

MINUTES
SPECIAL COUNCIL MEETING
CITY OF NICEVILLE, FLORIDA
AUGUST 22, 2023

The Niceville City Council met in special session at 6:00 p.m., August 22, 2023 in the Council Chambers, 208 N. Partin Drive. Mayor Henkel, Councilman Schaetzle, Councilman Williams, Councilman Donahoo, and Councilwoman Alley were present. Councilman Nodjomian was out of town on business and unable to call in. Also present were: City Manager, David Deitch; Deputy City Manager, Chad Morris; City Clerk, Dan Doucet; Deputy City Clerk, Wendy Farmer; Finance Director and Deputy City Clerk, Steven Rausch; and Public Works Director, Johnathan Laird. Mayor Henkel called the meeting to order at 6:00 p.m.

PUBLIC HEARING – FY24 Water and Sewer Fund Budget Workshop

Mayor Henkel called on Mr. Deitch to begin his presentation.

Mr. Deitch greeted Mayor Henkel, the City Council and all in attendance. We will be referring to pages 53 to 61 from the InCode report that was provided to you last week.

Mr. Deitch said, we are projecting revenues of approximately \$18.6 million, of which \$2.4 million is American Rescue Plan Act (ARPA) revenue. Projected water and sewer income are included at \$9.2 million. Interest income, sale of materials, tap fees, reconnect fees, etc. total about \$965 thousand. Approximately \$4.78 million is projected revenue from our extension funds, the remainder of our 2005 and 2012 bond construction funds, and a potential loan.

Mr. Deitch said, with regard to expenditures, we are projecting to spend approximately \$3.2 million on personnel. However, this number will obviously be higher if the Council approves pay increases, higher than the 3 percent/5 percent pitch I made last week. Also, with regard to expenditures, \$4.7 million in operating expenses includes money for professional services, utility costs, approximately \$223 thousand for the reclaimed water system, \$602 thousand for the repair and maintenance of our water and sewer systems, \$353 thousand for repair and maintenance contracts that we have, and \$1.9 million for our sewer system operating costs.

Also, said Mr. Deitch, with regard to our expenditures, \$1.2 million will be used to pay our debt in FY24. There's a \$1.25 million transfer to the General Fund and approximately \$8.2 million to pay for capital costs, which includes \$2.1 million for the Deer Moss Creek re-use line, \$1.1 million to pay for new equipment, and approximately \$2.1 million for various projects including a new bathroom at Twin Oaks, a \$475 thousand project at Eula and

Roscommon, and the proposed \$1.5 million project for new water meters, which I will discuss later.

Mr. Deitch said, this proposed budget proposes using approximately \$2.3 million of reserve money in FY24, with \$1.25 million going into the General Fund. If this budget is approved, our water and sewer reserves will be approximately \$6.4 million, which is approximately 34 percent of our annual water and sewer operating expenses. We currently have \$8.3 million invested in one and two-year treasuries. Steven Rausch and I are continuing to improve the quality of the City's investments.

Mr. Deitch said, with regard to water and sewer rates, for FY24, I recommend a water and sewer rate increase of five percent for water and five percent for sewer, to help offset the cost of future capital investments, said Mr. Deitch. A five percent increase will increase the monthly cost \$3.53 per month, for those residents that use six thousand gallons, and \$2.93 per month for those residents that use four thousand gallons of water per month. Even with these rate increases, Niceville's monthly water and sewer rates will remain well below the average rates of other communities across the Florida panhandle. Dan Doucet sent out a document to you earlier, from POLY. On pages 14 and 15 you will note that if we do not raise our water rates, our projected pledged revenue will decline every year for the next five years, and drop us well below our City's debt service coverage requirement of 1.15. However, if the Council approves a rate increase, our pledged revenue will increase for the next five years and keep us above our debt service coverage requirement.

Finally, said Mr. Deitch, I will conclude by noting that for the past five years, the average water rate increase has been an increase of one-half of one percent per year. The average sewer rate increase, over those five years, has been eight-tenths of one percent per year. Circling back, I have discussed with each of you the issue regarding the reclaimed water. The geographic information system (GIS) team has provided the information for me that I needed to provide to POLY. We have to turn in the data for roughly 600 houses across Swift Creek, the Plantation, and the Preserve. We've broken it down into roughly two-tenths of an acre, four-tenths of an acre, and six-tenths. There are a number of businesses, as well, that use reclaimed water. I intend to provide that data to POLY to see if they can do an analysis to see what the flat rates for those individual tiers would need to be in order for us to generate enough revenue to cover the \$222 thousand we're projected to expend on that reclaimed water system. So, that's in the works, said Mr. Deitch.

