

VERNON MYERS
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS
COMMISSIONER

PHIL LEARY
COMMISSIONER

JAMES NORWOOD, JR.
COMMISSIONER



MICHAEL J. CZYMBOR
CITY MANAGER

BETSY JORDAN DRIGGERS
CITY CLERK

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

GARY S. GETCHELL
CHIEF OF POLICE

MICHAEL LAMBERT
CHIEF FIRE DEPT

DONALD E. HOLMES
CITY ATTORNEY

Regular meeting 2nd and 4th Thursdays each month at 6:00 p.m.

MINUTES
CITY OF PALATKA – PALATKA GAS AUTHORITY
JOINT WORKSHOP MEETING
August 29, 2013

Proceedings of a special called Workshop meeting of the City Commission of the City of Palatka, Florida, held on the 29th day of August, 2013.

PRESENT:

	Mayor	Vernon Myers
	Commissioner	Mary Lawson Brown
	Commissioner	Allegra Kitchens
	Commissioner	Phil Leary
	Commissioner	James Norwood, Jr.

Also Present: City Manager Michael J. Czymbor; City Attorney Donald E. Holmes; City Clerk Betsy Jordan Driggers; Finance Director Matt Reynolds; Police Chief Gary Getchell; Fire Chief Mike Lambert; Grants & Projects Manager Jonathan Griffith

Present for Palatka Gas Authority Board of Directors: Jud Neufeld, Chairman, The Rev. Charlie Raburn, Ted McGibbon, and Marc Spalding. Absent: James Vickers

Also present for Palatka Gas Authority: Don Kitner, Executive Director.

CALL TO ORDER: Mayor Myers called the meeting to order at 7:45 p.m. and read the following call, dated August 14, 2013:

TO COMMISSIONERS: MARY LAWSON BROWN, ALLEGRA KITCHENS, PHIL LEARY AND JAMES NORWOOD, Jr.:

You are hereby notified that a workshop meeting of the Palatka City Commission is called to be held on Thursday, August 29, 2013 at the regular meeting place of the Palatka City Commission at 201 N. 2nd Street, Palatka, Florida, to begin at 6:30 p.m. or as soon as possible following the called 5:30 p.m. Special Meeting of the Palatka City Commission, whichever is later.

The purpose of the meeting is to hold a joint workshop with the Palatka Gas Authority Board to discuss the following items:

- Strategic Vision
- Budget Summary 2013-2014
- Amendments to City of Palatka Charter, Subpart A: Palatka Gas Authority

/s/Vernon Myers
Vernon Myers, MAYOR

We hereby acknowledge receipt of the foregoing Notice of a Called Workshop Meeting on the 14th day of August, 2013

/s/Mary Lawson Brown
COMMISSIONER

/s/Phil Leary
COMMISSIONER

/s/James Norwood, Jr.
COMMISSIONER

/s/Allegra Kitchens
COMMISSIONER

Michael Czymbor, City Manager, provided opening remarks.

Jud Neufeld, Chairman, Palatka Gas Authority, said they want to look at the PGA mission, management and money. He thanked the Commission for allowing them to serve.

Mr. Neufeld proceeded with a slide show presentation and provided narration as follows:

The mission of Palatka Gas Authority is to provide safe gas. When they looked at customer growth, they can see that there is growth leading up to 2010. They then began to take aggressive action. This Board has done a lot of work to try to grow the gas business and make it sustainable. They've worked on system reliability and have seen a consistent decline in customer base in the gas business in the ease of leaving gas and going to all electric. They have added miles of lines since then. They consider safety as the main mission of the Gas Authority.

They are into the second year of the Automated Meter Reading (AMR) program. They have 25% of these meters installed, streamlining operations. The Compressed Natural Gas (CNG) Station at Reid & 9th Street has a lot of activity and interest, which grows stronger by the day. They see this as a very viable part of their future. There are many benefits of CNG. This is a lifetime step for the City and puts Palatka on the map. He listed entities looking at taking their fleets to natural gas, which includes the City of Palatka. They have signed a five-year contract on the location for the station, which will be a 24 hour operation. Discussion ensued regarding safety of CNG compared to gasoline. Mr. Kitner said CNG is safer than gasoline as well as a huge environmental benefit. Many Florida fleets have already converted to CNG.

A map was shown of the location of a proposed pipeline, which was listed as a capital project, going to Keystone Heights. They have also proposed to acquire a pipeline from LaFarge Gypsum plant at an estimated cost of \$20,000 to \$200,000. This includes a Gate station and approximately six miles of gas lines. They would like to acquire a line in Hastings approximately 7.65 miles long which would add six commercial and ten residential accounts at a project cost of \$316,800. They expect revenues of \$50,900 annually and would realize a return on the investment in 6.23 years.

Mr. Neufeld complimented Mr. Holmes, their Board Attorney, and Mr. Kitner, their Executive Director, for their competence and expertise in these matters. Training provided on pipeline technology was discussed. Mr. Holmes has urged them to only enter into safe and secure contracts.

They have looked at extending the current line 9.5 miles to service the Interlachen area at a cost of \$638,800. They predict a return on investment in approximately nine years. This will add 15 commercial and 75 residential accounts. They planned to staff a gate station and 3.5 miles of main at a cost of \$889,200 which would realize a return on investment in 6.5 years.

Crescent City has many needs and has approached the Gas Authority regarding line management and other needs. They are considering putting their assets up for sale and the Board has been considering this purchase for some time, and has discussed this on numerous occasions. Mr. Kitner said the Crescent City Commission elected to raise rates, but he is not sure that will solve their problem. Their customer accounts continue to decline. As long as you can gain customers you do not have to raise rates.

The 2013-14 proposed budget was shown as filed. Mr. Neufeld said they have been doing a lot of strategic maintenance and planning in order to grow and sustain this asset.

For thirty-two years they have been operating on a piece of paper that was signed by Mr. Harvey Deno, the former Executive Director and Mr. Beckler, former Chairman of the Board, which was signed by the City in 1982. They have given the City of Palatka five million dollars' worth of operating income. They have been faithful in delivering the City a return each year. A history of the transfers was shown. A slide was also shown of the "bill" they have been operating on for thirty-two years. Mr. Czymbor said he asked Ms. Young to go through the entire 1982 minutes book to determine if this was ever actually adopted by the City Commission; it was not. Mr. Neufeld said they have been operating under this for 32 years. He understands this need to be made clearer. They have proposed changes to allow them to operate as they have been for the past 32 years, which requires the Gas Authority to give the City 50% of their net proceeds. This is necessary so they can plan, grow and maintain the system. They operate this asset for free; they donate their time and talent for the operation of this system. They have a new warehouse, nice office and equipment, and a well managed asset of the City because this Board works hard and serves faithfully under this 50% Agreement. They have invested the other \$5 million back into the system. All they get out of it is a meal once a month.

Don Holmes, City Attorney/Gas Authority Attorney said for the past several years there have been some discomfort felt by the Gas Authority when the City has approached the Gas Authority asking for money. There is some question as to whose money it is. The Gas Authority Board works hard to maximize their money and is careful about where the money goes. There is no question that this is the City's money. If the City wants the money, there is no legal dispute as to where this stands. He suggested they hold this joint meeting so the Gas Authority can receive guidance as to their role, mission and task as they both see it. Once agreed upon, the Gas Authority's needs can be better addressed. If the Commission says all the Authority is to do is to run the Authority and the existing system, that's all they need to do. If it's the City's position that the expansion/improvement projects have served to produce revenue and sustain the system and that is desirable, that is another. They are not borrowing the money to make these improvements. If the Commission decides that has value, they could consider this in a different way. Instead of making this about who owns the money, they can listen to the Gas Authority's plan, and if the Commission buys into it, the Commission can acknowledge the Authority needs that money to put this plan into motion. The purpose of this presentation is to show what is in the works, and for the Commission to say that is fine, or not fine. You could never put anything in an ordinance that states you can't take city money from a City department. The purpose of the presentation is to inform the Commission of the Gas Authority's plan.

Mayor Myers said they are not here to make a decision. He is not in favor of the Keystone project because they are taking city money and investing it "outside." He can understand the Hastings and Interlachen projects. As to ordinance changes, that is a topic for a future decision, and they can discuss it in a meeting at a future date. They all want what is best for the citizens of Palatka. They may have a difference of opinion of what's good for the citizens. He appreciates the hard work and dedication of the Palatka Gas Authority under Mr. Neufeld's leadership. Commissioner Leary concurred and said they have a high level of professionalism and provide leadership that is different than that of the City Commission's. The funding was eye-opening to him, but more important is the fact that the City is in the top 5% of high millage rates of all cities in the State.

This is an abomination. He came into office at the height of the recession and that's when the City asked the Authority for more than 50% of the yearly profits. He believes the Keystone project has merit; he's for anything that will allow the City to reduce the millage rate. They can't compete with other cities for business and economic development when they are in the top 5% in the state for millage rate levels. He applauds them for looking at these projects. Expansion of CNG is what is needed. World renowned economists have stated we need to go away from the dependence on foreign oil. Palatka needs economic development and tax base growth. The experts are saying Palatka is a "dying" municipality.

Commissioner Kitchens said she concurs with both Mayor and Commissioner Leary on expansion plans and the value of those. If they can do this expansion, that's good. They are very astute business people. When they are able to expand she believes they will. As to changing the ordinance at a future meeting, she has no problem with looking at this. She applauds them for their foresight.

Commissioner Norwood said the Gas Authority has made good, sound investments and has realized good, sound return on their investments. They had a vision for what they wanted the Authority to look like. He is in favor of continuing encouragement of their investment in capital projects. In doing so, the City will realize gains going forward. They have to look at the comparative advantage and continue to allow them to make investments into the Authority. The City should have the option to ask for increased funding when they need it, when there is a dire need for those funds.

Mr. Neufeld said he chairs this Board but all of its members bringing a wealth of experience and value. It's a good, experienced group. They are honored to serve in this capacity.

Commissioner Norwood said he would like to see this Ordinance brought before the Commission. Mayor Myers said Mr. Czymbor can take a look at this and try to do this as expeditiously as possible.

Commissioner Brown asked Mr. Czymbor to bring his notes on a grant for small businesses that FPL brought to one of their International Group meetings, and share those with the Commission.

ADJOURN – There being no further business to discuss, the meeting was adjourned at 8:37 p.m. upon a motion by Commissioner Kitchens.