PALM BEACH COUNTY BOARD OF COUNTY COMMISSIONERS AGENDA ITEM SUMMARY

| Meeting Date: | October 4, 2011 | [] Cons | Regular Public Hearing |
|---------------|-----------------|---------|-------------------------------|
| Department: | Administration | | |

I. EXECUTIVE BRIEF

Motion and Title: Staff requests Board direction: regarding the Glades Utility Authority (GUA).

Summary: On June 16, 2009, the Board of County Commissioners approved the Interlocal Agreement establishing the GUA pursuant to Chapter 163, Florida Statutes. The GUA is a regional partnership established for the purpose of providing water utility services to the residents of Belle Glade, Pahokee, South Bay and surrounding areas. The utility has faced many challenges, including a decline in utility revenues due to unemployment, housing unit vacancies, reduced business activity, and pipe breakages costing in excess of \$1 million annually. The Glades Correctional Institution closing will have a significant effect on GUA revenues as they are the largest customer. The GUA is projected to have a revenue shortfall in excess of \$2 million in the upcoming year. To date, the GUA Board has not adopted a surcharge to address the revenue shortfall.

As directed by the Board, Staff did evaluate the ability for the County's Water Utility Department to provide a subsidy. It has been determined that the Palm Beach County Water Utilities Department (WUD) cannot legally do so.

As an alternative to a GUA default, Staff has developed a plan that will allow for WUD to absorb the GUA. The proposed conditions of the merger plan are as follows:

- 1. The City Commissions approve, by December 31, 2011, the attached Resolution to amend the GUA Interlocal Agreement to merge the GUA into WUD beginning October 1, 2012.
- 2. The County will loan to GUA, from its General Fund reserves, an amount of up to \$2 Million, with increments of payment starting when necessary, after the City Resolutions are passed. Repayment is proposed by September 30, 2014.
- 3. To help pay for the rehabilitation of the GUA system, the Cities agree that GUA host fees will be eliminated over the next five (5) years as follows:

| Year | Amount |
|------------------|--------------|
| FY 2012 - 2013 | 7% |
| FY 2013 - 2014 | 5% |
| FY 2014 - 2015 | 3% |
| FY 2015 - 2016 | 1% |
| FY 2016 – Future | No host fees |

4. The Cities agree that the current GUA rate structure will continue subject to annual index increases.

Provided Conditions 3 and 4 identified above are met, the fiscal impact to WUD is tolerable.

Should the Board of County Commissioners not approve a merger plan, Staff does not recommend further intervention by the County. (Admin) <u>District 6</u> (MWJ)

Background and Justification: In 2008, WUD completed construction of the Lake Region Water Treatment Plant (LRWTP) to provide potable water on a wholesale basis to the Cities of Belle Glade, Pahokee, and South Bay, which had previously relied on Lake Okeechobee for their water supply. The cost of the LRWTP was approximately \$58.5 Million with \$33.7 Million of the cost provided by Federal, State, and local grants, including a \$12.5 Million grant from the County's General Fund. The remainder of the cost was to be repaid by the Cities to WUD over 50 years in proportion to the capacity reserved for each City. Under the Interlocal Agreement, the GUA assumed the debt relating to the LRWTP as well as the remaining outstanding utility debt of the three (3) Cities.

Attachments:

1. Resolution

Recommended by:

Assistant County Administrator

Approved by:

County Administrator

Date

Date

Π. FISCAL IMPACT ANALYSIS A. Five Year Summary of Fiscal Impact Fiscal Years 2012 2013 2014 <u>2015</u> 2016 **Capital Expenditures** \$2,000,000 **Operating Costs** \$2,000,000 **External Revenues** Program Income (County) In-Kind Match (County) (\$2,000,000) **Net Fiscal Impact** 2,000,000 # ADDITIONAL FTE **POSITIONS (Cumulative)** Is Item Included In Current Budget? Yes ____ No 🔀 Budget Account No.: Fund ____ Department ___ Unit ___ Object ____ Revenue: Fund ___ Department ___ Unit ____ Rev Source B. Recommended Sources of Funds/Summary of Fiscal Impact: C. Departmental Fiscal Review: III. REVIEW COMMENTS A. OFMB Fiscal and/or Contract Dev. and Control Comments: Fiscal Impact to Water Utilities Department is indeterminable at this time. В. Legal Sufficiency: Assistant County Attorney