With regard to the water meter issue, for a number of years now, we have had an average of between 700 and 800 meters that do not read every single month. This requires Johnathan Laird and his team to shut down for a week or two every single month to manually read those water meters that do not read automatically. That means they are not doing their primary job for a week or two every single month. So, we have contracted with Curry Ahouse over the years. They've been our water meter contractor. They came in a couple of weeks ago, and they had a proposal to change out 7,500 registers and end points

to clear up this problem, at a cost of \$1.5 million. We are still nudging through that. I am not thrilled with that. What I'm probably going to propose to you, as soon as you approve this \$1.5 million, is that we buy the 7,500 meters.

Mr. Deitch said, what was going to happen is we were going to buy the 7,500 meters and then the company was going to come in and install them across the City for us. What I propose, in lieu of that, is to buy the 7,500 meters, because we're getting a huge discount on those devices, and then have the company replace 2,500 and not 7,500. The other 5,000 will go into our warehouse to be changed out by Johnathan Laird and his team as needed. If we have the company change out 2,500, that will hopefully get us through 2025 before the meters start going bad really quickly. That will allow Johnathan and his team to change out 20 to 40 meters per month, as opposed to trying to change out several hundred per month. Right now, they're trying to change out about 100 meters per month. Mr. Deitch spoke in more detail about the current meter replacement work.

Mr. Deitch said, that is where we are kind of leaning with Curry Ahouse right now. We don't have a new cost/budget analysis on buying 7,500 and only changing out 2,500. Hopefully we'll have that in the days ahead. That's all I have. Are there any questions, asked Mr. Deitch?

Councilman Schaetzle asked Mr. Doucet, how many years ago did we switch to this meter system? In the past, we had someone go around and read the meters manually, said Councilman Schaetzle. Mr. Doucet said, in 2013 we went with Innovative Meters. Mr. Doucet explained details and challenges of the old 2013 system, and how the new system would help. More discussion about the proposed meter system replacement, the remaining useful life, and the potential associated costs, followed between Councilman Schaetzle, Mr. Deitch, Mayor Henkel, Mr. Doucet, Mr. Laird, and Mr. Morris.

Mayor Henkel said, I have a couple other questions. Let's go back to reclaimed water. When do you expect to start charging for reclaimed water? Mr. Deitch said as soon as possible. More discussion about the details of plans to begin charging for reclaimed water followed.

Councilman Williams said I have a question on the meter reading. Are you saying that we're incorrectly charging people right now? Mr. Deitch replied, no sir. What I'm saying is that every single month, Johnathan and his team have to go out and manually read meters for a week or two. More discussion followed.

Councilman Williams asked, you mention 7,500 meters; how many water meters does the City have? Mr. Doucet said about 9,500. Mr. Deitch said we've already changed out about 2,000 meters. So, there are 2,000 that are already operating on the cellular read system. This will take care of the rest, said Mr. Deitch

Councilwoman Alley asked, if the cellular system goes down, doesn't the meter reading system go down as well? Mr. Doucet replied yes.

Councilwoman Alley said, I just want to say I wasn't here when the decision was made that the City was going to bring reclaimed water to Deer Moss Creek, and the City was going to pay that bill, which I think is ridiculous. Councilwoman Alley asked when the reclaimed water is brought down to Deer Moss Creek, will it be mandated to be connected to it, or will it be an option? If they're not connected, we won't be able to charge for reclaimed water, said Councilwoman Alley. Sure, we can, replied Mayor Henkel. Everybody else that's not getting it is paying for it in the City. Mr. Deitch said, ma'am to answer your question, the entire neighborhood of Deer Moss Creek has been built for reclaimed water. The lines are there, said Mr. Deitch. More discussion followed. Mr. Deitch added, they will only be billed if the City Council approves it. I understand that replied Councilwoman Alley.

Councilman Williams asked, will the City be reimbursed for getting the reclaimed water to Deer Moss Creek? No sir, replied Mr. Laird. Councilwoman Alley said it's over \$2 million. Mr. Deitch said, that project is going to run about \$8 million, beyond what we have already spent. POLY has put in a grant application for roughly \$2.9 million said Mr. Deitch. So, that will defray some of the cost, but not all of the associated cost. This is another reason why we need to be charging for re-use water, said Mr. Deitch. There is no revenue in the budget to cover that cost. It's \$223 thousand this year, and as Deer Moss Creek is connected, it's going to go up significantly. So, I would prefer to start charging now, but I understand I owe you some more data and homework, said Mr. Deitch. More discussion followed.

Councilman Schaetzle asked Mr. Deitch, would you remind us again on the need for an additional well at Deer Moss Creek? We talked about it for two or three years in a row with your predecessor. The Department of Environmental Protection had to approve it. Is that accounted for in the Water and Sewer Fund, or is that in part of the General Fund, asked Councilman Schaetzle? Mr. Deitch replied, that would be in the Water and Sewer fund sir. In one of the documents that POLY sent you, an Excel spreadsheet with very fine print, you can see all of the sewer and water projects that we have included for the next decade or two, listed on that spreadsheet. The Deer Moss Creek well is included. I will caveat that. Johnathan Laird and I met with POLY last week. One of the things we talked about was that well said Mr. Deitch. You may recall, the County ran a 30-inch pipe from Crestview to just north of Niceville, so I asked POLY what the cost difference would be between connecting to that water line instead of building a well at Deer Moss Creek. So, they're looking into that and evaluating, said Mr. Deitch. More discussion followed about the feasibility, cost, and impacts of that potential option.

