



TOWN OF PALM BEACH

Office of The Town Clerk

REPORT OF THE WATER COMMITTEE MEETING HELD ON WEDNESDAY, JANUARY 12, 2011

I. CALL TO ORDER AND ROLL CALL

The Water Committee Meeting was called to order at 2:17 p.m. on Wednesday, January 12, 2011, in the Town Council Chambers. On roll call, Chair Rosow and Committee Member Coniglio were found to be present. Water Advisory Committee Members Denis Coleman and Terry Levine were also in attendance.

II. APPROVAL OF AGENDA

The Agenda was approved as printed.

III. PUBLIC COMMENT

There was none.

IV. WORKSHOP WITH THE CITY OF WEST PALM BEACH

City of West Palm Beach representatives David Hanks, Public Utilities Director, Richard Williams, Fiscal Services Manager, and Rate Consultant Robert Ori with Public Resources Management Group (PRMG), gave a Power Point presentation. A copy was submitted into the record.

Mr. Hanks stated there were three items that the City wanted to address with the Water Committee:

1. The City would be conducting a new rate study and wanted feedback from the Town on a potential new rate structure which would include more water conservation incentives.
2. The City is changing its billing software and would like to know what the Town would like to include on the water bill.
3. A possible extension to the current contract with the Town, which ends in 2029.

A. RATE STRUCTURE

Mr. Ori stated the current Franchise Agreement established rate block proportionality relationships. He said this limited the ability to change commodity blocks or provide further conservation incentives. He reminded the Committee members that the City bills in CCF (hundred cubic feet); not gallons. He reviewed the current residential water rates that went into effect on October 1, 2010, and the amount of water billed in each block for the City, the Town, and all customers served. He noted that in Palm Beach there was a higher proportionality of water used in the last blocks (17-36 and 37-76, and 77-200 units). He said that any change in water use blocks must be revenue neutral to the City.

Town Manager Peter Elwell advised the Committee that the billed water sales per block was relevant to the on-going rate study and an important factor in possibly extending the Franchise Agreement.

Advisory Member Coleman expressed concern that any compressing of the blocks would result in a shift of the revenue structure of the utility to Palm Beach.

In response to a question from the Chair, Mr. Williams reported that the total revenue for the entire system in 2010 was \$48,678,000 and of that number the Town of Palm Beach was \$12,961,000 or approximately 26.6%. He further reported that the water consumption of the Town was approximately 33.5% or 2,629,890,000 gallons.

Town Manager Elwell advised that the current Agreement prohibits the City from changing the proportionality without the Town's permission. He said if a change in the blocks was against the best interest of the Town's residents, the Town could choose to not concede to a change in the rate proportionality and the rate study could not create fewer blocks, different distances between the blocks or foist additional costs to the Town compared to that paid by the City.

Advisory Member Coleman asked if there is a policy objective to bring the proportionate use and dollars together. He said there is a higher profit margin on the higher consumption because of the infrastructure in place. Mr. Hanks agreed. A discussion followed on the cost savings as a result of the higher consumption of water by Town residents.

B. BILLING OPTIONS

Mr. Hanks spoke about the upgrade of the City's billing software. He asked what the Town would like to see included in the new billing system.

Chair Rosow asked for the bills to be broken down by block so residents could see how the use of water affects their bill. Mr. Hanks replied that in his experience people did not understand the blocks, but the City would look at all options.

Town Manager Elwell explained that item 2 would not be an issue because the City is in the process of creating a capacity reservation charge that will protect Town and existing West Palm Beach customers. He informed the Committee that as long as the improvements continue to be made and the quality and service continue to improve, the Town does not need to make any changes to the contract; and the Town would still have protection with the rate structure. He asked if it would be advantageous to explore a change that would impose an additional cost on Town residents to provide a water conservation benefit and provide an additional revenue stream for other budgetary issues facing the Town.

Chair Rosow responded that any additional cost would fall disproportionately throughout the Town. Advisory Member Coleman stated he did not have a problem penalizing large users in the community as long as the difference inures to the Town. He expressed concern that the state may lay down some rules about allocation and the Town would have put itself in a contract where it has no flexibility.

Committee Member Coniglio stated that reducing the number of blocks would cause the Town user more money. She said she was in favor of a proportionate rate structure. She stated that the Town needed to be prepared to reduce water. She further stated she supports a water savings incentive but with an established function.

Chair Rosow suggested the Town Manager give the Council a menu of a couple of options to include a revenue stream.

Town Manager Elwell summarized that the Committee's recommendation to the Council at the next meeting would be to continue the conversation with the City towards identifying the pro and con impacts if no change is made to the Agreement, and provide a number of options for how the Town might do something different, with pros and cons for each.

Mr. Hanks reiterated that the City was open to discussing any option from the Town.

