



CITY OF GROVELAND  
156 S. LAKE AVENUE  
GROVELAND, FL 34736

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Groveland City Council  
City Manager Report  
July 20, 2015

**Pending Action items:**

- Work session Schedule - There are a number of work sessions that have to be scheduled. The following are the topics that need to be scheduled:
  - Water Rate Study and Water Related Issues needs to be scheduled preferred sometime between July 23 - August 3
  - Budget Workshop 1 (Service Level - General Fund Budget and Presentation on Retail Strategies Proposal) August 6 - September 9
  - Budget Workshop 2 (Capital Improvement Plan and Presentation on Public Private Partnership / Municipal Complex) August 6 - September 9
  - Budget Workshop 3 (If needed) August 6 - September 9
- Drymon Report - In preparation for the Water Rate Study work session; staff used a part-time contract employee for pulling together research that would be needed to commence a verifiable Water Rate Study. Although, Mr. Drymon wasn't able to complete the full scope of his contract, he did start the initial research process needed for a solid base for discussion regarding a rate study. He has been able to make several observations (some accepted some disputed) that can help City Council consider study rate issues of including potable water rates, reclaim water rates, tiered rate structures, high volume users, and infrastructure concerns. Please note: that Mr. Drymon is an administrator and organizational analyst by profession; although he has some water related experience as a city manager, he is not a water expert and his perspectives and observations may not be 100% factual, but are made for the purposes of further review and discussion. For this reason also attached are staff reports from Public Services Director Huish, and Finance Director Walker which share differing perspectives to certain aspects of the report. These topics will be discussed as a part of our anticipated work session. Our goal is to have a clear strategy and path on which to move a Water Rate Study forward.  
(Please see Attachment 1)

**Report from the Desk of the City Manager:**

- The City Manager's Office has reached a MOU agreement with CaptiveAire which anticipates expanding their current manufacturing plant by approximately 36,000 sq feet. This expansion is expected bring an additional 8 full time employees; thus, rising the potential plant capacity to 80 employees. The next step is reach an Development Agreement which must have City Council's

Approval to be finalized. As stated in attachment 2, CaptiveAire understands that any incentives offered or temporarily held during the development agreement negotiation can be denied, changed or accepted as presented by the City Council. (please see attachments 2 & 3)

- The City Manager's Office is working with Duke Energy to address the need to change out approximately eleven (11) or more Street lights along 50 HWY. Once we have received a timeline we will forward to City Council.
- Police Citizen Advisory Board - The City Manager's Office is moving forward with interviews of interested citizens are still asked to express interest via completed application; However, due to the number of interested citizens... citizens that have undergone satisfactory background review, and interview will be considered to serve on a seven member board.

**Follow-up / Reminder Items:**

- The City Manager's Office continues to accept new ideas from citizens, city staff, and community stakeholders, as the City moves forward with establishing itself as a "Premier City". The city will continue to benchmark programs, initiatives, and services against the top 10 small communities that have been identified by CNN Money "America's Best Places to Live". These communities are not only thriving economically, they are also maximizing family friendly amenities, well ran government, and strong community involvement. Anyone interested in learning more are encouraged to contact the City Manager's Office at (352) 429-2141 x250.
  1. Sharon, Massachusetts - (781) 784-1500 [www.sharonma.org](http://www.sharonma.org)
  2. Louisville, Colorado - (303) 666-6565 [www.louisvilleco.gov](http://www.louisvilleco.gov)
  3. Vienna, Virginia - (703) 255-6300 [www.viennava.gov](http://www.viennava.gov)
  4. Chanhassen, Minnesota - (952) 227-1100 [www.ci.chanhassen.mn.us](http://www.ci.chanhassen.mn.us)
  5. Sherwood, Oregon - (503) 625-5522 [www.sherwoodoregon.gov](http://www.sherwoodoregon.gov)
  6. Berkeley Heights, NJ - (908) 464-8150 [www.berkeleyheightstwp.com](http://www.berkeleyheightstwp.com)
  7. Mason, Ohio - (513) 229-8500 [www.imaginemason.org](http://www.imaginemason.org)
  8. Papillion, Nebraska - (402) 597-2000 [www.papillion.org](http://www.papillion.org)
  9. Apex, North Carolina - (919) 249-3400 [www.apexnc.org](http://www.apexnc.org)
  10. West Goshen Township, PA - (610) 696-0900 [www.wgoshen.org](http://www.wgoshen.org)

