



TOWN OF PALM BEACH

REPORT OF THE FINANCE AND TAXATION COMMITTEE MEETING HELD ON THURSDAY, MARCH 16, 2023

I. CALL TO ORDER AND ROLL CALL

The Finance and Taxation Committee Meeting of March 16, 2023, was called to order at 9:30 a.m. All Committee members were found to be present.

II. PLEDGE OF ALLEGIANCE

Chair Zeidman led the Pledge of Allegiance.

III. APPROVAL OF AGENDA

Motion was made by Member Crampton and seconded by Chair Zeidman to approve the agenda. On roll call, the Motion passed unanimously.

IV. COMMUNICATIONS FROM CITIZENS – 3-MINUTE LIMIT PLEASE

There was none.

V. REGULAR AGENDA

A. New Business

1. Water Study Update

Robert Miracle, Deputy Town Manager Finance & Administration

Chair Zeidman stated that this committee will be discussing the cost of the two (2) options the Council is considering for our future water supply: (1) remaining with the City of West Palm Beach provided they will upgrade to membrane technology or (2) switching to the City of Lake Worth Beach which has some membrane technology and plans to fully convert to membrane technology. She further stated that the advantages and disadvantages of each option will be considered by the Council including cost and the amount of disruption to replace aged water distribution infrastructure with the West Palm Beach option or upgrading the water distribution infrastructure and building two new water transmission conduits from Lake Worth to Palm Beach which will be required with the Lake Worth option. As a

point of reference, a cost analysis of staying with West Palm Beach “AS IS” will be presented first. The Council has indicated a desire to move toward membrane technology and is not considering West Palm Beach conventional treatment as an ongoing option.

Chair Zeidman reported that Council President Pro Tem Bobbie Lindsay, Chair of the Public Works Committee, had two Public Works meetings to look at the percentage of aged water pipes that would need near term replacement if the Town stays with West Palm Beach. She stated that no decision has yet been made by the Town Council regarding the final option because we are still gathering information. Chair Zeidman stated that the role of this committee is to determine what the residents’ water bill will look like with each of the options.

In light of the recent proposal for the EPA (Environmental Protection Agency) to monitor PFAS in drinking water, Member Crampton explained the process of the EPA regarding new regulations, the study phase, the comment period and the length of time communities are given to comply.

Robert Miracle, Deputy Town Manager, Finance and Administration thanked the Committee for their opening statements and gave an introduction of the different presenters for the meeting.

Jason Lee, Kimley-Horn & Associates, presented an update regarding the Water Feasibility Study. The options are:

- **City of West Palm Beach – as is, the current water treatment process remains**

There will be no change to the current water treatment process. The only improvement will be the replacement of the aged water distribution infrastructure in the Town. The total value will be \$47-70M as follows:

Current Franchise Agreement pipeline improvements	\$13M
Current critical pipeline improvements per Masterplan	<u>\$15M</u>
Subtotal pipeline capital improvements	\$29M
Engineering/Administration (20%)	\$6M
Subtotal Capital, Engineering/Administration	<u>\$35M</u>
Contingency (35%)	\$12M
Subtotal Capital, Engineering/Admin & Contingency	\$47M
Level 5 Engineers Opinion of Probable Cost (0-+50%)	\$47M – 70M

- **City of West Palm Beach – Membrane Upgrade, plant to have 32 MGD nanofiltration and 16MGD brackish water reverse osmosis**

This option would involve converting the existing conventional treatment with membrane treatment and would possibly include 32MGD of nanofiltration membrane treatment utilizing surface water source and 16MGD of brackish water reverse osmosis utilizing the Floridan Aquifer. This improvement would require a process building to house the membrane treatment, the development of a Floridan wellfield for the City of West Palm Beach, a raw water system to

deliver the water to the plant, and a redundant concentrated disposal system. The total value for the conversion will be \$797M-1.19B as follows:

16MGD BWRO and 32MGD NF Treatment	\$354M
Wells including allowance for raw water mains	\$110M
Current Franchise Agreement pipeline improvements	\$ 13M
Current critical pipeline improvements per Masterplan	<u>\$ 15M</u>
Subtotal capital improvements	\$492M
Engineering/Administration (20%)	<u>\$ 98M</u>
Subtotal capital, engineering and administration	\$590M
Contingency (35%)	<u>\$207M</u>
Subtotal	\$797M
Level 5 Engineers Opinion of Probable Cost (0-+-50%)	\$797M - \$1.19B

The Town of Palm Beach use = 21% of the above capacity which is \$167M- \$251M

Mr. Lee stated that these estimates were not provided by the City of West Palm Beach and were calculated by Kimley Horn.

