

2. **DISCUSSION ON THE STORMWATER UTILITY RATES**
Public Works

ACTION

Roy Coley, Public Works Director, presented the item. He said we have the existing stormwater program for \$400 million anticipated that 3 trips to the bond market. The financial consultant provided to us in 2017 their financial report that included an increase in stormwater rates this year. The increase is \$5.57, which is inclusive of the Consumer Price Index (CPI) that is to set the funds in motion to be prepared for \$100 million bond issuance in 2022. This is brought before the Committee today because it is part of the plan that we already accepted and it would require the Committee's approval to implement this rate.

Commissioner Samuelian said he wanted to talk about three things, one being the rate, two being the status of our financials in our program, and three touch on the G.O. Bond. He is not comfortable with this; he doesn't feel like this is the best timing. This is a very big increase, 23%, we have already raised these funds significantly, and he thinks it was 36% a few years ago. Our current rate is very high. He mentioned some other cities' rates being a lot lower. We are high already and this puts us even higher. Also, he has been very upfront of needing to look at some of the planning assumptions we have, for example, he feels it is fair to say that the timeline has been extended a little bit, we know there are some moving parts in terms of the financials. We will be recocking those numbers with the help of the new RFQ. He thinks we need to challenge ourselves with looking for cost reductions. He also mentioned the G.O. Bond; he said this past Wednesday we asked the voters if they wanted to spend \$400 million in taxes, he is not sure that the timing is right to say in addition the stormwater fees are going to be raised by 23%. He said this is different; the voters are not getting a seat at the table to decide this increase like they are with the G.O. Bond. He understands we will need new funding, but the changes in the program to him, he thinks we can push this out a year or two. He would recommend we do that until we have much firmer foot on the funding.

Commissioner Arriola asked to talk about stretching this out, the pitfalls to that approach and how we are lining up our financing, if we delay the approving this he asked what might happen in a bad case scenario.

Eric Carpenter, Assistant City Manager, said the way our funding model is set up right now is that we have 4 tranches of \$100 million we are anticipating and we have programmed projects to be funded. The first 2 tranches of \$100 million were the first 2 rate increases under the stormwater utility fund. We have already bonded those out. If we had executed the contract for Upper North Bay Road and Lakeview we would have had exhausted all of those bonded revenues. The 3rd tranche was anticipated to be funded from the Miami-Dade County Inter Local Agreement (MDCILA), which is a contractual agreement, it unfortunately is not bondable. At any point in time the County can come back and renegotiate that contract with us, so the bond markets don't feel strongly enough about that kind of relationship to want to issue dollars against it. One of the things we run into are that those MDCILA funds come in at \$8, \$9, or \$10 million a year, but they are variable. What we may be looking at if we don't have a dedicated funding source for future bond revenue from Administration is concerned about funding projects out of the letter of credit like we have done in the past. With just the MDCILA money, we might be to a place where we can only do \$8, \$9, or \$10 million in stormwater improvements on annual basis because we don't have a dedicated funding source for bond revenue.

Commissioner Alemán said she was looking at the slide with the 4 tranches on it and said with the first \$200 million, can we complete everything we have in play right now? She said Lakeview and Orchard Park ought to fit with the money we had for La Gorce. Roy Coley said very likely.

Commissioner Alemán asked when the MDCILA money available to us for the next section of work.

Eric Carpenter said he thinks the MDCILA was an 8 year term agreement that the money came in year over year based on a formula. He said he thinks we have gotten 2 or 3 payments. He said the payments started off at \$8 million and it has been increasing each year as property values go up.

Commissioner Alemán said she is looking at the way the buckets are organized and it looks as if 3 and 4 were flipped because we cannot bond out the 3rd tranche and we haven't collected a full \$100 million. So it is really the 2022 money and we are collecting it over the course of 8 years, between 2014-2022, and that is when it is going to be available. She asked if she understands it properly.