**Events:**

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Attachment 1

# MEMO

**To:** Redmond Jones II, City Manager  
**From:** Doug Drymon  
**Date:** April 6, 2015  
**Re:** Utility Rate Study Report

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## I. INTRODUCTION

In view of my impending departure to begin employment with another government agency, I have been working to bring a certain amount of closure to the Rate Study project with which I have been involved these past six weeks. It is my hope that the observations and conclusions contained within this report, most of which are directed to potable water consumption as this is the area I have spent most of my time studying, will assist you and your staff in your efforts to have either a revised or a completely new Rate Study prepared and adopted by the City Council within the next six months.

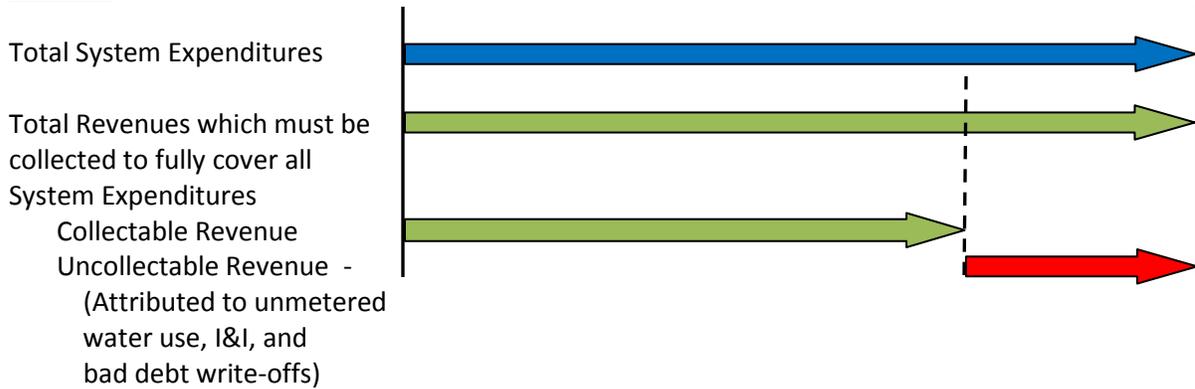
Before continuing with my report, I would like to compliment your Utility Billing Office and Utility Operations field staff. I have found them to be dedicated and hard working, and observe that they strive diligently to serve the city's customers with excellent service.

I would also like to take this opportunity to thank Cathy Cotton, Willie Maisonette and Chuck Mack for the significant amount of time which they took out of their busy schedules to assist me with my work. I should add that your entire staff was understanding and responsive to my many requests for assistance and information.

## II. COMMON ASSUMPTIONS APPLYING TO MOST RATE STUDIES:

1. As noted in the Letter of Transmittal that accompanied the 2013 RFC Rate Study, the primary purpose of a rate study is to ensure that utility rates are formulated so as to capture **all** costs that are associated with delivering water/wastewater/reclaimed water services to customers. Utility rates developed for water, wastewater or reclaimed water services must produce sufficient revenues to cover not only normal operational costs, equipment repair & replacement, and debt service often related to aging infrastructure, but also those costs which are associated with water loss (unmetered water flow), inflow & infiltration (ground water entering the wastewater collection system), and uncollectable charges (bad debt write-offs). It should also be noted that infrastructure expansion can also add to expenses when infrastructure additions require greater flow capacities from the existing system. Again, such situations can also be consider when analyzing rate structures. The following graphic (Exhibit A) illustrates this principle:

## Exhibit A



- Achieving maximum accuracy in plant production and treatment flows should be a priority for the city's public utility systems from the standpoint of complying with state reporting requirements, maximizing system capacity for future growth, and properly assigning costs to the utility rates which are charged for services. In some circumstances, however, the unintended by-product of these efforts may be an increase the recorded amount of water or effluent that is produced or treated by the city's utility systems. Absent a matching increase in billable water, wastewater and/or reclaimed water consumption, the city should not be surprised to see an increase in the amount of unmetered flow that it records. As already noted, costs associated with unmetered water usage and I & I must be absorbed in some manner into the rates which are charged to utility customers.
- Because water meters are designed to measure only to the nearest thousand gallons, there will always be a certain amount of consumption which the city cannot account for (anywhere from 1 to 999 gallons per meter) at a given point in time. Normally, this consumption levels out over time, and becomes a nominal factor when calculating water loss in the city's utility systems. The only time when this unaccounted water is totally "lost" from the utility system is when a meter is removed and replaced with a new or rebuilt meter that has never been in operation before, or in similar fashion the meter register ("head") is replaced with a new unit.
- "Equivalent Residential Unit" (or ERU) is a term frequently used in Rate Study documents. In most instances an ERU is defined as the amount of consumption (in gallons) that **one** single-family residence – usually detached – uses of potable water, sewer or reclaimed water services in a month's time. Determining the capacity of a given utility system to serve existing and future customers generally involves calculating the total number of ERU's the system is designed (or has an operating permit) to handle. Although an ERU as a unit of measurement can, and often does, vary from one utility service to another, the amount of consumption it represents within a given utility service typically remains constant. There are several methods employed to estimate the number of ERU's a given utility customer or activity can be expected to consume. **One method involves examining the historical usage data for a given type of activity, and dividing this figure by the amount of flow one (1) ERU is known to consume. Another method involves calculating the user's ERU's based on the maximum flow that the service meter can handle and dividing this figure by the**

previously-determined ERU consumption amount. Agreeing on which method to be used is typically decided before engaging in a Rate Study.

## II. GENERAL OBSERVATIONS OF GROVELAND'S UTILITY BILLING OFFICE OPERATIONS AND UTILITY FIELD OPERATIONS:

- 1. Utility Billing Office Operations.** The Utility Billing Office is staffed by one full-time Supervisor, one full-time Billing Clerk, and one part-time Billing Clerk. At present, only the office Supervisor (Cathy Cotton) has extended experience with Groveland's Utility Billing operations and the office's software system. Cathy's normal daily activities, and her need to supervise relatively new and inexperienced office staff, is likely to make it a challenge for her to commit significant amounts of her time to assisting with a new Utility Rate Study. During a typical month the Billing Office experiences several periods of high activity - at the beginning of the month (when meters are read and utility bills are generated), and the few days surrounding water service cut-offs. The Billing Office staff work closely with the employees of the Public Services Department, the latter having the responsibility for installing, maintaining and reading customer meters. The Utility Billing Office employs a software package marketed and supported by Black Mountain Software, Inc., for utility account billing and tracking purposes. Ms. Cotton and the city's IT Manager (Andy Sapp) have expressed what seems to be a generally held opinion that this software is becoming increasingly outdated and cumbersome to use. Ms. Cotton has explained how generating information for a utility rate study, such as the one prepared by Raftelis Financial Consultants, Inc (RFC) in 2013, typically required pulling data from a variety of sources (reports), and then manually condensing the information into one format before it was given to the consultant. Aside from being time-consuming, this process required careful review and cross-checking to avoid errors in the data produced for the 2013 rate study. It has come to my attention that this process of data collection may have experienced errors in 2013. Despite the apparent high potential for human error, without the verifiable hand written calculations and cross checks, it is nearly impossible to know for sure. Nevertheless, Mr. Sapp has indicated that he is evaluating other brands of utility billing software at the present time, and that it is the city's intention to replace the Black Mountain software in the near future as opportunity and finances permit.
- 2. Meter Reading and Field Maintenance Operations.** Groveland employs an automated system to read customer meters. The meter reading process involves a Meter Technician in a specially-equipped vehicle traveling a specified route throughout the city at the beginning of each month. During this process, which typically takes no more than a day or two, all meters are read and the data which is collected is downloaded into the city's billing software system for processing. The meter reading process also involves the Meter Technician performing manual follow-up inspections of meters that are flagged in the billing system as "no-reads" and "O-reads." This averages approximately 70 meters each month – a figure the Meter Technician states is well within industry standards. The Meter Technician will also be contacted by the Utilities field staff in the Public Services Department if they uncover any problems with a meter during the course of their work. The Meter Technician has the training and equipment needed to make repairs to many types of meters in the field. My overall impression of the of the city's meter reading operations is the Meter

