECUA customers have three options. (1) Customers do not have to pay cash up front. (2) They can apply for an irrevocable letter of credit or (3) a surety bond. They do have options to keep from paying cash. Ms. Benson asked if it had to be on each individual account, and Mr. Brown confirmed that it is for each account. Ms. Benn stated that it appears customers do have several options to meet the deposits. She asked if the credit score option would entail checking credit scores, and Mr. Brown said yes it would be more cost to the ECUA.

Ms. Benn asked how these deposits are carried on the books, as it relates to accounting. Ms. Patty Sheldon, Finance Director explained that the deposits are put in a separate account and reported as restricted cash on the asset side, and a liability on the balance sheet. They off-set each other, but they are in a separate account. The cash is restricted and called for customer deposits payable out of restricted cash. On the liability side it is payable to customers because that is their deposit money.

Ms. Benson asked Mr. Brown what kind of deposit does Sacred Heart Hospital have and he replied that it depends on the size of the meter. Mr. Brown provided an example that totaled \$7,888 for the security deposit, and Ms. Benson concluded that the deposit is not going to go far. She said this begs the question of whether or not ECUA needs some kind of instrument to evaluate this because when they compare Sacred Heart to a small

mom and pop, the risks are different and the required deposits are different. There ought to be some way to protect ECUA, but have discretion. Perhaps this ought to be reviewed because sometimes small business are making payroll and dealing with day-to-day things and that deposit makes a difference on whether or not they get paid because many businesses make payroll before paying themselves. Ms. Benson said she almost thinks of small businesses as individuals; in terms of water usage. It is complex and hard to compare the two, such as a small body shop and Sacred Heart.

Mr. Brown pointed out that most small businesses would not pay those amounts because they would have either a 5/8th meter, and the security deposit would cost \$118.25 for a one inch meter, and that deposit would cost \$268.50. They can see the difference in extreme high users compared to mom and pops. Ms. Benson said she thought it would be interesting to go through the history and see where the losses have been and how ECUA could protect against those losses; determine flexibility. She stated that she is all about jobs, and small businesses create jobs. She wants to see if there is anything ECUA can do to be business friendly without jeopardizing customers. She would like to find a way.

Mr. Frederick confirmed that the deposits have an interest rate and asked what is the interest rate; ballpark figure. Ms. Sheldon said she did not have that information with her, but it is set by State statute.

Dr. Walker pointed out that the ECUA has a good capture rate on money owed, less than 1 percent of the total, and it is because of aggressive efforts like deposits.

Chairman Campbell asked if many companies use a letter of credit, and Mr. Brown said quite a few use it. Chairman Campbell confirmed with Mr. Brown that if a customer has a credit score of 850, they could get a letter of credit. She believes it is a moot point because businesses have options to get the letter of credit. Chairman Campbell indicated that she would not support waiving any deposits.

Ms. Benson said she appreciates having this discussion and Mr. Brown for being able to answer questions. When people from the community have ideas about how to make ECUA more user-friendly, she will always bring those to the Board. There are ways to learn from the customers.

Chairman Campbell agreed with Ms. Benson that the members have a fiduciary responsibility to bring every matter that is asked of them to this Board for vetting.

ITEM J - PHONE SYSTEM REPLACEMENT

Recommendation:

That the Board waive the normal bidding process based on receipt of a proposal through a Florida-approved contract and accept Verteks Consulting proposal, and authorize the Executive Director to execute the contract for the purchase of the Verteks Consulting with funding of \$303,367 from Capital Improvement Program (CIP) Project CA 605, IT Master Plan.

Comments:

Chairman Campbell asked Mr. John Danne, Information Technology (IT) Director, to approach the podium to discuss this item. She asked Mr. Sorrell if he would like to preface this item, and he said he would start and then pass it over to Mr. Danne, who has more knowledge about the system. Mr. Sorrell explained that the phone system ECUA installed a few years ago is no longer supported by the manufacturer and repair components have to be bought off the secondary market to keep it operational. It does not have functions the ECUA needs for customer service. When the system was purchased years ago, it worked well, but now it is outdated. Mr. Danne found competitive bid contracts with the State of Florida and he is recommending that this is the best way to install a new phone system with the functions needed at a reasonable cost.

Mr. Frederick commented that he noticed staff is selecting the silver option as opposed to the gold or platinum option, and asked what is the difference in cost between the gold and silver options because one has a labor charge and the other one includes labor charges. He asked if there was a significant difference, percentage wise, between the two plans. Mr. Danne replied that there is a significant difference, but does not have the numbers right now. He further explained that staff selected the silver package because it suited the ECUA. The company operates Monday through Friday, and between 8:00 a.m. to 5:00 p.m. It is rare that assistance would need to be outside of work hours and everything will be new. The risk of something failing is very low, and there are a lot of virtual components to the system that do not have moving parts or electronics. Mr. Frederick asked Mr. Danne if he believed that quarterly backup is sufficient rather than the monthly offered by the gold plan. Mr. Danne said the only thing backed up on the phone system is configurations and phone numbers. They do not change a lot. Mr. Frederick relayed that the quote is based upon the probability that the wiring will support the system and asked if ECUA has the wiring to support the system. Mr. Danne said absolutely. Ms. Ritz commented that she noticed the cables would be the expense for ECUA, and Mr. Danne explained the existing wiring will be used.

Mr. Kimball asked if using the Florida approved contract, is the ECUA assuming there will not be a better bid from somewhere else. Mr. Danne said ECUA went to four or five vendors that were on the State contract list, and invited each one to send a quote based upon the State contract price. The second best quote was almost twice as high as the first quote. There was a significant difference in price. Mr. Kimball asked if ECUA did a bid or was it done a different way, and Mr. Danne said they asked for a quote from the

State contract because there has already been a pre-bid. Mr. Kimball verified that they were the lowest bid, and Mr. Danne said they were the lowest quote.

Dr. Walker said two customers contacted him within the past two weeks complaining bitterly about the current phone system because it was an endless loop of recorded voices, and they could never get a real person. Dr. Walker was wondering if the new technology would solve this or is that a policy decision. Mr. Danne indicated that was a tricky question, but he would try to explain it without using a whiteboard. Two phone lines come into the ECUA main building, and each phone line can carry 23 conversations, so 46 in and out-going phone calls can be carried on in this main building. There is also a phone line at the CWRP connected through the network and that is another 23 calls. In total, ECUA can carry 69 phone conversations for incoming and outgoing at any given time. When a customer calls, the phone rings, and somebody picks up the phone - that means one of the channels is available and the phone call can be established. When people say they get the phone ringing for a long time and the answering system picks up, that means there are not any channels available. To add another channel in the current phone system, it is a \$25,000 charge to add another circuit board. The new phone system is a right mouse click, select add, and it is done. The technology is virtual and does not rely on physical connections. If ECUA wants more than 69 channels, Cox Communications would be notified to furnish the circuits, and it would just be another right mouse click. Hardware does not have to be purchased. Last year, when Mr. Brown expanded the call center, ECUA needed to buy another card for the phone system, but they are not made anymore. The card had to be made from scratch, and it cost \$2,800. When they were still available on the open market, it was a \$300 charge for the card. The current system causes physical limitations.

Dr. Walker commented that after the new phone system is in place, the technology barrier would go away, but it will still depend on how many people the ECUA hires to answer the phones. Mr. Danne said at that point it will not be a technology barrier, but staffing availability and the length of the phone calls; those types of metrics. The new phone system has an intelligent business system running behind it, and Mr. Brown will be able to micro-analyze. He can look at phone calls, staffing levels, and the duration of phone calls. The data will be much better than what can be generated currently.