John Woodruff, Chief Financial Officer, said ideally tranche 3 and 4 would be flipped, but we are trying to make an attempt to help the rate payers out and spread out the rate increase that really should have probably already happened to help fund the last round of projects. That is another way to look at it unfortunately.

Commissioner Arriola said he knows it is not a popular decision, but he is comfortable moving forward with this. He said he hears Commissioner Samuelian's concern, but he thinks we need to start dedicating the revenue streams so we can go to the bond market and we have the financing. All of the things that concern Commissioner Samuelian and he thinks some of their other colleagues about perfecting our resiliency program, those efforts still will continue. We know we have to spend money to build out resiliency program in Miami Beach. We have to lock down the financing for sure, we need to invest and do it one way or the other. This is the mechanism for doing that.

Commissioner Samuelian said perfecting to some extent he is hoping we can take some of the lessons learned, make some changes to policy, and reduce cost. It is not just perfection it is reduction.

Commissioner Arriola asked if that is the case if we would do a smaller 4th tranche.

Roy Coley said the last conversation he and Commissioner Arriola had the program was estimated at \$650 million and it didn't include the 10 year criteria that we had been assigned, generators we had been assigned, he really doesn't think it is realistic to think this is going below \$400 million.

Commissioner Arriola said he agrees with Roy Coley on that, but to get Commissioner Samuelian comfortable to the extent we do find some savings and better ways of doing this that lowers the overall cost of the program it is still going to be a lot of money. We are still going to be discussing this for the next several years as we address our sea level rise issues and try to build a resiliency program. It is going to cost money. The money needs to come from somewhere; we have identified this as a good funding source. He is comfortable recommending we move forward with this today because we need to do it regardless.

Commissioner Alemán asked what the magic is around the timing on this. We have the G.O. Bond vote in November, arguably if the G.O. Bond does not get passed by the voters, we have a whole other thing we have to think about. This is what we called below the ground money. We have the above ground money that goes with it in the G.O. Bond. If the G.O. Bond doesn't pass the numbers we need to find are bigger than this. She asked if this is something we can consider in December instead of today.

Roy Coley said yes, we would certainly have to have it in place at least one year before we go to the bond market, but a few months wouldn't be detrimental in his opinion. He deferred to John Woodruff if he thinks the timing is too tight.

Commissioner Samuelian said to be clear if this is targeted for the 2022 bond offering, so one year in advance would be 2021.

Eric Carpenter said the one thing he would say is that our rate consultant that put together the rate model when we were going to bond market in 2017 was relying on a fiscal year 2019 increase to make sure that we were meeting our cash flow requirements and our covenants for those bonds and we would want to go back to that rate consultant and ask them that question.

Commissioner Alemán asked if waiting until December get us on the wrong side of that. Eric Carpenter said he doesn't think so, but he would want to double check with them.

Eric Carpenter said if it is okay with the Committee, we will take the direction that we will bring this back in December unless needed to come back sooner.

Commissioner Samuelian said he would be okay with that, he thinks that addresses a little bit of what he was saying before. We are talking about a very sizable increase, he thinks of the residents wondering if we really looked at the total program and the numbers and if every effort to reduce cost has been played out and if we sure these numbers get us there. He wonders about our timing and he wishes we had more momentum when we were doing this, when we were going through the RFQ process he wishes they saw a few big wins and then understood. As opposed to right now and getting push back. Delaying is fine, but he wants to be clear that is not saying he is going to be comfortable in December either.

Commissioner Alemán said she hears Commissioner Samuelian and that his concerns are important. Not only does December let us know from the G.O. Bond standpoint is this what we need to go find, but also from the standpoint that Commissioner Samuelian asked for a recalculation on the program as a whole so that needs to come in and hopefully it will be before December. To be able to do that with the definition of the green and blue infrastructure, what that is and how it is going to affect our projects. That RFQ is going to go out, so hopefully all of these things can come together. Maybe these things can all be discussed in maybe a workshop before we decide on this.

