



**ISLAMORADA, VILLAGE OF ISLANDS
VILLAGE COUNCIL BUDGET WORKSHOP**

**Founders Park Community Center
87000 Overseas Hwy
Islamorada, FL 33036
August 8, 2013
3:00 PM**

I. CALL TO ORDER / ROLL CALL

Mayor Ken Philipson called the meeting to order at 3:00 p.m. The following Council members were present on roll call: Mayor Ken Philipson, Vice Mayor Ted Blackburn, Councilman Mike Forster, Councilwoman Deb Gillis, and Councilman Dave Purdo. Also in attendance were Village Manager Ed Koconis, Village Attorneys Nina Boniske and James White, Village Clerk Ariana Lawson, Fire Chief Terry Abel, Public Works and Parks & Recreation Director John Sutter, Head Dock Master Captain James Silva and all other appropriate personnel.

II. PLEDGE OF ALLEGIANCE

Councilman Mike Forster led the Pledge of Allegiance.

III. PUBLIC COMMENT

Mayor Ken Philipson opened public comment; there was none. Mayor Philipson closed public comment.

IV. ITEMS FOR DISCUSSION

A. Presentation of Proposed Fiscal Year 2013-2014 Wastewater and PYH Marina Enterprise Fund Budgets

1. PYH Marina Enterprise Fund

TAB 1

Finance Director Maria Aguilar opened discussion with an overview of the current Fiscal Year 2012-2013 projected revenue for the Plantation Yacht Harbor (PYH) Marina. Ms. Aguilar stated that PYH Marina revenues are projected to be over budget at the end of the fiscal year by approximately \$45,000 and that the fiscal year's revenue, less operating expenses, reflected an anticipated operating income for the fiscal year of nearly \$340,000. She stated that cash outlay for principal loan payments, less depreciation expenses, reflected projected net revenues over expenses of over \$190,000. Ms. Aguilar also stated that the PYH Marina's largest remaining liability will be paid off in 2019, after which point loan transfers from the Capital Projects Fund would no longer be necessary.

Ms. Aguilar presented the proposed Fiscal Year 2013 – 2014 budget for the PYH Marina, noting main differences from the current year’s budget including the change in the existing Dock Master position from part-time to full-time and the addition of \$50,000 for marina pavilion repairs.

Vice Mayor Ted Blackburn inquired of Public Works and Parks & Recreation Director John Sutter whether there were any anticipated long-term capital improvement ideas for the PYH Marina. Mr. Sutter indicated that the marina dock office was upgraded in the current fiscal year and that other than the pavilion restoration there were no other capital improvements anticipated in the foreseeable future. Ms. Aguilar stated that the Village can establish a capital replacement reserve fund for the marina once the large loan is paid off in 2019. Mr. Sutter introduced the new Dock Master, James Silva.

Councilman Mike Forster and Councilman Dave Purdo commended the PYH Marina staff’s efficiency and friendliness, as well as the cleanliness of the marina facilities.

Mayor Ken Philipson inquired why the projected ramp revenue amount of \$15,000 for Fiscal Year 2013-2014 is so low. Mr. Sutter stated that that is unclear and that there have been no changes in marina policies or procedures. Mayor Philipson also inquired into the ramp open and closure hours and the option to store trailers overnight. Mr. Sutter stated that the ramp is open for public use from 8:00 a.m. to 6:00 p.m., during which time it is staffed for safety maintenance. He confirmed that overnight trailer storage is only allowed for marina customers who have tenders.

Vice Mayor Blackburn discussed the possibility of prepaying the balance of the smaller loan and inquired whether the smaller loan can be refinanced to create a capital replacement fund. Ms. Aguilar stated that the Village was prioritizing the wastewater loan debt service first, and that once the marina began operating in the black, staff could more accurately assess the possibility of refinancing the marina loans. She stated that there are significant penalties and barriers to refinancing. Vice Mayor Blackburn requested an analysis of the refinancing possibilities.

Councilman Purdo requested staff advertise where citizens can now dispose of used motor oil since the previous location in the Village has been closed. Mr. Sutter stated that used motor oil can be disposed of at mile marker 100.3 oceanside, Madeira Road, Key Largo, and that one of the requirements of the pending Request for Proposals for solid waste services is the provision of a location for the disposal of used motor oil in the Village.

2. Wastewater Utility Enterprise Fund

TAB 2

Finance Director Maria Aguilar opened discussion of the Wastewater Utility Enterprise Fund. She explained that the projected end-of-year costs for Fiscal Year 2012-2013 costs are segregated the North Plantation Key (NPK) service area from the Remaining Service Areas (RSA) in Tab 2. She stated that the projected monthly Operations and Maintenance (O&M) service charge revenues are expected to remain close to budget. Ms. Aguilar explained that the NPK ‘Capacity Fees’ and ‘NPK Assessment Payoffs’ line items are essentially the same. She noted that O&M Contract line item is currently reflected as over budget, but that is the result of a misclassification of sludge hauling costs. She also noted the loss Total Income or Change in Net Assets loss of \$532,000. Ms. Aguilar attributed this to asset depreciation, and stated that it is standard to include but not budget for depreciation expenses. She stated that if the Village accounted for the Wastewater Utility Enterprise Fund as it would a regular Governmental Fund, the Village would actually show a slight overage of revenues over expenses, and that this demonstrates that the utility rates and the annual assessment revenue are sufficient to cover the operations of the current wastewater treatment plant. Ms. Aguilar summarized the proposed budget changes for Fiscal Year 2013-2014, including an increase in the O&M Customer Charges to \$980,000; a transfer from the Capital Projects Fund

to cover debt service; and the inclusion of \$25,000 for wastewater legal services by Weiss Serota and for specially contracted legal services related to annual assessments.