Ms. Benson asked what is ECUA's vulnerability with lightning strikes, what safeguards are in place, and what happens if the safeguards are bypassed. Mr. Danne explained that about two years ago, ECUA got rid of the copper lines and switched to fiber lines. Fiber is not susceptible to lightning strikes. Lightning would have to strike inside the building and hit something that is connected and blow it up. The risk has been greatly reduced.

Mr. Frederick indicated that it seems like the new technology would provide better support for mobile applications (apps) that might be developed in the future. Mr. Danne

said the new phone system has a technology that is invisible to the person calling, and they will not see a difference. The new system will ring to your desk, your cell phone, and your computer. It does not matter which one you answer from, the end user will not see a difference.

Ms. Ritz asked how the customers will be impacted during the training, and Mr. Danne said that from answering the phone perspective, there is not a change. The phone will look different, but the user will still have their headset, receive their phone calls, and answer their calls. There is not any training for the end user that answers the phone. The training is using the system and configuring it. For example, in the call center, when someone calls and says they have a question about water. The phone system goes through a process and routes the phone call to agents who are specialized in answering questions in that subject. When changes have to be made in the current system, IT has to call the vendor, open a support ticket, and it takes days or sometimes weeks before the vendor makes the change. In the new system, Mr. Brown and his staff can make the changes quickly.

Chairman Campbell asked if the phones could be leased. Mr. Danne said they could be leased, but the costs will be higher. The cost of financing and the interest rate is too high. IT discussed that with Ms. Sheldon and the amount of money is too small. Chairman Campbell asked if the technology will be outdated within a certain amount of time, and Mr. Danne said this technology has a lifecycle of about 15 year. There is nothing on the horizon, technology wise, that is in the process of becoming mainstream. This technology is the latest.

Mr. Sorrell wanted to bring up a brief item because he noticed that when Mr. Danne was answering a question using his technical expertise about lightning protection, Mr. Sorrell said he saw some facial expressions, and some people probably did not understand what he was talking about. Mr. Sorrell explained that the ECUA eliminated some old conductors that were copper and aluminum, which was used to transmit the high voltage. Now ECUA uses optical fiber which is glass and it transmits light with a carrier frequency, and it is not susceptible to lightning. ECUA still uses the big conductors for high voltage. Communication and computer systems are being switched over to optical fiber everywhere in the ECUA.

Ms. Benn said she noticed that the new systems support cost will be a lot less than the current system, and Mr. Danne said it will be \$17,000 less per year. Chairman Campbell commented that sometimes when people are angry and they call ECUA, it does not matter if they have to wait one minute or two hours they get upset because they have to wait. She understands, but sometimes it is going to take a little bit because the ECUA cannot hire enough customer service people to answer every phone call when it is at its height, but she thinks this is going to help.

Mr. Danne relayed that a major help in the customer service area will be the integration of the Enterprise Resource Planning (ERP) software. That was one of the requirements for the new phone system.

Mr. Kimball asked what will be the timeframe on how long the system will be down for conversion, and Mr. Danne said it would only take one weekend. Ms. Ritz commented that she noted the time zone change because Ocala (Florida) is on Eastern Time Zone and Escambia County is on Central Time Zone. The silver plan said the vendor would need a four hour notice during normal business hours to make a request. Mr. Danne stated that a technician will answer their phone calls. Ms. Ritz said that is not what it says in the Request for Quote (RFQ), and Mr. Danne reassured Ms. Ritz that a technician will answer. Ms. Ritz asked Mr. Danne if he could get that in writing.

Motion and Vote:

A motion was made by Mr. Frederick, seconded by Ms. Ritz, that the Board waive the normal bidding process based on receipt of a proposal through a Florida-approved contract and accept Verteks Consulting proposal, and authorize the Executive Director to execute the contract for the purchase of the Verteks Consulting with funding of \$303,367 from CIP Project CA 605, IT Master Plan.

Motion carried 10-0.

Chairman Campbell called for recess at 3:08 p.m., and Chairman Campbell reconvened the Committee at 3:19 p.m.

ITEM K - FISCAL YEAR 2019 BUDGET

Discussion:

Mr. Sorrell relayed that this is the third or fourth session where the Capital or Operating Budget has been brought before the members. The Operating budget for the Water and Wastewater budget is relatively small except for the Capital. The driver for that is the Florida Department of Environmental Protections (FDEP) Consent Order on Inflow & Infiltration (I&I). The amount of money spent on the I&I program is eating up the Capital Improvement money and there is not enough money to do any projects. The normal operating expenses are where they should be, near the CPI (Consumer Pricing Index).

The Sanitation operation is similar, the Capital needs are hurting the ECUA because there are about 200,000 cans that need to be replaced because they are all near the 20 year timeframe. They are also \$50 to \$60 a can. Plus, the large Compressed Natural Gas (CNG) fleet needs to be replaced. They were all purchased at one time several years ago, and now they need to be incrementally replaced. The cost is approximately \$300,000 for each individual truck. Again, Capital Improvements are driving this entire budget for Sanitation and Water/Wastewater. Mr. Randy Rudd, Deputy Executive

Director of Shared Services is available to answer any questions about the Sanitation budget. Each department director is here, Water/Wastewater can answer technical questions. Some of the increases are larger than ECUA likes to see, but again, it is being driven by Capital Improvement funding.

Mr. Frederick asked Mr. Sorrell what the ECUA did with the old trucks, and Mr. Sorrell replied that ECUA tries to sell them, and selling them on the internet usually works best. Many people buy them sight unseen. By the time ECUA sells them, they have a lot of miles and hours on them and are not worth much.

Ms. Benson asked what is going to be the procedure today to work through this budget, and is the budget being voted on today. Mr. Sorrell relayed that there needs to be some kind of recommendation to the Board. There has to be two hearings before the regular rate hearings, and there are only two months left. If a recommendation is not made to the Board, we get into special meetings.

Mr. Sorrell said he believes that answers the first question, and to answer the second question about the process, Mr. Sorrell recommends they start with the Water/Wastewater budget since the department directors are here to answer questions. Then, Mr. Sorrell recommended the Sanitation budget be second. Chairman Campbell asked to ensure that was amenable to the Committee and everyone agreed.

Recommendation:

That the Board approve a 6 percent rate increase for the Water/Wastewater budget.

Comments:

Ms. Ritz inquired about the progress on the antiquated water lines downtown since new development continues to occur. Chairman Campbell confirmed that this is the start with the Water/Wastewater budget, and relayed this is good. Mr. Sorrell said ECUA is replacing the lines as much as possible. Some of the lines were replaced after the flood last year. They clean and test the pipes, but Mr. Sorrell cannot say they are replacing a lot of antiquated water lines. If ECUA had more money, they would. There is about 30 miles of galvanized pipe that has been underground for many years, and galvanized pipe corrodes. There is not sufficient funds to replace it on a wholesale basis, so it is being replaced on an as-needed basis. There is a sufficient water source downtown.

Ms. Benson said she wished department heads had measurable goals. For example, reduce dropped calls by 10 percent. The Finance did a great job; they are numbers people and what they did with theirs really helped her. The other thing that would be valuable is the ability, quarterly or every six months, to see where ECUA is on those goals. They never figure out if they reached the goals or how good they were. This document is a main policy document for the ECUA and where money is spent reflects their values.