Commissioner Samuelian said he thinks a workshop is an excellent idea, he would hope that all of that would come together; we will see how all of the timing aligns. He is comfortable with deferring the discussion until December. And that we get as much information as we can including specificity around the Inter Local agreement, any specifics about current costs as part of that previous request and that we do a workshop

before we revisit this in December. He said he believes that is the spirit of Commissioner Alemán's thinking and his motion.

Commissioner Alemán said obviously staff will check with our bond consultant because if anything that was just said impairs what their expectations are that has to be discussed.

Commissioner Arriola said one thing that Commissioner Samuelian didn't get a chance to see, was a presentation of really walking us through of how this works, who it affects, how much, and striking the balance between condo and single family home owners was discussed also. It was beneficial to understand the impact this has on the average resident. If we have until December to make an actual decision, let's do that. He is fine having this stay on the agenda and we can keep deferring it if there is no update. If Eric Carpenter and Roy Coley actually feel that we need to take action before December it is teed up and we are thinking about it. He would also be open to doing a workshop at one of the future FCWPC meetings; it is important for people to understand how this works and impacts them.

John Woodruff said he thinks we have good direction, but he asked if we can move forward with the CPI adjustment if nothing else.

Commissioner Samuelian said he would be comfortable with that. That is baked in and has happened before, that is by ordinance, and he thinks that makes sense that is reasonable given where we are at. He would move the CPI increase.

Commissioner Arriola asked if Eric Carpenter is okay with this or if he wants another outcome. He doesn't want to pressure him into a corner.

Eric Carpenter said he is not feeling pressured into a corner, but he will say that is conflicted on this because he does think we are going to need the money and his fear is that if we don't put the funding mechanisms in place, at some point we are going to get to a point that we need to award contracts for significant dollars and we might not have those dollars available. He mentioned looking at South Pointe 1st Street, if we don't have \$24 million available for the stormwater improvements.

Commissioner Arriola asked if we can look at this in September and maybe Eric Carpenter can with Commissioner Samuelian to get him more comfortable and what happens if we don't do this. He said Eric Carpenter is trying to protect us, he said there are some scenarios out there where failure to address this could be a big problem financially.

Commissioner Samuelian said he is happy to meet.

Commissioner Arriola recommended talking about this in September, if in September we still feel we can push it until after the G.O. Bond, we will do that, if it is too risky we will see if we can build consensus and get a vote on it.

Commissioner Alemán said she doesn't need the ERU discussion, but she would like to get together on this one in more detail as well before the September meeting.

Roy Coley said he would like for the Committee to be mindful of the RFQ, it has been published today, we would hope to award at the September Commission meeting, that

would still mean 3 months from that time that we would have a concept plan for the Commission to approve and then it would mean after that date that we could have the cost proposals of those implications. We would probably be unable to come to the Committee in December to say this is what our overall program would cost.

Commissioner Arriola confirmed that we should try to have a decision in September then meaning that we do the RFQ and select and get the price quotes, we can't actually award anything without funding.

Roy Coley said that is correct.

Commissioner Samuelian said we want the RFQ, we want to fund that, he doesn't think that question is in doubt. It is the engineering RFQ. He said what he thinks Roy Coley is saying is that we might not have all of the data to inform the cost estimates that we would need to have everything come together in December as Commissioner Alemán mentioned before. Roy Coley said it would be pushing the timing really hard, he thinks there would be a cost estimate on the overall stormwater program by December.

Commissioner Samuelian said he thinks we have a good step and he is happy to meet offline as he believes his colleagues would be and continue the discussion a little bit. There is one approach that says how much do you need and can you keep increasing and another says if you only have this much money how would you spend it. He fears even after 23% we are going to come back and say we need even more money.