Councilman Dave Purdo inquired whether the Village had received any Mayfield Grant funds yet. Ms. Aguilar explained that the grant funds had been included as a revenue source in the Fiscal Year 2012-2013 budget because the Village had been hopeful that the funds would be received in Fiscal Year 2012-2013, and that the grant funds are now included as a revenue source in the proposed Fiscal Year 2013-2014 budget because the Grant Agreement was not executed until July 2013.

Mayor Philipson inquired how long the Village would have to budget for Repair and Maintenance Sludge Hauling costs. Wastewater Program Manager Greg Tindle advised him that the Village would no longer pay for sludge hauling under the O&M Agreement with Reynolds Water Islamorada after the North Plantation Key Wastewater Treatment Plant is decommissioned, but that the Village would then be billed for sludge hauling by the Key Largo Wastewater Treatment District.

Ms. Aguilar presented the Projected Budget versus Actual for the Remaining Service Areas. She noted the anticipated receipt of \$3.8 million in prepayment revenue before the year's end and projected adding approximately \$4 million to the restricted net assets line item, \$3.8 million of which would be restricted for the future rate stabilization fund. Ms. Aguilar noted the \$19.5 million in projected revenue from the Mayfield Grant for costs incurred after the July 16, 2013 grant agreement execution date, as well as approximately \$1.3 million each from the annual RSA1 and RSA2 assessments. Projected expenses in FY 2013-2014 include monthly capacity payments to the Key Largo Wastewater Treatment District, and \$38 million payable to Reynolds Water Islamorada for Design-Build-Operate construction costs. Ms. Aguilar also detailed the addition of 1.0 EDU for staff accountant activities to be carried out by several staff members per the recommendations of the Attachment A: Village of Islamorada Wastewater Staffing Study.

Councilman Purdo questioned why the Mayfield Grant funds are reflected as \$18.5M in Fiscal Year 2012-2013 and as \$19.5M in Fiscal Year 2013-2014. Ms. Aguilar explained that bond issuance costs did not end up being as high as the Florida Department of Environmental Protection originally anticipated in Fiscal Year 2012-2013, thereby increasing the amount of grant funds available to the Village in Fiscal Year 2013-2014. Vice Mayor Blackburn expressed concern over not being able to receive reimbursement under the Mayfield Grant for costs incurred prior to execution of the award. Ms. Aguilar advised Council that Finance staff intend to submit all appropriate costs to FDEP for grant reimbursement prior to incurring additional loan debt through the pending additional wastewater line of credit, which would only be used after the Mayfield Grant funds are exhausted to pay for costs that may be reimbursed in the future should the U.S. Army Corps of Engineers allocate additional grant funding for the wastewater project. Vice Mayor Blackburn suggested utilizing the Mayfield Grant to pay off the KLWTD capacity costs in advance, thereby exhausting the grant funds more quickly. Ms. Aguilar stated the staff is evaluating this as an option but must first determine whether this would leave the Village with sufficient cash flow to cover monthly wastewater expenses.

Mayor Philipson requested additional information regarding the \$30,000 allocated for Canal Testing in FY 2013-2014. Wastewater Program Manager Greg Tindle explained that the proposed cost was included pursuant to recommendations by the Water Quality Improvement Citizens' Advisory Committee to compare and monitor water quality in the Village's canals and the potential effects of the wastewater project on canal water quality. Mr. Tindle stated that the Committee is evaluating the scope of work for the project and considering service provider options, and that the Committee intends to provide additional details to Council prior to passage of the final budget for FY 2013-2014.

With regard to the \$3 million allocated for Owner's Representative services, Mayor Philipson referenced an offer he had received from Mr. Frank Dodd volunteering his engineering services. Mayor Philipson inquired whether Mr. Dodd's voluntary services might be used to reduce any of the Owner's Representative costs. Wade Trim Vice President Tom Brzezinski explained that the Owner's Representative costs are directly related to the progress of the DBO construction activities and stated that he would contact Mr. Dodd.

Councilman Dave Purdo inquired who the Outside Legal Services for which \$129,000 was allocated would be. Ms. Aguilar stated that these services would be provided by Weiss Serota Pastoriza Helfman & Bonsike, P. L. (Weiss Serota), for wastewater legal issues; and Nabors, Giblin & Nickerson for the annual assessments. Ms. Aguilar reminded Council of their previous contemplations during recent Village Council Workshops to discuss the Village Attorney as to whether Weiss Serota might be retained just for wastewater issues. Councilman Purdo also inquired about the \$38 million for DBO construction by Reynolds Water Islamorada, and the \$3,269,000 for Owner's Representative services.

V. COUNCIL DISCUSSION

Wastewater Program Manager Greg Tindle introduced Randy Oliver, Government Services Group, Inc. Mr. Oliver provided a summary to Council of the "Village of Islamorada Staffing Study" dated August 2013 (Attachment A to Tab 2). Council discussion ensued.

Mayor Ken Philipson inquired whether Nabors, Giblin & Nickerson were to conduct the bond validation for the Phase II Assessment. Village Attorney Nina Boniske stated that bond validation may not be necessary for the Phase II Assessment since the Village is utilizing the exact same methodology. Ms. Boniske stated that she would check on this and report back to the Mayor.

VI. ADJOURNMENT

Councilman Dave Purdo offered a motion to adjourn. Councilman Mike Forster seconded the motion. Council voted all in favor. The meeting adjourned at 4:02 p.m.



Ariana S. Lawson
Village Clerk

Approved by the Village Council this 11th day of September, 2013.