Mr. Ponson stated he would like to add to Ms. Benson's comments because that exercise may be resistant for people to do, but it helps drive a department. That exercise is worth doing; it helps people know where they are, where they were, and where they are going.

Mr. Kimball inquired about the Regional Services Overtime Budget as it relates to the items that went out in the question and answers. The overtime line item for 2018 was \$324,000 budgeted, but it was twice that. This budget has it at almost ½ a million dollars (\$500,000). Is there any way to schedule differently or hire part-time staffing because the answer did not really address the question? Does the ECUA really have to budget over a \$1 million a year for overtime due to the workflow? Mr. Brian Reid, Regional Services Director said the Water/Wastewater system is growing. They have not added additional personnel. There are maintenance issues that have to be addressed and requires a certain amount of time that becomes overtime. There are also emergencies that happen after hours. Regional Services have identified some places that they believe they can save overtime by scheduling, but there is a certain amount of overtime that has to be worked. Mr. Kimball asked if these are realistic numbers, and Mr. Reid replied yes, but a little bit of it is a goal.

Ms. Benson asked what the increased number of employees for everybody (meaning all departments) for this year compared to last year, and how does that correspond to the increased number of customers.

Mr. Sorrell replied that this budget includes three new employees; two in customer service answering calls and one in IT to manage the new networks. The vacation time and leave time takes a toll on people answering the phones. The network is getting so big and complicated, and Mr. Daane explained earlier why a network specialists is needed. Ms. Benson asked for a follow up on the second part of the question asking about the growth in customer base. Mr. Sorrell said there is approximately an increase of 2,000 customers in Sanitation, and that 2,000 is also the estimate in Water/Wastewater. In Sanitation, for every 1,000 customers, ECUA has to add a new truck and a new employee.

Ms. Benson noted that ECUA has had some pretty high-profile retirements of people that rose through the system that were highly paid, and asked if the compensation level stagnates because new hires are not at that level, meaning total salaries being paid out. Mr. Sorrell replied yes, he tries to watch that and report it to the Board occasionally. The overall compensation was down a bit due to what Ms. Benson just said. Mr. Bill Johnson just retired and Mr. Stacey Hayden is taking his place and he will be paid at a lesser wage. Mr. Ned McMath will be down to three days a week in October and that job is not being filled. Both Mr. Don Palmer, Deputy Executive Director of Engineering and Environmental Services and Mr. Gerry Piscopo, Deputy Executive Director of Maintenance and Construction have assumed parts of that job. Mr. Steve Holcomb,

Director of Wastewater Infrastructure will retire in approximately nine months and the ECUA will not refill that director's position. As you can see, staff is trying to consolidate these positions and keep the wages down.

Ms. Benson asked if there have been any positions difficult to fill because of competition from the private sector. She asked if this is a budget that will retain talent where ECUA needs it. Mr. Sorrell identified Commercial Driver's Licensed (CDL's) drivers, professional engineers, and instrument (I/E). The I/E is electricians and electronics people. All of these employees are very hard to get because of the private industries in shipbuilding and aircraft building in the Mobile, Alabama area. Those private companies are paying two to three times what ECUA is paying. Those industries do not offer the benefits like ECUA, but the employees are not looking for benefits, they are looking for the wages. The technical and professional positions are where the ECUA is having trouble filling positions.

Ms. Benson inquired about opportunities in the future to downsize the employee base. For example, when automatic meters were implemented, and meter readers were eliminated. Mr. Sorrell replied the ECUA is people driven, it is a service and maintenance oriented organization. The system is growing and the pipes are getting older, and a lot of new systems are being implemented. Mr. Sorrell said he does not see anything on the horizon like ECUA saw with the meter readers. If anything, ECUA is having to add employees to maintenance and I&E. He believes ECUA is where it should be with engineers, but if they lose one, it is difficult to replace them.

Ms. Benson asked Mr. Sorrell about when he goes to the department heads does he give them some incentives for cost cutting, and are there incentives where ECUA can cut costs, but not service.

Mr. Sorrell related they get a lot of encouragement from him to do so and there are a couple of initiatives to cut cost. For example, if they are able to save money towards the end of the year and there are things they need, they may be allowed to buy them. For example, Mr. Reid is always needing some kind of special equipment for maintenance or needs to replace something. If they can save money by other means through the year - they are usually allowed to buy what they need without using Capital money. That works well. Another example is overtime. If staff can do a cost benefit analysis to see where hiring employees will save money, then the department will do that, but it will never be a cost increase that the Board will have to consider. It is always an equal or lesser cost.

Mr. Steltenkamp asked about the monies mandated from FDEP and inquired as to how long will it take to comply with the Consent Order; how many years out is the projection. Mr. Sorrell said that was a difficult question to answer because the ECUA is just now getting heavily into that particular program. The Consent Order was originally for 15

years and the ECUA is into it about six or seven years now, and because of the cost ECUA is being exposed to, staff has asked to extend that out to 25 years. Instead of going the additional ten years, ECUA asked FDEP to extend that an additional 25 years. If they agree, ECUA might be able to afford it and still operate and not cause rate shock to the rate payers. Staff believes it will take another 25 years at \$10 million a year or more to manage this. If FDEP comes back and says no, the ECUA has to complete the program in ten years, ECUA will be in a difficult position because the rates are going to have to go sky high in order to fund the Consent Order. The local FDEP office does not want to see that happen, but it the matter is currently being considered at the State level.

Mr. Steltenkamp asked if it was correct (in assuming) that the monies set aside for that (Consent Order) puts ECUA at risk, and some of the other Capital needs for the other facilities just to maintain them or keep them operating at full efficiency? Is ECUA taking risks elsewhere in Capital Improvements in the system because of monies set aside for the Consent Order? Mr. Sorrell said the answer is yes. Staff has to prioritize projects every year. They spend many hours, and go through many meetings trying to prioritize and figure out what ECUA can afford and what has to be done first. For example, some of the biggest issues are the needs to eliminate septic tanks, install new sewers, and install new water lines where the old water lines are located. ECUA does not have the money to do those things and it is because of the I&I program. Please do not misunderstand, the ECUA is an old system that was built many years ago by others. In general, ECUA has to maintain it and it is very expensive.

Mr. Steltenkamp asked if the ECUA has staff dedicated towards regulatory affairs in terms of reaching out to the people in Tallahassee (Florida), to communicate the concerns and the needs. If the debate about the extension of this time frame has been approved at the local level, but it is going to Tallahassee, who makes that communication, request, or case? Is it the ECUA? Mr. Sorrell explained that it is generally done by the local office (meaning FDEP), not the ECUA. Staff does communicate with the officials at the State office level, but that is really out of the area of staff's expertise. Staff does communicate with the local officials and make their case to them, and they normally support the ECUA, and the ECUA relies on them as well. Mr. Sorrell said that if it gets to the political level, he would ask the Board to communicate with the local delegation to see if they could do something. Mr. Sorrell said that in this particular case, he is waiting and thinking an approval will come from FDEP; it would be unusual if it did not. If they come back and say no, not 25 years, but 15 or 20 years, it would still hurt quite a bit.

Ms. Benn asked in reference to cost savings within the departments, if there are any cost saving incentive programs offered to employees of the ECUA? Mr. Sorrell said yes, a former Board member, Mr. Watson, initiated that program and a number of employees have taken advantage of that program and been given different awards. Ms.