Commissioner Alemán said if the G.O. Bond fails, we will need more money because this is the other place we will have to get the money for any above the ground that goes with these projects. Hopefully people get the message on how important the G.O. Bond is and how much we need it. The truth is that the basis for the G.O. Bond for each resident is tied to their property taxes, to the extent you are a homesteaded resident, and you are going to pay less than someone who's not homesteaded such as a commercial property or a second or third vacation type of a home. For someone who has lived in their house for 40 years, they are going to pay much less for the G.O. Bond than someone who bought a waterfront mansion. The higher cost is on the non-homesteaded properties for the G.O. Bond, but not for stormwater. Everyone pays the same pretty much. She thinks from everyone's perspective the G.O. Bond money is much more desirable overall.

Commissioner Samuelian said he thinks that is a smart point and the first time it has sort of clicked, he said we all support the G.O. Bond because it is investing in the community, we know stormwater fees are going to have to go up, but he thinks what Commissioner Alemán is highlighting is that the G.O. Bond is an alternative source of funding and if that is a no, then the pace of the stormwater fees are likely to accelerate. He doesn't know if we have had that messaging yet. That is a very smart point.

John Woodruff said to make that clearer, on the \$400 million tranche, really what we are saying is that in the MDCILA, the \$100 million instead of going to below ground and helping the rates, that money would end up having to go to fund above ground improvements instead and you would have another \$100 million hole here to fill from rate increases.

Commissioner Alemán said we have leaders in our community who are starting to come out and say they are against the G.O. Bond and that is so damaging to residents for the reason that she just described.

Commissioner Arriola said he wishes we were 7-0 on that, but we weren't, and unfortunately politics are playing into it. It is illogical to be against the G.O. Bond, it is funding the City desperately needs. It is a solution and he is not hearing from the folks who are against it better solutions or better ideas. When you have this discussion it highlights the fact that if we don't do the G.O. Bond the money is going to come from this mechanism, it actually affects every homeowner in a much different way. It affects more negatively many more homeowners, particularly less well to do homeowners.

Commissioner Samuelian said he thinks this enlightened the discussion a little bit, as we think about our education effort on the G.O. Bond, whether it is FAQs, etc. This is the first time it has been this crystal clear that the G.O. Bond does include a millage rate increase, but a good part of that is helping to offset stormwater increases.

Commissioner Alemán said it is paid for by businesses and foreign owners of properties, whereas this is everyone's money.

MOTION: Commissioner Samuelian moved to approve the CPI increase. Commissioner Alemán seconded. All in favor.

DIRECTION: Meet with the Commissioners to go over this in more detail and come back to the September 14, 2018 FCWPC meeting.

3. **SANITATION FEE ADJUSTMENT**
Public Works

ACTION

Jay Fink, Public Works Assistant Director, presented the item. He said with the proposed budget we are still looking at a deficit in the Sanitation Fund, which is an enterprise fund and it does have basically two components, one being residential and one being commercial. He went through the presentation. He showed the slide that has the residential fees for single family and multi-family homes and it indicated that the fees have not been increased since 2015. The residential fee is broken into two components, one cost is the contractor cost and the other is the City cost. Miami-Dade County gave us a cost through an Interlocal agreement in 2009, the City absorbed those costs, they were never passed on to the residents. Presently Miami-Dade is increasing the costs effective October 1 by 2.71% to \$3.62. Jay Fink explained the slide of how the fee breaks down and what we are looking at doing. We are running a deficit within the Sanitation Fund and part of that reason is because we absorbed the recycling component, but also the other increases we had to deal with. The information on the slides talking about residential fees include the increase already. He showed a slide with comparing Miami Beach to other cities with the annual fee and the point of service, which is the backyard service.

Commissioner Alemán asked what we would be paying if we had curbside service. Al Zamora, Sanitation Division Director said we would probably be looking at a 30% decrease if we were to go ahead and bid it out as a curbside pickup. Backdoor is premium service. We just bid out the backdoor service, but did not ask for any quotes