Technician (Willie Maisonette) is very thorough in the approach he uses to read meters, and extremely knowledgeable in terms of maintaining and repairing meters. Mr. Maisonette explained the differences in the two major types of residential meters which are deployed by the City (Impro and SR II), as well as the differences in the various types of meter boxes (a.k.a. "meter pits") that are used. Mr. Maisonette noted that he is attempting to move the City away from the use of plastic meters (referred to as "throw-away" meters) to the brass SR II's, as the latter meter is both more durable as well as repairable – the meter head as well as the "guts" of the meter can be easily replaced, resulting in a significant cost savings to the City and its customers over a period of time. The fact that the City's entire inventory of meters is automated – that is, can be read through a transmitted signal picked up by a receiver in a vehicle traveling in the vicinity of the meter – helps to reduce errors commonly attributed to manual reading. When asked to give an opinion on Mayor Loucks' comment regarding the possibility of an "elbow" in the meter line affecting reading accuracy, Mr. Maisonette commented that water meters are typically installed by Utilities' distribution staff with a "loop" in the feeder line, as a way of using up excess flexible pipe left over during the meter installation. This loop avoids hard bends which could affect water flow through the meter.

3. **Water Plant Operations.** I have met with the city's Plant Supervisor and was given a tour of most (but not all) of the city's water wells and production plants. Chuck Mack the Plant Supervisor and his staff appear very capable in terms of maintaining and repairing the city's plant equipment. During a tour of the city's water plant components, Mr. Mack pointed out a variety of field modifications and repairs that he and his staff have performed to the plant equipment to address engineering and/or design issues that they have encountered following the completion of plant construction or equipment installation. With the possible exception of twenty (20) small irrigation water wells located in the north area of the City used to supplement reclaimed water, my overall impression of the city's potable water plant operations is a favorable one. It appears that potable water production (in gallons) is being tracked and reported accurately by Mr. Mack and his staff in their EN 50 Reports.

### **III. GENERAL OBSERVATIONS AND CONCERNS PERTAINING TO GROVELAND'S UTILITY SYSTEMS:**

1. The meters on a number of Cherry Lake Road irrigation wells (used for reclaimed water augmentation) have been out of working order for a significant period of time – in some instances up to a year or more. After being brought to their attention, Public Services staff is now taking steps to rectify this situation. Assuming that the irrigation wells continue in operation, but with their non-functioning meters repaired/replaced, the city can reasonably expect the amount of monthly water loss is has been experiencing to increase - absent a corresponding increase in billable water usage. I have been informed by city staff that the 20 augmentation wells in question have not been in the Utility Billing system for several years, nor are they read by the city's automated meter reading system. Instead, these wells are supposed to be read manually each month by the city's Public Services Utilities field staff.