Benn also related that she appreciated the Customer Service Performance Metrics being added back as an Informational Report.

Ms. Benson asked if ECUA was being aggressive about pursuing grants. Chairman Campbell and Mr. Sorrell said that was a great question. Mr. Sorrell relayed that there is a new person on staff, Ms. Glenda White, and that is what she does almost every day. Mr. Sorrell said grants are very difficult for a special district utility company. ECUA is not a government of general jurisdiction so ECUA does not have the normal ability to get these grants. The ECUA normally has to go through the County or State. The Board will see where the ECUA just got a grant for some water system hydraulic improvements through the Army Corp of Engineers. They notified the ECUA yesterday (Tuesday, July 24, 2018) that they had some additional money left over and notified the ECUA that they are eligible. This is a 50 percent grant.

Ms. Benson questioned, if the Board approves the rate increase for Water/Wastewater budget, how does ECUA compare to other utilities within Escambia County and the panhandle. Mr. Sorrell said he is not sure if he could answer that question correctly, but he believes the answer is that the ECUA rates would be less when compared to other small utilities around such as Farm Hill and Gonzalez. The ECUA's wastewater rates are going to be more towards the top end because of the expenses with the three big plants. That does not mean ECUA will be higher, but ECUA does provide a higher level of treatment. All three plants are AWT plants, and most people do not know what that means, but that is Advanced Wastewater Treatment (AWT), which is the highest level of conventional treatment that you can get. It is sort of an apples and oranges comparison, but Mr. Sorrell believes the ECUA will be very competitive. Ms. Benson asked if the Board could get copies of water and sewer comparisons, and Mr. Sorrell stated that he believed between Ms. Sheldon and Ms. Nathalie Bowers, Public Information Officer, they could get that information fairly quickly.

Dr. Walker commented that ECUA has made a concerted effort over the last 20 years, starting in the year 2000 to reduce the number of septic tanks in the south end of the county through the sewer expansion program which takes some homes off of septic tanks, and through the Benefit Unit program, which restricts the number of new septic tanks. The combination of these was supposed to gradually, but significantly reduce the total number of septic tanks in the south end of the county. Dr. Walker would like to ask staff if they could provide the Board with how many septic tanks are in that designated south end of the county today as compared to 1998 or 1999 to see if the ECUA is still getting rid of tanks.

Chairman Campbell asked when the ECUA might have an answer from FDEP and Mr. Sorrell said he is not sure because they have had that request for a few months. He knows that if they deny the request, it will be very expensive, and the ECUA would have to modify the budget and assume additional debt.

Chairman Campbell commented that legal fees are high, and asked Mr. Sorrell if staff has ever looked at in-house counsel, with the use of outside counsel for specific issues. Mr. Sorrell related that the general counsel for the ECUA works for the Board so he generally does not analyze things where the Board has total control. Mr. Sorrell recalled that about five years ago, a management audit looked at that by reviewing the fees from the general counsel and all of the attorney fees that ECUA has to pay for everything else because one attorney cannot do everything. There are attorneys for different cases, litigation, and personnel matters. The audit stated that the ECUA was following the most cost effective way at that time. Chairman Campbell asked Mr. Sorrell to provide a copy of that information so every Board member has it. She also asked if staff has looked at contracting out service versus paying overtime. Mr. Sorrell replied that staff looks at that all the time. For example, at the MRF, the ECUA is using day laborers because they are less expensive. The ECUA tries to use inside engineers for engineering because some engineers charge \$200 to \$300 an hour. Staff tries to determine which is the least expensive way.

Dr. Walker asked if the ECUA could have the five year audit for 2019 look up the topic of legal expenses, and evaluate whether ECUA's are too high, too low, or just right. Chairman Campbell commented that she believes it can.

Mr. Steltenkamp went back to the 6 percent increase and asked if the 6 percent rate increase was approved, what kind of reaction would the ECUA expect from the public? How does that compare to previous increases required and does staff expect a strong reaction from the public on that. If the answer is yes, because Mr. Steltenkamp stated he sees some heads nodding, is there a value to prepare (in advance) a communication package that could be distributed or shared? One in which all, including staff and stakeholders of the ECUA, can use to get a message out as to why this increase is imperative.

Mr. Sorrell related that there will be an outcry from some of the public if the rates are increased. A 6 percent increase for the ECUA is not much on a bill; whereas 6 percent on Gulf Power is a huge amount. The ECUA always tries to relate the amount of the increase (percentage wise) to the dollars and cents because it is relatively small. It is usually \$1.00 or \$2.00 a month. Staff can prepare a communication package and explain everything that ECUA will be doing.

Mr. Steltenkamp said that in the same context he was thinking about a public affairs plan to make sure the public fully understands; to help mitigate what might be negative reactions.

Ms. Benson said that as long as the ECUA stays within the CPI, they are pretty safe. Once they go beyond that, they get the outcry. She thinks that with the needs the ECUA has for infrastructure and sewer expansion, they can build a case because most people

understand they have to take care of the infrastructure. The problem the ECUA has is the settlement in the Bear Marcus case. She believes it is going to be a public relations obstacle in going above the CPI, and if that had not happened, the ECUA could perhaps go out to the public and make a case. Ms. Benson believes that is a serious problem for going to them for a rate increase because it will be seen as the ECUA having frittered away \$1 million, and then coming to the rate payers for a rate increase.

Dr. Walker said to respond to Mr. Steltenkamp, yes, it will be an outcry, which will mainly consist of people saying their social security benefits have not gone up 6 percent and their Medicare benefits have not gone up 6 percent. Dr. Walker stated the background issue to him, in contrast to what Ms. Benson said, although she is correct, is that the ECUA created Capital Improvement Fees last year. These fees were substantial and the public is going to say that the ECUA told them they would not have to increase anything after that. Well, the ECUA did not tell them that, but they will think that, and that is going to make it difficult. The next two years, may be a time when the ECUA sees some new Board members elected, but the ECUA has no choice, but to do what has to be done; to do the right thing. The ECUA has to comply with the Consent Order and meet the basic needs of the community.

Mr. Steltenkamp reiterated his point is that the ECUA may need to make some preparations for a communications plan or public affairs campaign that points out exactly what Dr. Walker just said to make it perfectly clear to the public. It will not eliminate the outcry, but it could help with mitigation. Maybe stakeholders, like FDEP, can reinforce the importance of Capital Improvements that are under way or required.

Mr. Ponson stated the public relations campaign has got to be done, but the fact is there is a 6 percent increase on a 30 percent need, and the ECUA is not remotely touching the need. Mr. Ponson stated that until he was elected to this Committee, he had no idea what they were looking at as a community over the next 15 to 20 years. He looks at that \$150 million list of serious priorities, and the ECUA can only get \$40 million. No one likes it, and there is a bunch of hysterical people who want to comment on half information, but he also believes there are a lot of people that want to see that the infrastructure is taken care of. It is hard for an elected official, but he gets it because the 6 percent does not touch it, that is not even staying afloat.

Ms. Benn said she agrees with Mr. Steltenkamp and Mr. Ponson that a communication effort is needed, and it is important to divide that 6 percent into what it is meant for, and that is 3 percent into the I&I, and the other 3 percent for operating expenses and increases. It is important to keep those issues before the public. It (meaning percentage) is separated so they understand the difference and the ECUA needs to beat that drum about the State ordering the ECUA to do this because this has been going on for some time. Maybe the ECUA should have been preparing the rate payers a long time before this so it is not such a shock to the individual rate payer each month. They see

these as big fees, somewhat in their minds, because the ECUA had low rate increases for years, and now they have seen some significant ones. Ms. Benn believes they are going to see some more significant rate increases.