V. UPDATE ON PUBLIC/PRIVATE SMART IRRIGATION PROJECT

A. PALM BEACH CIVIC ASSOCIATION RE: PRIVATE INSTALLATIONS

Harvey L. Poppel, Palm Beach Civic Association Director and Water Resources Committee Chair, gave a Power Point presentation. A copy was submitted into the record.

Mr. Poppel stated that taking a strategic view of the water usage issue, conservation is the key method by which one can both satisfy demand and achieve cost control and cost savings. He reviewed a chart of Town water usage from 2006 to 2010 and the rate increases during that time. He stated that Smart Irrigation Technology (SIRT) can save a

lot of money. He shared the results from his own home, which showed a 45% savings. He reviewed the benefits of irrigation conservation. He gave three options to speed SIRT conversion:

- 1) Mandatory compliance, either by the Town or another authority;
- 2) Education and encouragement; and
- 3) Economic incentives or penalties/disincentives.

Mr. Poppel spoke about a temporary rate surcharge that could fund a transformative program to institutionalize the technology. He said that without a source of income, the Town and the Public Works Department would be hard pressed to perform any of the functions for the program. He shared a chart of water usage showing that a small percentage of Town users account for the largest percentage of total usage. A second chart showed that Palm Beach pays a lower rate than other listed communities, especially those out West with active conservation programs. He suggested the Town could surcharge the upper tiers or change the proportionality.

A discussion followed on the definition of SIRT. Town Manager Elwell stated that the Town did set some parameters as to what would satisfy the Town's ordinance.

Advisory Member Levine reported his water bill had dropped 42% when he converted his home. He said that he believed the biggest savings came in changing to water conservation heads on his sprinkler system. Paul Brazil, Director of Public Works, reported an estimated 30% savings in water usage as a result of changing the sprinkler heads. He stated that because the Town does a lot of the watering manually, he did not believe there would be as much savings from new controllers. Advisory Member Levine proposed the Civic Association Committee suggest to the Town to add an addendum to the ordinance requiring that the water conserving sprinkler heads be installed for any new construction or to any major revision of the water system. He said that enforcement could be self-sustaining through the use of a permit fee.

Chair Rosow expressed concern with the control or enforcement of residents changing an individual sprinkler head. John Page, Director of Planning, Zoning, and Building, reported that the number of people obtaining a permit for renovations to their sprinkler system was very small.

Chair Rosow asked about educating gardeners and irrigation people about the technology. He suggested that maybe the people could be licensed to do things according to Palm Beach standards. Town Manager Elwell responded that the Town could reach out to the gardeners and landscape people through workshops or an educational pamphlet, but would not be able to license them. He suggested the Town reach out to the residents and inform them of the savings with the Smart Technology.

Chair Rosow asked the Civic Association to consider an ordinance that would take effect over a period of time, such as ten years, in which all irrigation systems must be converted to a Smart Irrigation System. Committee Member Coniglio responded that it is the

residents that have to conserve. She reminded the Committee of the huge push back when the ordinance was originally adopted. She agreed with Mr. Rosow's proposal but suggested a five-year period.

Chair Rosow stated he would recommend to the Council a five-year program in which all irrigation systems must be replaced with Smart Irrigation throughout the Town.

Committee Member Coniglio asked staff for the state requirements for Smart Irrigation. Town Manager Elwell replied that the state requirements had not changed since they were adopted last spring. He stated that the Town's ordinance has its own definitions of what constitutes a system that would comply.

Mr. Poppel questioned the ability to enforce the program without some form of additional funding. Town Manager Elwell responded that the Town would have a list of people who had obtained permits to convert their system and, at the end of the five-year period, there would be an intense effort to check on those who had not converted.

Chair Rosow asked for a CD of the biggest water users.

B. TOWN PUBLIC WORKS DEPARTMENT RE: PUBLIC INSTALLATIONS

Chair Rosow asked the amount of water reduction as a result of the golf course changing to its own water supply. Mr. Brazil replied it was 32 million gallons a year savings. He reported that outside of the Par 3 Golf Course and the Recreation facility, Public Works budgets \$200,000 a year for irrigation. He further reported there are multiple irrigation systems. He stated that Palm Beach County Soil and Water Conservation Service had audited all the irrigations systems and staff was working on the recommendations from the audit. He informed the Committee that the best savings for the money was the irrigation heads and they were being switched out as they could afford it from the existing budget. He said he anticipated a 30% savings. He spoke about the reduction in water use as a result of the Garden Club's assistance with the plantings at the Southern Boulevard Traffic Circle and the Royal Poinciana Median.

VI. ANY OTHER MATTERS

There were none.

VII. ADJOURNMENT

There being no further business, the Water Committee Meeting of Wednesday, January 12, 2011, was adjourned at 4:13 p.m.

APPROVED:

A handwritten signature in dark ink, appearing to read "David A. Rosow", is written over a horizontal line.

David A. Rosow
Chairman