2. Information & Technology and Utility Billing staffs are in agreement that the city's Black Mountain Utility Billing Software is dated, cumbersome to use, and requires considerable manual calculating in order to generate usage reports such as those which were employed to prepare the 2013 RFC Rate Study. From my own experience I tend to agree with this assessment.
3. One compound fire protection meter (at Rolling Ridge RV Resort) is used for both fire protection as well as for handling overflows from a secondary one-and-a-half inch meter. Monthly usage for a 6" meter is not shown on the monthly combined usage report (it appears to have been folded into the figures given for the 1 ½" meters, according to Willie Maisonette).
4. Unmetered water usage, or water loss (the difference between the amount of gallons produced verses the amount of gallons billed), appears to be fairly significant – approximately 25%. This figure is well above industry-accepted standards. Public Services staff has stated that they believe the city's actual water loss to be lower than what has been reported, but there has been no data submitted to this point which would confirm or refute this statement.
5. Approximately 10½ % of all billed water utility charges end up being written off as uncollectable. Any adjustments made to utility rates must be formulated with this in mind.
6. The City of Groveland has insufficient permitted water production capacity to serve more than a portion of already identified future development needs (especially with regards to Villa City). The issue seems to be not so much one of overall capacity, but rather that the city has insufficient excess capacity available in the CUP that serves the area in which Villa City is to be located.
7. The 2013 RFC Utility Rate Study categorizes approximately one-third of all utility budgeted expenditures as Variable Operating Costs. Public Services Director Jamie Huish believes that approximately one-half of all utility expenditures are operationally-related. A reconciliation between these two figures is needed.
8. Many residential water meters have been installed by city crews with a "loop" of excess service line, which tends to avoid sharp bends occurring in the water pipe feeding the meter.
9. In the minds of several city staff, the timing and approval of Utility Fund Capital Improvement Projects by City Council in the interval since Raftelis completed the last rate study has negatively impacted the rate structures which were recommended at that time.
10. The City of Groveland has recently held discussions with Hydro Designs, Inc. (HDI) regarding services this company provides in conjunction with Cross Connection Control Programs. Strong consideration should be given to incorporating the costs of annual backflow prevention device installation, testing and maintenance work into the water rates paid by utility customers. Doing so will not only ensure that the city's water distribution system complies with FDEP requirements, but also removes the burden from water utility customers (particularly residential customers) to locate

and secure the services of a qualified backflow prevention technician to perform and report this service annually.

11. At the present time, the city's potable water utility system is capable of supplying a total of 122,868 Equivalent Residential Units (ERU's) within the limits imposed by its Consumptive Use Permit (CUP). Each ERU is calculated to equal 6,303.82 gallons of water consumption per month. During 2014 a total of 92,785 potable water ERU's were consumed the city's entire base of utility customers. This figure reflects 52,781 ERU's consumed by residential customers and 40,004 ERU's consumed by non-residential customers. The city's potable water utility system has approximately 30,083 unused ERU's remaining which may be committed to future development. All of the preceding figures are approximate, and are subject to fluctuation from one year to the next according to changes in annual water consumption, as well as any conservation measures the city chooses to implement. The attached Chart graphically depicts the breakdown of potable water ERU's described above.
  
12. A review of the 2014 monthly sewer service Usage Summary reports shows that utility customers are being billed collectively for an amount of wastewater treatment consumption that exceeds the total amount of recorded wastewater treatment plant flows by some 32,594,000 gallons of sewage annually. Under normal conditions, the amount of sewer usage which is billed to customers should not exceed the amount of flow which is recorded entering the wastewater treatment plant system for processing and disposal. No ready answer has been found to address this discrepancy, but it was suggested by several city staff that perhaps there are a significant number of customers using potable water for irrigation purposes who do not have separate irrigation meters installed on their premises. For fairness as well as conservation reasons, as well as to maximize permitted capacity, the city should promote efforts to get property owners to use reclaimed water (fed off a separate meter) for irrigation purposes, or perhaps as an alternative reduce the maximum potable water "cap" for residential customers.

#### **IV. SUMMARY OF FINDINGS**

This project was undertaken at your request to address concerns raised previously in connection with a Utility Rate Study prepared by Raftelis Financial Consultants, Inc. (RFC), which was delivered to the City of Groveland in January of 2013. At the center of these concerns is the quality of the data which was supplied by city staff to RFC to use in preparing the 2013 Rate Study. Before attempting to reach a decision whether to proceed with updating the original 2013 Utility Rate Study, or to undertake an entirely new study, you have indicated you would like to determine if there are any deficiencies existing in the city's present utility production and consumption data which could potentially undermine the reliability of any further rate analysis presented to the City Council.

To-date, I have found no evidence that the data assembled and used to prepare the 2013 Rate Study was inordinately inaccurate, distorted, misinterpreted, or fluctuated enough to skew the results of the Rate Study in any material manner. This being said, my overall impression is that enough ambiguity exists in the manner in which RFC presented and discussed the data used in the 2013 Rate Study to explain why there have been concerns raised with the study's conclusions and recommendations. With

hindsight, most of the concerns raised with the 2013 Rate Study might possibly have been avoided, or at least partially alleviated, if steps had been taken within the Rate Study to better identify and explain the data sources (specifically the Utility Billing software reports) and the methodology which was used by RFC to generate the Rate Study's recommendations. Regardless of whether the city decides to proceed with updating the 2013 Rate Study, or to undertake an entirely new study, there needs to be some in-depth discussion with the rate consultant (whether RFC or some other firm) about the approaches which will be used to identify and describe the data sources which are outlined within the study, and to explain the methodology which is employed to develop the study's recommendations.

While the possibility always exists that the timeliness and accuracy of data used in the development of a rate study will be questioned, there are a number of factors which can be relied upon to provide a reasonably firm basis on which to undertake a new or revised study:

1. The city's potable water supply system is authorized under its SJRWMD Consumptive Use Permit to withdraw/pump a maximum amount of water (measured in gallons) from the aquifer during a given 12-month time period. This is an established figure that can be used for determining the amount of capacity which the water system has available to serve current and future potable water needs.
2. The city's wastewater treatment system is authorized under its DEP permit to collect, treat and dispose a maximum amount of sewage (measured in gallons) during a given 12-month time period. This is an established figure that can be used for determining the amount of capacity which the wastewater system has available to serve current and future sewer needs.
3. The city's reclaimed (reuse) water system is authorized under its SJRWMD Consumptive Use Permit to supplement its production of public access effluent with a maximum amount of ground water (measured in gallons) during a given 12-month time period. This is an established figure that can be used for determining the amount of capacity which the reclaimed water system has available to serve current and future irrigation needs.
4. The city's Utilities Distribution staff is responsible for maintaining and reporting to the State of Florida the actual production and treatment flows which are handled by the city's potable water, wastewater and reclaimed water systems, respectively. Assuming that all flowage is being metered and recorded properly (which as discussed later I believe to be essentially the case), these are known quantities which can be relied on when undertaking rate calculations.
5. The city's Meter Technician handles monthly meter reading duties, which are performed using a fully automated meter reading system operated from his vehicle. A major advantage of this type of system is it eliminates the need for manual or touch meter reading, where the opportunities for recording errors are much greater. If water/wastewater/reclaimed water consumption is being metered properly - meaning that customer meters and their associated appurtenances are installed, maintained and repaired or replaced according to industry accepted standards (which as discussed later appears to be the case) - the Utility Billing Office will receive an accurate monthly count of the number of customers being served, together with their consumption, to use for billing purposes.

These are known figures which can be used with a high level of confidence when undertaking rate calculations.

6. Variable operating as well as fixed expenditures (including debt service, depreciation and R&R) are available for each of the city's utility systems. The Public Services Department and the Finance Department staff should be in a position to supply both historical and projected dollar figures for all utility operating and fixed expenses. Assuming the city undertakes most or all of the utility-related work that is outlined in its 5-year Capital Improvement Plan (CIP), there should be sufficient information available to calculate the present and future revenue needs of the city's utility systems.
7. For purposes of estimating additional demand (in terms of capacity) that future growth will impose on the city's utility systems, the size and type of meter required to service a particular type of account can be used to calculate the maximum number of Equivalent Residential Units (ERU's) – and the consumption this represents – that each new utility customer will generate. This consumption figure can be compared against known historical data for similar utility customers (where available), and modified as warranted.

During my research I did come across a number of issues which, in my opinion, need further examination and attention as part of undertaking a new or revised rate study. These issues are:

8. There does not appear to be a firm agreement on exactly what constitutes a variable operating cost, and what constitutes a fixed cost. Some consensus needs to be arrived at with regards to which of these two categories a particular utility expenditure falls into, as well as the amount of each expenditure (whether expressed as a dollar figure or a percentage) that should be assigned to each category.
9. There is a significant difference of opinion among city staff as to whether the water loss (unmetered water usage) reported in the 2013 Rate Study reflects current (2015) conditions or not. As noted elsewhere within this report, unless accompanied by a corresponding increase in billable water usage, improving metered accuracy at the city's production wells will most likely result in an increase in reported water loss. Since Groveland can only collect revenue on utility services that it can bill for, the expense of unmetered water usage must be absorbed within the rates that are charged to utility customers. The same holds true for bad debt write-offs.
10. Opposite the current situation with potable water, the city's wastewater treatment system is reporting plant flows that are significantly less than the amounts the city is billing its sewer customers for. The difference in the amount of billed effluent verses the amount of treated effluent exceeded 30,000,000 gallons in 2015. City Utility staff and RFC representatives have advanced several reasons for this discrepancy, primarily revolving around the amount of potable, non-irrigation metered water that some residents are using for irrigation purposes. This matter needs further investigation to determine if the reasons given by staff and RFC are correct or not.
11. The 2013 RFC Rate Study includes a reduction in the annual sewer consumption figures shown in Exhibit 2, to reflect a credit of wastewater billing charges to Niagara Bottling, LLC. in accordance

with the city's January 3, 2010 settlement. This consumption adjustment appears unwarranted, as the city is still processing Niagara's effluent regardless of the billing credit it is required to issue to the company.

12. The 2013 RFC Rate Study assigns varying amounts of monthly consumption (in gallons) to the ERU's associated with each category of utility customer shown in the study's exhibits – Residential, Commercial, Irrigation, Hydrants, and Inside & Outside. The formula RFC uses to calculate the ERU consumption for each customer category is not specifically outlined within the Rate Study. An explanation of RFC's ERU calculation methodology is needed somewhere within the study.

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Comments Provided by Gwen Walker & Jamie Huish  
Comments on Drymon's Report

While I agree that Black Mountain software can provide a challenge, I believe that looking at the report generated for billing purposes (which will have use and what we charged for that use) and comparing it against the reports generated by Chuck Mack and staff, will be useful in trying to determine where the inconsistencies between the two data sources exists.

I would dispute Mr. Drymon's assertion that water loss is at approximately 25% as he offers no hard data to support this assumption. Again, I think if we take our data sources (in small pieces such as by month) and compare them that we have a better opportunity to identify inconsistencies and the reasons for them.

Jamie and I have discussed the Utility Rate Study assumption that one-third of all utility budgeted expenditures are variable. I think we need to identify what expenditures are to be considered variable and discuss what affect we believe these variable costs will have on a proposed rate and come to some agreement..I can argue that almost all utility costs are variable so I believe a clear definition needs to be agreed on.

When Mr. Drymon states in his report, "In the minds of several city staff, the timing and approval of Utility Fund Capital Improvement Projects by City Council in the interval since Raftelis completed the last rate study has negatively impacted the rate structures which were recommended at that time", I would have put more faith in this assumption if he had identified his source. What expertise did these staff members bring to the table? We they privy to Council's decision-making process when the decisions were made?

Mr. Drymon offered no data to back-up the statement that the City is experiencing a bad-debt write off of 10.5%. If this is in fact the case, as part of this study, the City should review its procedures regarding delinquent accounts and what steps are being taken to collect. Are we are placing liens against the properties, using a collection agency, providing payment plans? We owe it to our paying customers to make sure we are doing everything we can to collect...not pass on dead beats costs to them.

Paragraph 12 on page 6 of 8 provides a good argument for tiered rates. If we are unable to provide separate meters to track usage of potable water for reclaimed uses, charging these customers accordingly seems like a fair practice.

Mr. Drymon also suggests that the City incorporate the costs of annual backflow prevention device installation testing and maintenance work into the water rated paid by utility customers. I strongly disagree. This should be the homeowner's responsibility not the City's.

## Attachment 2



CITY OF GROVELAND  
156 S. LAKE AVENUE  
GROVELAND, FL 34736

PHONE 352-429-2141  
FAX 352-429-3852

June 23, 2015

Mr. Zac Seger, Director of Manufacturing Operations, East Coast  
CaptiveAire, Inc. Commercial Kitchen Ventilation  
19930 Independence Blvd  
Groveland, FL 34736

Topic: **Memorandum of Understanding (MOU)** regarding a potential Development Agreement between Captive Aire, Inc., aka Chalks Groveland, LLC and the City of Groveland.

Attn: To the Officer(s) authorized to sign for and on behalf of Captive Aire, Inc. this MOU is for the purposes of establishing an initial conceptual agreement structure that will be used only as an outline for a negotiation of a formal development agreement subject to the City of Groveland City Council Approval.

Whereas, Captive Aire, Inc. is a manufacturing building within the City of Groveland, and will be expected to develop a 36,000 square foot addition to said property based on terms conceptually outlined in this MOU.

And Whereas, The City of Groveland has the goal of to "develop inviting high profile visually impactful projects that establish Groveland as a destination; gateway, branding, and other projects that reflect sound use of tax dollars"; and seeks to promote the public interest of assisting business growth, employment opportunities, and industry productivity with its city limits. Therefore, the City of Groveland will pursue the following conceptual terms as basis for a develop agreement.

### Terms of CaptiveAire, Inc.

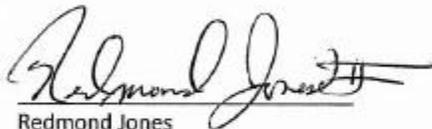
1. Captive Aire, Inc. is required to verify site control of 11.92 acres parcel commonly recognized Lake County Central Park, Phase 2, Groveland, 19930 Independence Blvd, Groveland, Florida 34736.
2. Captive Aire, Inc. agrees to develop the aforementioned 11.92 acres into an expansion development with building quality storage structure of ¼ an acres or 36,000 square feet. As well as assume the construction and related expansion development cost.
3. Captive Aire, Inc. agrees to aggressively seek an additional 8 new employees with the potential of plant capacity of 80 employees. Current number of employees are 71.
4. Captive Aire, Inc. agrees to make a Grand Total Investment in the aforementioned expansion of \$3,354,120.

Terms of the City of Groveland

1. The City of Groveland agrees to utilize the Economic Develop and Business Incentive Ordinance 2015-05-06 to award, credit, waiver or rebate building permit costs.

Again, this agreement is not intended to explore every detail of a potential development agreement. Instead it is intended to be the starting point for an on-going negotiation, which will consider several incentives to be used as a group or incentive package. Typically, we like to present incentives that represent 7% -10% of total investment. It should also be noted: this agreement is not binding and is open interpretation. The Signature lines of this agreement only signify a good faith effort in an attempt to negotiate the aforementioned terms basis of a development agreement. It is understood that the City Council will need to review and approve any negotiated development agreement.

Sincerely,



Redmond Jones  
City Manager

Accepted



Bill Francis  
Chief Financial Officer  
CaptiveAire, Inc

**Attachment 3**



July 6, 2015

City of Groveland,

Captive Aire has applied for permits from the City of Groveland for the development and the construction of Florida Phase II Expansion. After the permits have been issued Chalks Groveland LLC understands and agrees that if the City Council does not approve a development agreement between Chalks Groveland LLC and the City of Groveland regarding economic development incentives that Chalks Groveland LLC must pay all development and permit fees prior to the City of Groveland issuing a final Certificate of Occupancy. Chalks Groveland LLC is willing and able to pay the fees in that circumstance.

A handwritten signature in black ink, appearing to read "Bill Francis".

Bill Francis

Bill Francis | Chief Financial Officer  
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