C. Other Department Review:

Department Director

RESOLUTION NO. R-2011-

RESOLUTION OF THE CITY OF FLORIDA, COMMITTING TO DISSOLVE THE GLADES UTILITY AUTHORITY AND TO TRANSFER THE GLADES UTILITY AUTHORITY WATER AND WASTEWATER SYSTEM, ASSETS, CUSTOMERS, AND SERVICE AREA TO PALM BEACH COUNTY ON OCTOBER 1, 2012; PROVIDING FOR AN EFFECTIVE DATE. WHEREAS, in response to serious financial concerns related to the water and wastewater utility systems of the Cities of Belle Glade, Pahokee, and South Bay (collectively, the "Cities"), the Cities and Palm Beach County ("County") entered in an Interlocal Agreement Establishing the Glades Utility Authority on June 16, 2009 ("GUA Interlocal"); and WHEREAS, because of extremely high debt payment obligations, substandard infrastructure, loss of customers, and other factors, the Glades Utility Authority ("GUA") cannot continue to operate without substantial utility rate increases to the citizens of the City of ____, who are already subject to high utility rates; and WHEREAS, it is not feasible for the citizens of the City of pay significantly higher utility rates; and WHEREAS, it is therefore in the best interest of the citizens of the City of for the GUA to be dissolved, and for its water and wastewater system, assets, customers, and service area ("GUA System") to be transferred to the County and absorbed into the County's Water Utilities Department ("PBCWUD") in accordance with the terms set forth in this Resolution. NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF THE CITY OF , that: Section 1. The forgoing recitals are true and correct and are incorporated herein by reference. The City of hereby commits to enter into an amendment to Section 2. the GUA Interlocal dissolving the GUA and transferring the GUA System to the County ("Amendment") no later than April 1, 2012. The terms of the Amendment shall be as

The GUA System shall be transferred to the County on October 1, 2012, with PBCWUD commencing utility service on that date. With the exception of the Annual Entity Transfers discussed in Section 2.c below, there shall be no

follows:

a.

compensation paid by the County to the GUA or the Cities for the transfer of the GUA System.

- b. The initial rates to be charged by PBCWUD shall be the rates charged by the GUA on September 30, 2011, plus the annual indexing currently imposed by PBCWUD in accordance with PBCWUD's adopted rate schedule. The first application of PBCWUD's annual indexing shall occur on October 1, 2012, and shall continue annually thereafter.
- c. In order to assist with the expenses of the rehabilitation of the GUA System, following the transfer to the County, the percentages for the Annual Entity Transfers, as that term is defined in Section 1.01 and Section 6.09(A) of the GUA Interlocal, will be phased out according to the schedule attached hereto as **Exhibit "A"**. All other terms of Section 6.09(A) shall remain intact until the termination date of the Annual Entity Transfers set forth in **Exhibit "A"**.

<u>Section 3.</u> The provisions of this Resolution shall be effective immediately.

| ADOPTED by the Commission of the, 2011. | City of | _ this | day of |
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| ATTEST: | | | |
| City Clerk | | | |
| APPROVED AS TO FORM AND LEGAL | SUFFICIENCY | | |
| City Attorney | | | |

EXHIBIT "A" ANNUAL ENTITY TRANSFER PHASEOUT SCHEDULE

| •Fiscal Year 2012-13 beginning 10/1/12 | 7% | | |
|---|----|--------|--------|
| •Fiscal Year 2013-14 beginning 10/1/13 | 5% | | |
| •Fiscal Year 2014-15 beginning 10/1/14 | 3% | | |
| •Fiscal Year 2015-16 beginning 10/1/15 | 1% | | |
| •Fiscal Year 2016-17 beginning 10/1/16 and thereafter | | Annual | Entity |