Ms. Ritz said she has seen a lot of information going out through both the wonderfully put together annual report, and she recently looked at the Customer *Pipeline* which listed the Capital Improvement Projects on the back for 2018, and she is hoping that the consumers are reading this information. Ms. Ritz was wondering if there was any way Mr. Jim Roberts, Education Program Specialists for Fats, Oils, and Grease can promote information with the Quench Buggy. He could promote the information the Committee has been discussing because it is going to be critical because people are going to be upset and there needs to be a pre-plan in place. There are often times where she wonders if people take time to read these pieces of information. She was wondering, thinking out loud, if a survey would incorporate the ECUA in a positive light because surveys can be written in different ways to prove a point. Again, there is already information going out about the Capital Improvements. Ms. Ritz inquired if the ECUA still has television (TV) ads or looked at the consequence of revising them because they have done a good job on water.

Chairman Campbell told Ms. Ritz that she believes the ECUA staff has heard loud and clear that the Committee and Board want the message to go out explaining what the ECUA did in 2018 and their plans for 2019. Chairman Campbell said she personally does not believe anyone reads the Pipeline, and she thinks it is atrocious that this is a recycling group and the ECUA still sends out paper. She is going to once again push for social media because the world lives by social media. There has got to be a way that the ECUA can press an issue out on social media without getting responses or feedback because she knows if ECUA asks a question, they would get a million responses. Chairman Campbell said there is no better way to get out a point than to put it on social media. For example, she could hand out the flyer (meaning the Pipeline) and she may get three people to call her about it. She could post it on social media, and have over 100 comments within one hour's time. Again, she really wants the ECUA on social media.

Dr. Walker said he is referring to the Water/Wastewater budget, not Sanitation or MRF. The Water/Wastewater budget is proposing a 6 percent rate increase, and he takes it that the future, namely the next fiscal year, depends on what FDEP and EPA tells ECUA on whether there will be an extension of time. Dr. Walker asked if there is any way to guesstimate what kind of rate increase will need to be looked at in fiscal year 2020 after enacting this 6 percent rate increase in 2019.

Mr. Sorrell replied he believes the answer is yes because ECUA conducts five year projections. It would be included in that, and clearly it is driven by what FDEP does on the Consent Order mandate. Right now, the ECUA is moving ahead at this pace, which

is expecting an extension. Mr. Sorrell relayed that he thought staff had already presented it, but will provide it again. Dr. Walker asked if that was a 6 percent rate increase every year for the next five years, and Mr. Sorrell replied 5 percent.

Ms. Benson said she did not see anything in the budget about the website, and she has been strongly encouraging that the website needs to be upgraded, as well as social media. If the budget reflects their priorities, the ECUA needs to do something about the website. She would like to see that happen. Ms. Ritz chimed in to say that it also depends on the age category you are addressing. She said her age group likes using a paper copy so she can go back and make notes. Ms. Ritz said the old schooler's sometimes have eye problems with reading from these little things that fit into your hand (meaning cell phones). All sorts of media can be addressed based upon the age you are targeting. Chairman Campbell said her office has been paperless since 1999, and it can be done. It is a very big cost saver, and a lot of money can be saved on printing.

Ms. Benson asked Chairman Campbell if there was a motion, and Chairman Campbell replied that there was not a motion yet.

Chairman Campbell said she had wanted to add another comment and that she liked Ms. Benson's comments about grant writing and she does not believe the ECUA is doing all that can be done to ask for Triumph funds and there needs to be a hard push because this is a one-time golden opportunity and the ECUA owes it to the rate payers – to beg, borrow, and plead. Chairman Campbell also relayed that she heard it is a very difficult task to put in for that, and if ECUA needs to hire someone from the outside she would vote for it 100 percent. It is a lot of money and she has seen lists that Mr. Haag shared with her that showed other counties getting sewer expansion money and she would like to see ECUA get paid for sewer expansions. She heard someone running for County Commissioner talking about the business sector on Navy Boulevard and she questioned if anyone had asked for Triumph funds for septic to sewer funds because how are they going to get businesses on Navy Boulevard when there is not any sewer. Again Chairman Campbell reiterated that she feels the ECUA has not done enough. She knows one of the Commissioners got money from the State for Innerarity Point. There is money out there and ECUA needs to go after every dime and penny for the rate payers and she would appreciate every effort from staff.

Ms. Ritz commented that she believes Mr. Sorrell shared the situation with the Committee about Triumph and she asked if he would share one more time regarding people speaking and ECUA representatives who have attended meetings. Mr. Sorrell said he believes the best person would be Mr. Haag since he is ECUA's representative. Mr. Sorrell said he knows there are parameters associated with it. Economic development is a huge factor when considering Triumph funds and most people do not consider sewer as economic development. Yes, it could precipitate jobs, but it is not a

big factor in job development. That leaves ECUA out in the cold most of the time and Mr. Sorrell asked Mr. Haag if that was an accurate statement.

Mr. Haag addressed the Committee and explained that TGC is a special arm of the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act (RESTORE) process that resulted from the Deepwater Horizon Oil Spill from 2011. TGC was specifically established to handle economic damages from that oil spill. The TGC Board is the last of the RESTORE money to get in process, and they issued their first grant six months ago. They had a meeting today and Mr. Haag reviewed the agenda. What you see is predominately consideration of grants for workforce development, industrial parks, ports, and airports. Mr. Haag stated that he has not seen the first Triumph dollar go toward a sewer expansion project. Most of the RESTORE Act dollars go into that direction. The first year of funding for the TGC process was set up at \$300 million. The total dollar amount of grants to date that they have awarded is somewhere around \$80 million. So there is still room for project applications. The project application process is much more stringent and drawn out compared to the RESTORE Act process, and outside help probably would help. They are looking for detailed analyses of economic benefits for each project that is submitted. Chairman Campbell asked if it was like an Impact grant because the better it looks, it gets better funding.

Mr. Haag explained that some of the RESTORE grants are 100 percent, and the TGC grants require a match. That is also one of the things ECUA has to coordinate with the Finance Department because every time a grant carries a required match it impacts the budget.

Chairman Campbell commented that if the ECUA asked for a \$3 million grant for septic to sewer conversion there might be a \$3 million match, but that would give ECUA \$6 million. Mr. Haag said that is correct.

Mr. Frederick said he does not see how anybody could possibly say they are going to have an airport, but not pay for the necessary sewer facilities. It does not make sense. Mr. Haag explained that the airport projects he has seen are improvements at existing airports.

Chairman Campbell asked Mr. Haag if he knew of any outside sources that are helping these other Counties with their Triumph requests. Mr. Haag said he knew Dr. Harper, as she mentioned earlier, has provided some assistance and he believes University of West Florida (UWF) has also provided some assistance. Mr. Haag said he represents ECUA at the FloridaWest Economic Development Alliance Board and he believes they are helping with some of the analyses, so there are some outside resource that ECUA could call upon.