Mayor Henkel said, for the unnamed budgeted projects, I noticed that we had planned in the current budget for \$5.3 million. In the requested budget for next year, that number is

reduced to \$2.1 million. Mr. Deitch replied, part of that is \$1.5 million for the water meters, that we discussed. The Twin Oaks bathroom is \$165,000-ish, to build a brand new bathroom out at Twin Oaks. The other \$475,000 is for two different projects, one on Eula and one on Roscommon. Johnathan Laird can tell you more about those two projects, said Mr. Deitch. Mayor Henkel said, it's a significant decrease. Mr. Deitch said the Cedar Avenue project is going to be done in the current year, so the two-plus million dollars we were going to have to pay to complete that project next year, we're not going to have to pay next year because it will be done this fiscal year.

Mayor Henkel said this is going to be one of those painful budgets you're going to have to deal with. More discussion followed about inflation, potential tax and utility rate increases, and the impact on residents. Mr. Deitch said I am working very diligently to get cost under control, but it is going to be a three to five year journey. Mr. Deitch said, I recognize the position I'm putting all of you in. It's unenviable. We are on a swift path to insolvency if we don't make some corrections, said Mr. Deitch. More discussion followed.

Mr. Doucet asked for permission to advertise increases in the water and sewer rates, commercial and residential sanitation rates, commercial tipping fees, residential tipping fees, recycling processing fees and yard waste. The stormwater utility fee we haven't increased in years, so there would be a small increase there, said Mr. Doucet. When Waste Management comes in January, to ask for an increase due to the consumer price index (CPI), we also ask for an increase to the yard waste fee, due to CPI. All we do is advertise them by title, listing no rates, said Mr. Doucet. Resolutions will back it up. We also advertise the ad valorem ordinance and the budget ordinance. More discussion followed.

Mayor Henkel asked, is there a motion to advertise increases in water and sewer rates, stormwater rates, sanitation rates, and the millage rate? Councilman Donahoo motioned approval. Councilman Schaetzle seconded. **Council Vote:** Councilman Williams – Yes; Councilman Donahoo – Yes; Councilwoman Alley – Yes; Councilman Schaetzle – Yes. Motion passed.

Councilman Williams asked, for the reserves, is the estimate before or after the interfund transfers move money out? Mr. Deitch said what you're probably looking at, sir, is how much the reserves are after we take the money out. Have we moved any money out of the Sanitation enterprise fund, asked Councilman Williams? Mr. Deitch said, no sir, not that I'm aware of. We're taking Sanitation fund reserves and using them to cover Sanitation Fund operating expenses, said Mr. Deitch. More discussion followed about the FY24 use of reserves in each fund in the draft budget.

Mr. Deitch said, not for the budget, but just three other things. We were considering moving the Randall Wise unveiling to another date in October, but all of the Wise family is not going to be available at later dates in October, so it is set for October 6, 2023 at 8 a.m. on the north end of College Boulevard, at the medical complex.

Mr. Deitch said, we have Labor Day coming up, and typically Turkey Creek is closed on Mondays, but we are going to have Turkey Creek open for the Labor day weekend, to include that Monday, so that friends and family can go and swim at Turkey Creek on Monday over that long weekend, said Mr. Deitch. Is the Children's Park going to be open too, asked Mayor Henkel? I don't know. I will find out, replied Mr. Deitch. More discussion followed.

Mr. Deitch said, finally, I am happy to report that I have hired a full-time Code Enforcement Officer. He has all of the certifications and qualifications and has been doing it for quite some time. I hired him and he is going to be joining our team, said Mr. Deitch to be our sole, dedicated Niceville Code Enforcement officer. More discussion followed.

Mayor Henkel said I know that you have a lot of projects you are working on right now to cut cost and trim the fat. You and your team ought to be commended for what you have done toward that end. Thank you, said Mayor Henkel. Thank you, said Mr. Deitch.

Councilwoman Alley asked, do you have any update on the biker bar and the tenant? No ma'am, I do not, said Mr. Deitch. More discussion followed.

Councilman Schaezle asked, if we finally put the cost of the reclaimed water to the residents who are using it, do the rest of the citizens see a decrease? I suspect not sir, replied Mr. Deitch. More discussion followed.

Mr. Deitch said the next meeting is on Thursday night at 6 p.m. It's the non-profits who will speak.

The meeting adjourned at 6:52 p.m.

MAYOR

ATTEST

CITY CLERK

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