

**MINUTES  
CITY OF LAKE WORTH BEACH  
CITY COMMISSION BUDGET WORK SESSION #3  
CITY HALL COMMISSION CHAMBER  
THURSDAY, JULY 25, 2019 - 6:00 PM**

The meeting was called to order by Mayor Triolo on the above date at 6:00 PM in the City Commission Chamber located at City Hall, 7 North Dixie Highway, Lake Worth Beach, Florida.

1. **ROLL CALL:** Present were Mayor Pam Triolo; Vice Mayor Andy Amoroso; and Commissioners Scott Maxwell, Omari Hardy and Herman Robinson. Also present were City Manager Michael Bornstein and City Clerk Deborah Andrea.
2. **PLEDGE OF ALLEGIANCE:** Led by Commissioner Scott Maxwell.
3. **UPDATES/FUTURE ACTION/DIRECTION:**

A. Electric Fund

Michael Bornstein, City Manager, introduced Michael Burton, Vice President of Stantec Consultants. Mr. Burton showed the baseline for the electric utility Operations and Maintenance (O&M) without any capital expenses.

Ed Liberty, Electric Utility (EU) Director, spoke about revenues that had been added and said that from an O&M point of view, the EU was doing much better.

Mr. Burton explained that the graph showed a positive projection with the O&M. He said that there would be a much larger reserve fund with positive cash flow during the entire seven year period as the result of a \$300,000 reduction per year in the contribution to the general fund.

Comments/requests summary:

1. Commissioner Hardy asked if FPL would be raising its rates.

Mr. Liberty replied that he could not predict what FPL would do but that the rates would not go up significantly.

2. Commissioner Maxwell asked about the total contribution from the EU to the general fund.

Mr. Liberty replied that the EU contributed approximately \$4.8 million.

3. Commissioner Robinson said that eliminating the burden in one revenue balance caused a shortfall in another revenue balance such as the general fund. He asked about the pole revenue.

Mr. Liberty responded that a fair and competitive rate had been negotiated and there would have to be an accurate a pole count, which had not always occurred in the past.

City Manager Bornstein said that the \$4.8 million were profits going into the general fund and did not include other costs.

Mr. Liberty said it was common practice for utility companies contribute to the common funds and to share expenses with the parent organization. He stated that the goal would be to reduce the amount going into the general fund so the EU could build a fund to make repairs as needed.

4. Mayor Triolo asked about the percentage that went into the general fund as compared to a franchise fee. She said that there had been the intention to wean the general fund from the needs of the EU.

Mr. Liberty said the City's percentage was higher than a franchise fee of about six percent.

City Manager Bornstein said that the general and electric funds were linked; the \$300,000 reduction over seven years would reduce the EU contribution by half, as the contribution was double what it should be. He explained that all costs were going up, PBSO, health insurance and salaries, far outpacing the growth in taxable valuation. He stated that the dysfunction in the general fund would have to be addressed. He said that the EU had become more profitable by addressing its issues; direction had been given to Mr. Liberty to identify the problems and fix them.

Mr. Liberty said that the capital was being put into the most needed projects to improve system reliability.

City Manager Bornstein added that the City was just catching up with the neglect of its infrastructure and the EU was in that process; there would need to be an influx of new projects to generate additional revenue.

5. Commissioner Hardy asked about properties owned by the EU. He said that people should be able to use their land to increase the taxable value to make up for the reduction of the EU contribution the general fund. He stated that the City would need to be more aggressive and change the land use to increase tax dollars.

Mr. Liberty replied that there were some substations and property on Elizabeth Street that might be sold.

6. Commissioner Robinson the contribution to the general fund should not be less than the amount that FPL returned to its customers.

Mr. Liberty stated that there should be a debt-to-equity ratio to support the capital program.

7. Commissioner Maxwell said that a decision had been made to lower the rates with the

knowledge that it would affect the general fund. He stated that all departments had become leaner and now the Commission would allow the electric fund to reduce its contribution in order to be able to fund necessary capital projects. He said that former elected officials had allowed the EU to hold up the general fund to its own detriment and that the City needed to tell the public the reality. He agreed with Commissioner Hardy about increasing property values and attracting investment. He stated that it would be imperative to look at a bigger comprehensive attack; the current comp plan was made years ago and all factors would need consideration, as the City was not out of the woods. He said that the biggest objective would be finding ways to grow the middle class in the City.

City Manager Bornstein said that the EU would be investing in its own asset and the City would have to build the customer base to increase profits to fix the general fund.