Mr. Steltenkamp said he had one final thought. There is a 6 percent rate increase for this year that is proposed, but there is a real likelihood that another 5 percent next year, and another 5 percent after that. If you extend this out, it is about 30 percent. If you add this up over the next several years that is a significant increase and requires a major effort to garner support for what may be out there in terms of grants or Triumph. Mr. Steltenkamp said why not think big and ask for a lot. Don't break it down and ask for a small amount for this project or a small amount for that expansion. Consider what is facing the community and the people that will be paying for this; think big. If ECUA asks for a lot maybe they should recruit politicians locally, regionally in Tallahassee, and at the State level. Have a concerted effort to put together a game plan. ECUA may want to ask for a large amount, and not just with Commissioners, but include City officials, State officials, federal officials, and maybe senators.

Dr. Walker said that if ECUA cannot get money for basic functions, such as water, sewer, and sanitation, ECUA may want to consider going global and think in terms of getting money to help finance environmental actions; such as the anti-plastics movements.

Mr. Haag related that ECUA staff have been attending the TGC meetings for over a year, and there has been on more than one occasion at least one of the Board (TGC) members to express a reluctance to fund projects that traditionally are the responsibility of a utility, such as maintenance and upgrades. There is a negative slant when these projects are considered, and the ECUA's best shot is to look at joint projects. The ECUA currently has two projects they are tossing around with the County relative to a joint sewer expansion project along with their stormwater expansion. One is the Brownsville area and the other one is the Navy Boulevard area.

Chairman Campbell said that is wonderful and asked Mr. Haag if there was anyone from Escambia County on that Board. Mr. Haag said no, the closest locality is Gulf Breeze (Florida). Chairman Campbell commented that Escambia County is the largest county affected, and no one on the Board. Ms. Benson agreed and said yes, that is right.

Ms. Benson said she wanted to say one other thing. She related that sometimes Mr. Steltenkamp misses meetings, and every time she feels his void because he comes up with ways of looking at things that she has not thought of, and his idea about going out with public relations is so important. The ECUA has not created an urgency about infrastructure needs. When ECUA had the crisis on the Main Street plant, the ECUA went to the public, and they bought in; and said they were behind the ECUA 100 percent. The State came in, the City, the County and the people of this community; ECUA did something that everybody said could not be done.

Chairman Campbell said she liked it and hopefully ECUA can figure out a way for social media to help make it work. She also said that maybe the ECUA could figure out some pieces to put out to the public because when she talks about the Consent Order, 99.9

percent of the people have no idea what she is talking about. She believes the ECUA has told their story very well about recycling and the water quality. Now, it is time for the ECUA to get their message out about the infrastructure. It is not just the Board here, the utility belonged to the City and County before so it is everybody's issue.

Mr. Frederick stated that the ECUA should tie the repairs that need to be made to protecting the environment because that is a key element to any discussion today.

Motion and Vote:

A motion was made by Dr. Walker, seconded by Ms. Benn, that the Board approve the portion of Item K that pertains to the recommendation of a 6 percent increase in the Water/Wastewater budget. Chairman Campbell verified that Dr. Walker's motion, which was seconded by Ms. Benn, is to approve a 6 percent increase in the Water/Wastewater budget was accurate.

Mr. Steltenkamp agrees with the 6 percent increase, but wants the ECUA to at least think about the possibility that the price is going to get higher each year. He believes there will be a communication or public affairs issue with the public every year. Why not bite the bullet and ask for 25 or 30 percent right off the bat. That may mobilize the efforts the ECUA might need, to mobilize some grants and support. Otherwise, the ECUA is going to be asking each year. To draw attention to urgency of the issue, an alternative other than 6 percent might be something like that. With that being said, he supports the 6 percent.

Dr. Walker stated that he would be willing to go along with Mr. Steltenkamp's idea of a 25 percent rate increase, and he actually voted for one back in 1990. The ECUA needs some preparation done before that, some of the public relations work that has been talked about. If the ECUA did one year of serious public relations work to set the stage, they could be as successful as they were with the Main Street plant (referring to the plant relocation after Hurricane Ivan in 1994).

Mr. Steltenkamp indicated that if the ECUA did have a significant rate increase, they would see a tremendous increase in personal responsibility toward reducing the usage of the facilities. Mr. Steltenkamp said there are people who water their lawn when it is raining, and he believes there would be a reduction in waste if the ECUA made that increase.

Ms. Benson said that when she plans on voting no she likes to tell people that she is going to vote no. Everything that is said here, the ECUA needs the infrastructure improvements, they are needed desperately, and she understands that. She believes right now that there will be a temporary backlash given the other things that are going on. She is going to vote no, but she is not one of those knee-jerk, no rate increase

persons, but she is concerned about everything else going on, and she cannot support a 6 percent rate increase.

Dr. Walker suggested that one alternative to an across the board 6 percent increase would be to have a rate structure in which heavy users pay much more per gallon than small users. The ECUA has talked about it before and he does not think it has been done with residential, but he believes they could. It would result in lower rate increases for the smaller users.

Ms. Ritz stated that she believes the motion on the floor leaves out the budget for Sanitation and the MRF. Chairman Campbell explained that they are being voted on separate from Water/Wastewater.

Chairman Campbell asked Mr. Sorrell if he could address Dr. Walker's comment and see if that is an option. Mr. Sorrell relayed that the Board has considered that option in the past and that is referred to as an Inclining block Rate. The Board rejected that in the past because they did not want to treat anybody different. Essentially, the higher users pay more, and the lower users do not pay as much; it is mostly because of irrigation. The Northwest Florida Water Management District would support that because they have encouraged the ECUA to do that for a long time, but that is not something the Board has been willing to support.

Chairman Campbell said she is going to weigh in because she wants people to know how she is going to vote, especially being Chairman. Everyone knows she would like to keep it at 2 percent so she is willing to move as high as 4 percent this year because she would like to see 2 percent in both areas, but she will not support 6 percent. A lot of this is because she tells her constituents that before she reaches her hand out to them that she would like to see cuts made within. She would like for all of the ECUA staff to try very hard over the next year and give the Committee and Board those levels of measurement that Ms. Benson asked for, and show what staff has done to cut the budget versus automatically knowing that the Board is going to agree on any rate increase every year. Staff needs to see if they can cut any fat, she knows there is not a lot fat to cut, but there is always a way to cut 1 percent. If staff can cut 1 percent within the next year, she will go 2 percent and 2 percent.

Dr. Walker commented that if two of the Board members present today are not going to support this rate increase, then there will not be a rate increase because Mr. Perkins has never voted for a rate increase, or rarely does. Dr. Walker said he does not expect him to vote for this one either. The Committee and Board are left in a real dilemma.

Mr. Sorrell stated that there needs to be some kind of budget recommendation because the Board needs to act fairly soon. Mr. Sorrell is hearing that that 6 percent is not palatable to the majority of the Board, and he did hear 4 percent. If the Committee

wants to make a 4 percent recommendation, the staff has to do some work before next Thursday (July 26, 2018). The staff needs some kind of recommendation, even if it is a continuation budget. Staff has to get something in front of the Board before next Thursday. Ms. Benn stated that she is willing to do an amended or substitute motion. Dr. Walker reiterated that the motion is for 6 percent.

Ms. Benson commented that she has been counting votes, and thinks in this Committee that the 6 percent passes. She doesn't think the Board should twist their arms. If this Citizens' Advisory Committee (CAC) believes 6 percent is what should be done, then that should be the recommendation from the CAC, and if the Board does not want to listen, then she thinks it is at the Board's peril. Ms. Benson relayed that she said what she said because she feels like she has an obligation to let everyone know how she is voting, but she does not want to twist anyone else's arm. She heard everyone on the CAC say that they think it is important. Having said that, she will close.