- **City of Lake Worth Beach – plant to have 4.5MGD nanofiltration and 15MGD brackish water reverse osmosis.**

This option includes increasing the brackish water treatment which has an existing capacity of 5.1MGD utilizing the Surficial Aquifer and 4.5MGD utilizing the Floridan aquifer. The future capacity will be 4.1MGD utilizing nanofiltration and 15MGD utilizing reverse osmosis, respectively. This option will require significant water transmission improvements from the LW plant to the Town and upgrading the water distribution and transmission system to move water from the south to the north end of the Town. The value for this improvement will be \$310M-465M as follows:

10.5MGD RO Treatment, 4.5MGD NF treatment, Treatment Building addition	\$110M
LWB Pipeline interconnection – C-51 Connection	\$ 17M
LWB Pipeline interconnection – LW Road	\$ 11M
Town Pipeline distribution improvements	\$ 40M
Current Franchise Agreement pipeline replacements	\$ 10M
Critical pipeline improvements per masterplan	<u>\$ 3M</u>
Subtotal Capital Improvements	\$191M
Engineering/Administration (20%)	<u>\$ 38M</u>
Subtotal Capital, Engineering and Administration	\$229M
Contingency (35%)	<u>\$ 80M</u>
Subtotal Capital, Engineering/Admin, Contingency	\$310M
Level 5 Engineers Opinion of Probable Cost (0-+50%)	\$310M-\$465M

Mr. Lee stated that these estimates were provided by the City of Lake Worth Beach and were verified by Kimley Horn.

Mr. Lee presented the following Cost Analysis Summary regarding the three (3) options and stated that the Town required capacity is 10MGD which is 21% of 48MGD planned capacity:

Alternative Description	Cost	Included in Cost
West Palm Beach – as is	\$47M - \$70M	Pipeline Infrastructure
WPB – 48MGD Membrane Upgrade	\$797M - \$1.19B (21% of capacity represents \$167M - \$251M)	Pipeline and Treatment Infrastructure
Lake Worth Beach	\$310M - \$465M	Pipeline and Treatment Infrastructure

Responding to Council Member Crampton, Mr. Lee explained a Level 5 analysis is a high-grade analysis.

Responding to Chair Zeidman, Mr. John Potts, Consultant, Kimley-Horn explained the huge difference in cost for the Lake Worth Beach option. Chair Zeidman stated that she was not comfortable with the analysis which shows a large discrepancy between the cost of an upgraded WPB system and an upgraded LWB system. In this analysis the LWB will cost our Town between \$143M and \$214M more than the WPB option. However, the WPB option only includes pipeline improvements in accordance with our current franchise agreement which is and has been insufficiently funded. Chair Zeidman speculated that either the cost for LWB is too high or the cost for an upgraded WPB is too low.

Chair Zeidman explained the process of getting an agreement with the municipality after an option has been selected.

Responding to Member Crampton, Mr. Potts explained that the cost of replacing piping was a separate issue with West Palm Beach but not a separate issue with Lake Worth Beach.

Discussion ensued regarding the various costs involved in each estimate. Deputy Town Manager Miracle noted that certain costs will be a percentage regarding West Palm Beach due to the Town already being a customer vs. Lake Worth Beach where the Town would probably have to absorb more costs regarding the service as a new customer.

Deputy Town Manager Miracle introduced Jay Glover, Financial Advisor, PFM, who will make a presentation regarding the financing costs.

Mr. Jay Glover, PFM, presented an overview of financing capital needs and the various financing options available to local governments. He explained that Revenue Bonds are backed by revenues from a specific source and General Obligation Bonds are backed by the faith and credit of the issuer, which has the power to tax residents to pay bondholders. He further explained the legal requirements for the revenue bonds.

In response to questions from the committee, Mr. Glover stated that the Town will have an “attractive level of borrowing” because of its AAA rating and their water customer base. Upon

further questioning current rates are at 4-4.5% for a 30-year revenue bond. Mr. Glover asked not to be held to those terms since bond rates do change. Mr. Glover remarked that a 30-year bond allows for future generations to help pay the cost.

Deputy Town Manager Miracle introduced Terry Hollis, Willdan Financial Services.