Commissioner Maxwell left the meeting at 6:53 PM and returned at 6:56 PM.

Mr. Liberty said that there should be a newsletter to inform the customers and stakeholders about what the EU has achieved and the work in process as part of a purposeful messaging campaign. He announced that there would be a work session regarding the campaign.

Mr. Burton showed the general fund model where the cash out was exceeding the cash in and therefore depleting the reserve. He stated that the challenge would be to increase revenue through growth and development or to decrease costs. He said that there could be a work session to show the impact of developing each parcel of available land.

8. Commissioner Hardy spoke in favor of that approach.
9. Mayor Triolo said years ago there were one year budgets with no projections; there would need to be discussions to come up with new ideas.
10. Commissioner Maxwell said that ten years ago, the general fund was about 46 million dollars, spending ten million dollars more than current spending.

Mr. Burton explained that the 2019 CIP spending was from existing bonds but the spending in 2020 would have to be financed. He stated that the City was working with a financial advisor about bundling loans for several projects.

Vice Mayor Amoroso left the meeting at 7:06 PM and returned at 7:08 PM.

Mr. Liberty spoke about three categories of CIP spending: minor capital projects including equipment replacement, the system hardening and reliability improvement project and the transmission plant improvement building a second tie line into the City. He said that the large spike in 2020 and 2021 was the \$20 to \$22 million investment in the tie line and the increases through 2025 were smaller recurring capital to fix the distribution system. He reported that the smaller numbers in 2026 through 2029 were as yet unidentified capital investments into the utility. He reported that all projects had been scheduled and he was asking for a commitment of dollars so the interest expenses were in the proper year and quarter for the expenditure. He said that interest-only financing would be used and then

transferred into a final loan at the end. He stated that the borrowing would be in measured steps to ensure the ability for repayment.

11. Commissioner Hardy said that there needed to be a five year forecast to get the bonds. He asked what plan would be necessary should growth not materialize, how many customers were needed for the income and how many additional meters the City got a year and from where.

Mr. Liberty replied that this was a wish list should there not be the expected income, some projects would have to be deferred; in a few years they would be reassessed.

Mr. Burton responded that 215 new meters would be needed each year and that the growth potential was coming from current trends.

12. Mayor Triolo said that parity had been achieved for the City to be competitive, but City rates would need to increase comparable to FPL's rate increase.

Mr. Liberty said that there was a reduction in discretionary spending and that all aspects would have to be examined such as growth, modifying spending, capital spending and raising rates to have balance.

13. Commissioner Maxwell asked if the cost factor had been included in the bonds.

Mr. Burton responded that they were included in each year's costs.

Mr. Liberty expressed that the quarterly electric reports showed performance relative to budget, which would allow for adjustments when necessary.

14. Mayor Triolo requested to see the model with rate increases of one and three percent starting in 2021.

Mr. Burton said that the increases did not have much of an effect on the fund. He stated that once the financial advisors had the numbers, they could craft a plan.

15. Commissioner Hardy asked if the timing on the capital projects, such as the second tie line, could be extended without affecting the level of service and if selling the electric utility would solve some of the City's issues.

Mr. Liberty said the projects had to be done now and the second tie line would benefit every customer and would have significant associated savings. He said that the projects would have to be done regardless of who owned the EU; either it would come out of the City's pocket now or the price would have to be decreased later.

16. Commissioner Maxwell said that there had already been discussions about selling the EU in past years, but it was determined that selling would not be the answer or be beneficial.

17. Commissioner Hardy stated that the two studies were done in 2014 so the Commission should consider it in 2019 or 2020. He said that all options should be discussed.

18. Mayor Triolo said the Commissioners should ask the questions to learn about the system. She said it would be important that the organization be healthy for the future and the City should operate professionally. She said that the City would need to learn how to get by in the general fund without the electric utility fund.

Mr. Liberty explained that the EU was part of the story of Lake Worth Beach and under the current plan the City will be 55-58% carbon free in its power supply by 2024. He said that it made sense to keep the EU as an asset of the City. He stated that there was a different feel to residents knowing the EU employees, which adds value to the City.

4. **ADJOURNMENT:**

The meeting adjourned at 7:43 PM.

  
Pam Triolo, Mayor

ATTEST:

  
Deborah M. Andrea, CMC, City Clerk



Minutes Approved: August 20, 2019

A digital audio recording of this meeting will be available in the Office of the City Clerk.