Mr. Steltenkamp said he has the distinct advantage of not being on the Board and he does not have to defend that, but he has been asked to be on an advisory committee. The evidence for the need is overwhelming, and he does not see how he could vote against the staff's recommendation of 6 percent based upon the knowledge he has right now. He does not have to make that decision, but he does have to make a recommendation. He knows it is a tough thing, and that is why he is suggesting that there are things to do to mitigate that, such as public affairs and communications. It may not fly with the majority of the Board, but he, as a Committee member, would like to see this motion stay at 6 percent because he will support it.

Chairman Campbell said she agrees with Ms. Benson and believes everyone should vote their full thoughts. She appreciates this Board and absolutely appreciates every question this Committee has asked. Chairman Campbell appreciates staff getting those questions out to the Committee and Board as they asked. If nothing further, the Committee should vote on the 6 percent increase.

Motion carried 7-2, with Chairman Campbell and Ms. Benson voting against the motion.

Chairman Campbell moved to the discussion of the Sanitation and MRF budget.

Mr. Kimball departed at 3:53 p.m.

Discussion:

Mr. Sorrell provided a brief overview of the projected budgets for Sanitation and the MRF, and he relayed that Mr. Rudd is available to discuss these budgets since he has more knowledge about them. Mr. Sorrell said that this is again a situation where Capital Improvements are driving the train. There is a severe need to replace some of the cans, a lot of the equipment, and ECUA also needs to replenish some of the reserves

that were used up a year or two ago. If you remember, there were some major storms and the Board instructed staff to help the County with some cleanup. That used up most of the reserves and they have not been replenished. Essentially, staff is asking for a rate increase along with a Capital Improvement Fee or a standard percentage rate increase. The ECUA staff can support either one of those. The Capital Improvement Fee has some advantage because it is not something that is voted on every year. It sets aside money for Capital only, nothing else. It sets aside a mechanism to provide Capital Improvement funding. The City of Pensacola does it, and most of the other utilities around do exactly the same thing. It strictly funds Capital Improvements.

Mr. Rudd stepped up to the podium to provide more technical information to the Committee. Mr. Rudd said the Capital situation is serious. As you know, the ECUA replaced the entire fleet approximately seven years ago with a natural gas fleet. That fleet is now coming to the end of its useful life, and they are on an eight year replacement cycle. The preferred method of replacing vehicles would be to stagger them over that eight year life, but because some events happened 15 years ago with the Load All trucks spontaneously combusting and forced ECUA to replace the fleet all at the same time. In 2012, the ECUA switched to the natural gas platform and they replaced that fleet all at one time. This year the Board approved a leasing program where staff can replace ten vehicles per year to get them on a staggered schedule. The problem is that the ECUA has not been putting back funds to purchase those ten vehicles. For example, they have been putting \$150,000 per year into residential vehicle replacements. To replace ten vehicles is about \$3 million per year. They are far behind on vehicle replacement funds, and as Mr. Sorrell explained, they have exhausted all reserves funds on cleanup projects. This is why they are asking for the Capital Improvement Fee so they can have a dedicated fee to build up that vehicle replacement fund. It has a huge impact on operating cost because when they replace the entire fleet at one time, all the components on all trucks wear out at the same time. That is what they have seen in the last several years. There is a big increase in vehicle maintenance cost and that is the explanation for it; they are at the end of their life. They are getting more complaints about leaking trucks, and it is related to purchasing all the vehicles in the same year. The staff wanted to get on this eight year replacement cycle, but they have got to do more in the Capital funding area. For some years, they did not do rate increases. They also absorbed the County's rate increases at the land fill, and that had an impact as well. Now they need to do something to make sure the Sanitation infrastructure is replaced in a timely manner.

Recommendation:

That the Board approve one of the options listed below:

- (1) That the Board approve a 5 percent rate increase, with the Capital Funding Fee of \$1.50 per customer for the Sanitation budget.

- (2) That the Board approve a 12.3 percent increase in the rates. To the average residential and commercial customer, this equates to a monthly increase of \$2.51 and \$10.88 respectively.

Comments:

Ms. Benson asked if they follow the staff recommendation, how would the rates compare to the City rates. Mr. Rudd stated that they would still be below the City rate. Mr. Ponson asked how many Sanitation customers does the ECUA have in general. Mr. Rudd said in Escambia County it is approximately 78,000 residential customers and in Santa Rosa County it is approximately 25,000. The rate increase would only affect Escambia County. Santa Rosa County is a contract where they have built in rate increases.

Ms. Benson asked if Santa Rosa would still be paying more than they are, and Mr. Rudd stated that Santa Rosa is paying less because their tipping fee at the land fill is much lower.

Ms. Benson commented that in addition to these trucks, she knows that drivers are an ongoing problem for Sanitation. It is that cycle, and her one angst is that she gets calls from people that say they do not understand their bills. It is not their Sanitation bills, but mainly their water and sewer bills because they have all these different line items. The Capital Improvement Fee does that to the bill, and she likes just a clean straightforward bill. That is her only objection to this because people want to be able to see what it cost, and it not be complicated. Ms. Benson related that she understood their logic and maybe they were going to bond using this Capital Improvement Fee, but there are other ways to do it.

Chairman Campbell asked Mr. Rudd when was the last time the County raised their tipping fees, and Mr. Rudd replied three years ago. He also said the bulk of this increase would go towards collections. There is a slight increase for disposal because they were adding new customers and that would increase the amount of waste they would have to dispose of. Chairman Campbell asked Mr. Rudd if they were adding 2,000 customers, and Mr. Rudd said approximately.

Chairman Campbell said she was excited talking about getting new trucks because she gets phone calls every day from people complaining about trucks leaking down the street. She is also happy that they will be replacing them on a staggered schedule instead of all at once. Dr. Walker said he has what he calls truck watchers or route watchers in his district that call at the drop of a leaking truck.

Ms. Ritz informed Mr. Rudd that several times she has stood outside when Sanitation has loaded garbage or recycling and she would like to give them an "Atta boy" because they are very helpful. There have been one or two times when she had asked if it was

too late for her to add something, and they always tell her to go ahead. She has always found that the truck drivers on her street to be very helpful. She has not had the experience of leaking oil. Mr. Rudd thanked Ms. Ritz and said that he would pass that along.

Ms. Benson said that option two would be her preferred way, and she wanted to verify that it is \$2.51 per residential customer, and \$10.88 per commercial customer, and Mr. Rudd said that was correct. She wished it did not say 12.3 percent, even though it is just \$2.00 and they are still less than the City. She thinks it is irrelevant and wanted to see if they could make the math work without doing a Capital Improvement Fee. Mr. Rudd told Ms. Benson that they can make it work, and they were trying to be mindful of the larger number, percentage wise.

Mr. Ponson asked if there were other revenue streams to get. Is there commercial dumpsters or is there business out there that the ECUA may need to invest in. Mr. Rudd indicated that the ECUA does compete with private commercial haulers for private commercial dumpster service. The ECUA's prices are very competitive, and they do as much as they can. The residential customer base is set by the agreements and they have everything in unincorporated Escambia County, and they are limited in what they can do in that area. Mr. Ponson commented that there is a commercial dumpster business that comes to his office and since this is the business that the ECUA is in, he was wondering if the ECUA has a sales force or are they just getting what is coming at them. Mr. Rudd said there are some legal issues on what the ECUA can do with marketing on the commercial side. It is growing steadily, but they do put a lot of effort into it.