Terry Hollis, Willdan Financial Services presented the different alternatives relating to the water system alternatives and the impact to the Town’s residents. She highlighted the Scope of Engagement as Willdan being retained to develop a high-level financial analysis that compares estimated probable costs of each water system alternative and the estimated financial impact to the Town and its water customers. She stated this scope only analyzed total revenues and was not a rate study. She presented the data used, assumptions and results achieved. She presented the three (3) alternatives as follows:

Alternative 1 (Status Quo)

Range of Required Revenue Increase is between 20.6-30.7%

Estimated Probable Cost	\$47M	\$70M
Incremental Revenue Required	\$4.41M	\$6.57M
% Increase compared to current revenues	20.6%	30.7%
<i>Assumed percent attributable to the Town = 100%</i>		

Alternative 2 (WPB – 48MGD Membrane Upgrade)

Range of Required Revenue Increase is between 73.5-110.2%

Estimated Probable Cost	\$167.4M	\$251.2M
Incremental Revenue Required	\$15.72M	\$22.86M
% Increase compared to current revenues	73.5%	110.2%
<i>Assumed percent attributable to the Town =21%</i>		

Alternative 3 (City of Lake Worth Beach)

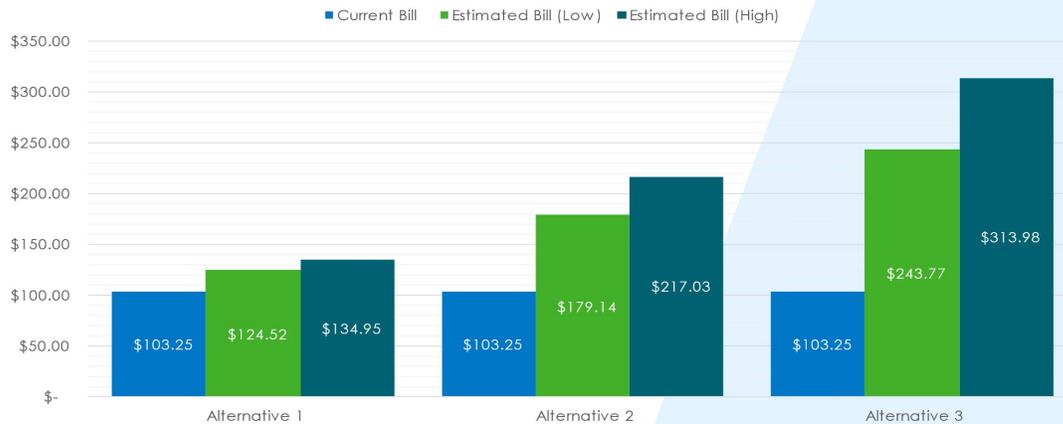
Range of Required Revenue Increase is between 136.1-204.1%

Estimated Probable Cost	\$310.0M	\$465.0M
Incremental Revenue Required	\$29.12M	\$43.68M
% Increase compared to current revenues	136.1%	204.1%
<i>Assumed percent attributable to the Town = 100%</i>		

Ms. Hollis presented the following estimated impact to the water bill which assumes a monthly usage of 24.7 CCF:

Alternative Description	Estimated Range of Increase to Revenues	Incremental Impact to Monthly Bill
Alternative 1 – Status Quo	20.6% – 30.7%	\$21.27 - \$31.70
Alternative 2 – City of WPB	73.5% - 110.2%	\$75.89 - \$113.78
Alternative 3 – City of LWB	136.1% - 204.1%	\$140.52 - \$210.73

ESTIMATED IMPACT TO MONTHLY BILL



* Assumed Monthly Usage = 24.7 ccf

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Responding to Member Crampton, Ms. Hollis stated that the calculations would not change even if an Authority was created. Chair Zeidman stated she did not have confidence in the numbers regarding West Palm Beach as those were not numbers submitted by that municipality. Mr. Lee, Kimley-Horn, then explained how the estimates were arrived at regarding the City of West Palm Beach.

After a brief discussion, it was decided that an Attorney would be retained to begin negotiations, find out from LWB and WPB if an Authority would be created to include the Town and the Town's role on the Authority.

VI. ANY OTHER MATTERS - None

VII. ADJOURNMENT

The Finance and Taxation Committee meeting was adjourned at 11:25 AM without benefit of a Motion.

APPROVED:

Margaret A. Zeidman, Chair

ATTEST

Pat Gayle-Gordon, Deputy Town Clerk

Date