Chairman Campbell said she liked Mr. Ponson's thought about increasing revenue. She gets several calls from people asking how much is the cost of a garbage can, and Mr. Rudd replied it is approximately \$50.00 a can. Chairman Campbell asked if someone wanted to, could they buy a new can, and Mr. Rudd replied that they could not buy a can for several reasons. First, a truck could tear up their can. If there is a cut non-pay, the ECUA cannot pick up their can and they will continue to get serviced when they are not paying for service. Mr. Rudd commented that if a customer calls and complains that they have a messed up can, the ECUA will typically replace the can.

Dr. Walker said he understood that there was a shortage of new cans, and Mr. Rudd confirmed that there is a shortage. Dr. Walker asked how long did they expect that to last and Mr. Rudd said they are expecting a delivery any day now. Chairman Campbell verified that the delivery was part of this budget increase, and Mr. Rudd replied yes. The ECUA will have exhausted their budget for the year for can replacement with this last order coming in. Dr. Walker asked if the order will carry the ECUA through the end of the fiscal year. Mr. Rudd stated no, and the ECUA will go out and pull customers that

are cut non-pay, and use their cans. They will begin rotating those cans and that is not uncommon for the end of the fiscal year.

Chairman Campbell wanted to acknowledge Mr. Gabe Brown and Mr. Keith Kyles, Sanitation Collections Manager, because they had some huge shoes to fill when the previous people left those positions. They continue to amaze her at the job both of them are doing. Mr. Rudd agreed and said they are doing an excellent job.

Dr. Walker said that since there is a pause, he wanted to ask how Mr. Bodiford and Mr. Green are doing. Mr. Rudd explained that Mr. Bodiford is still in the hospital and is expected to be there a while, but he is improving. Mr. Green is still in a lot of pain, but he is at home, and they are trying to identify the source of the pain but he is improving. See Note 2.

Ms. Benson departed at 4:52 p.m.

Chairman Campbell asked the Committee if anyone had any objections to Mr. Tweedie speaking on this subject. Mr. Tweedie said it is germane. Mr. Barry Tweedie, 10395 Old Dairy Lane, Pensacola, Florida, 32534 addressed the Committee about garbage can replacements. Mr. Tweedie stated that if he had received a new garbage can, and there was not anything wrong with it, he would not be a happy customer; he would be an unhappy customer because that is wasting rate payer's money in his view.

Mr. Tweedie said something that troubled him that another Committee member talked about was about deleting anything that might have a tendency to sound bad. He feels that is not in keeping with the Boards policy of openness and fair dealings. Customers probably would not be happy to know that Santa Rosa Sanitation customers were only paying the CPI as an increase, and he thinks it is either 2 or 2.1 percent. It is a small number compared to what the Escambia County customer will be paying. Any increase in Sanitation fees that an Escambia County customer pays, he is going to think, just as Mr. Tweedie thinks, that they are subsidizing the Santa Rosa customers because the money has to come from somewhere to start that service. Mr. Tweedie believes it came from the Escambia County rate payers, probably.

Chairman Campbell confirmed with Mr. Rudd that the ECUA probably would not give out a new trash can unless someone asked for one, and Mr. Rudd said no ma'am they would not. Mr. Rudd wanted to clarify a couple of points about Santa Rosa. He stated that there is a built in CPI increase, but that is not the only increase they pay. Any time the County approves a tipping fee increase, that is passed along and that happens every year. The County has already approved rate increases so the ECUA passes that along. They do see a much larger increase than just the CPI. The ECUA did borrow money to begin the service in Santa Rosa, and debt service fees pay back that amount.

Motion and Vote:

A motion was made by Mr. Frederick, seconded by Ms. Benn, to approve staff's recommendation for a 5 percent rate increase, with the Capital Funding Fee of \$1.50 per customer for the Sanitation budget (Option 1).

Motion carried 8-0.

ITEM L - INFORMATIONAL REPORTS

The following items were presented for information only and did not require any action.

- (1.) Customer Service Performance Metrics – 1st and 2nd Quarters 2018
- (2.) Water Production Monthly Report - June 2018
- (3.) Water Reclamation Monthly Report - May 2018
- (4.) Water Reclamation Monthly Report - June 2018

ITEM M - UNFINISHED BUSINESS

None.

ITEM N - NEW BUSINESS

- (1) Chairman Campbell stated that TGC has already been discussed.
- (2) Chairman Campbell stated that the second item is Administrator's review. It is renewed every five years, and it is up for renewal again next year. The last time the Administrator's review was conducted was in 2013, and Chairman Campbell did not care for the review process because there was no input from the Administrator on his own behalf or the staff. The only person that was allowed to look at the review was the ECUA attorney, and she felt that did not leave a level of sunshine for the people she serves. She would like for the ECUA to do a Request for Proposal (RFP), and have an outside agency do the review of their Administrator.

Chairman Campbell stated that this is in no way a negative reflection on what their Administrator has done or will do. She spoke to the Administrator before she brought it to the Committee's attention, and the reason she wants this is because she wants him to feel like he has input, she wants staff to feel like they have input, and she wants the people she serves to feel like there is sunshine, not just one person being paid by the ECUA to make that decision. She is asking for the Committee's thoughts. Mr. Ponson thinks that is a great idea.

Ms. Benn said she did not know how the process worked for the Administrator review, and she thinks this is a good direction to move because previously it sounded too closed.

Ms. Ritz said she feels like the CAC is being slighted a little bit, and especially if this is going to be conducted by an outside agency, she feels that the CAC should also have an opportunity to provide input. A small part of his functions would be eliminated if the CAC members were left out. Chairman Campbell clarified that the CAC members could be included.

Mr. Frederick made a motion to conduct an RFP to better evaluate the Administrator from the CAC, Board, and staff. Chairman Campbell added that the Administrator include himself. Dr. Walker also suggested that the ECUA conduct an evaluation of their Board attorney. Mr. Ponson seconded the motion for the RFP process.

Chairman Campbell said the motion on the floor is to put out an RFP for a review group to help the ECUA Committee and Board to conduct a review instead of doing it with the ECUA in-house attorney.

Motion carried 8-0.

Ms. Ritz said she wanted to give an "Atta-boy" to Ms. Bowers for the 2017 Annual Comprehensive Report because she always enjoys the science and illustrations.

ITEM O - OPEN FORUM

There were no comments from the audience.

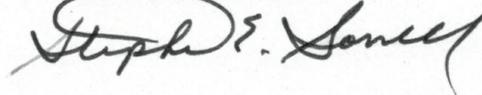
ITEM P - ADJOURNMENT

There being no further business to come before the regular meeting of the ECUA Citizens' Advisory Committee, Chairman Campbell declared the meeting adjourned at approximately 5:11 p.m.

NOTES:

- (1) To ensure consistency, all numbers referencing monies and percentages will be written as a number or numbers instead of being spelled out.
- (2) Mr. Robert Bodiford and Mr. Horace Green are Residential Services Supervisors for the ECUA and were involved in an automobile accident on duty during July 6, 2018.

Respectfully submitted,



Stephen E. Sorrell
Executive Director and Secretary

**APPROVED BY THE ECUA CITIZENS' ADVISORY
COMMITTEE IN REGULAR SESSION ON: 08-15-2018**

Without corrections/amendments

With corrections/amendments being: