



# MINUTES

## City Commission Workshop: Eastern Utilities

4:00 PM – Thursday, May 15, 2025 – City Hall

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**Call to Order: 4:01 p.m.**

### **Acknowledgement of Quorum and Proper Notice**

PRESENT: Vice Mayor Gary Ashcraft, Commissioner Michael Holland, Commissioner Emily Lee, Commissioner George Asbate and Mayor Willie L. Hawkins

### **1. Workshop Item with Discussion and Direction**

Rick Gierok, Public Works Director, briefly reviewed the previous workshops regarding Eastern Utilities from January 2024 and July 2024 and noted challenges with expansion in and out of town. He noted the financial rate study review undertaken by Raftelis. He stated that staff asked them to provide an analysis of costs, expenditures, and revenues for both sections of the system. He stated that their analysis indicates the City is upside down and needs to make a decision. He stated the City reached out to U.S. Water for recommendations on the three options available to the City as follows: 1. Continue to operate as is; 2. Explore public to private transaction; and 3. Explore public to public transaction.

Mr. Gierok introduced the representatives from U.S. Water: Gary Deremer, President and CEO; Chris Saliba, Vice President of Operations and Maintenance; and Troy Rendell, Vice President of Investor-Owned Utilities, who each provided a brief review of their experience. Mr. Deremer explained that, in order to avoid any conflicts of interest, they would not be a possible buyer if the City decides to sell the system. They also would not be able to represent the City in a public-to-public transaction.

Mr. Saliba explained U.S. Water is primarily an operations and maintenance firm, and they are the largest water and wastewater O&M provider in Florida. He indicated they are also licensed general underground electrical contractors. He provided an overview of some of their transactional and operational experience. He explained why their study results may be different than Raftelis and commented on their work in conjunction with Raftelis.

Mr. Saliba reviewed the list of acquisitions they have been involved in over the years in Florida and what their relationship was in each of those. He provided a review of Raftelis' cost allocation analysis and U.S. Water's operational review and explained their evaluation of the system, the budget analysis of both systems, and their analysis of the 25% surcharge impact. He stated that the sale of the eastern utilities would result in the reduction of only one full-time operator position. He then explained the effect on the General Fund Transfer if the City sells the eastern utilities.

Mr. Saliba then reviewed the three options as follows: 1) Retain the Eastern Utility Systems; 2) Sale to a Private Investor; and 3) Public to Public Transaction (e.g. FGUA, City, County, or Utility District.

### Review of Option #1 - Retain Eastern Utility System

Mr. Saliba explained that their recommendation is for the City to retain the Eastern Utility System. He reviewed the advantages and disadvantages for the retention of the eastern utilities and stated it would be a benefit to both inside and outside City residents.

## Review of Option #2 - Sale of eastern utilities to a private investor

Mr. Saliba reviewed the advantages and disadvantages of Option #2 - Sale of the eastern utilities to a private investor. He noted that sale would be overseen by the Public Service Commission.

Troy Rendell explained the difficulties in evaluating the system for this type of sale and reviewed the process that would be utilized. He cited the need for a reclaimed or effluent disposal agreement.

## Review of Option #3 - Public to public transaction

Mr. Saliba reviewed the advantages and disadvantages of Option #3 - public to public transactions and commented on the possible creation of a special utility district. He discussed the current rates and potential rate impact and provided a comparison with other utilities' rates.

Gary Deremer explained the rates from a previous Aqua utility transaction and their rate bands. He commented on the importance of keeping the rates affordable for residents. He explained how the investment companies increase their revenues and how FGUA purchased the Aqua Utility systems. He noted that regulated systems tend to have higher rates. He further commented on the benefits to out-of-city customers. He stated there are ways around the 25% surcharge on the out-of-city customers, but they have to be careful. He explained the difference between public and private transactions and the effects on the rates.

Mr. Deremer stated they have to keep in mind if what they are doing is in the public interest. He explained how they reached their final recommendation including the following: 1) financial stability of the system and ratepayer protection; 2) operational efficiency and expertise; 3) infrastructure investment and upgrades; 4) regulatory compliance and oversight; 5) community engagement and transparency; and 6) long-term sustainability and resilience.

Discussion was held regarding the financial summary for retention of the eastern utility systems with Mr. Saliba providing an overview. He noted that the majority of growth will be in the eastern service area. He stated that the revenue growth does outpace the expense growth based on the growth identified in the agreements.

Mr. Saliba reviewed their final recommendation for the retention of the ownership of Eastern Utilities. He highlighted lower operating costs for all customers, preservation of operational synergies, maintaining control over future growth, protecting general fund transfers, leveraging existing infrastructure investments, preserving local authority, preserving local accountability and services standards, enabling strategic use of grants and funding, avoiding long-term rate uncertainty, and supporting economic development.

The Commission noted that the City limits are not yet out there with Mr. Saliba responding that the City can use SRF funds for those improvements.

The Commission agreed those are Eustis customers even if they aren't within City limits. Discussion was held regarding how the other options would increase rates for the eastern customers. It was noted that under either of the other scenarios, the City would have to negotiate an agreement for the reclaimed water.

Tom Carrino, City Manager, stated that the sale of the system would result in higher rates for both the eastern customers and the in-city customers. He explained why that would occur due to the transfer to the General Fund being partially subsidized by the eastern customers.

Mr. Deremer commented on the long-term effect on the rates due to a short fall in the operating costs.

Commissioner Holland asked for information regarding creation of a special utility district with Mr. Deremer stating that, depending on how they set it up, they would be able to divest all of the utility

into a district which would enable them to develop a fair purchase price for the utility and pull the sales revenue into the General Fund. He recommended they look at the City of Rivera Beach.

Commissioner Ashcraft asked if the City would have to have a specific reason to give to the Public Service Commission with Mr. Deremer responding negatively.

Commissioner Holland commented on the possibility of the utility surcharge going away.

Further discussion was held regarding the special district with Mr. Deremer indicating he could send information to the City regarding special districts and connect them with the City Manager from Rivera Beach.

Mr. Carrino commented on how City employees would still need to operate the facilities with Mr. Deremer indicating that Rivera Beach transferred all of their assets into the special district and then they have a contract for operating the special district and the special district board is the city government.

Mr. Deremer insisted that the governing principle is that the City's rates must be fair and equitable. He indicated that the City's rates are a little upside down. He stated that the City needs to make sure those customers pay proportionally. He further commented on how the special district could be set up.

Further discussion was held regarding the need to control costs versus increasing revenue and what would be the impact on rates if both utilities were in one special district.

Discussion was held regarding the creation of a special utility district with Mr. Carrino confirming that staff will obtain additional information on that issue. He explained what prompted the discussion regarding the eastern utility system. He confirmed that the intent now would be to retain the eastern utility plant, continuing with business as usual, honoring all development agreements and bringing on those customers they can through those agreements versus creating a special utility district.

Commissioner Ashcraft stated his understanding that the City was not going to enter into development agreements unless they were going to annex into the City.

Mr. Carrino informed the Commission that the City has two pending development agreements. They have an existing agreement with Sorrento Pines and they are working through the County for land use approval. There are two pending agreements one with White Rose on SR 44 and one with Sunterra at SR 46 and 437. Those were initially on hold. With those two projects, the City is getting close to capacity at the eastern plant for sewer so the City would not be considering any new development agreements for that plant.

Mr. Gierok confirmed that those projects would bring them to about 95% capacity. He then confirmed that the in-City plant has capacity available.

Commissioner Ashcraft asked if the City would consider new development agreements for that plant.

Mr. Carrino explained that anyone being served by the main plant is either contiguous or there is possibility of contiguity.

Commissioner Ashcraft asked about the proposed development in Grand Island with Mr. Carrino responding they would be required to sign an annexation agreement. He explained they would be required to annex once they became contiguous. He noted that the City just completed a \$13 million expansion of the main plant. The purpose of the expansion was to handle the City's agreement with Umatilla, any future expansion at Florida Foods and to handle any growth in and around the current City limits.

Mayor Hawkins confirmed there is a consensus to retain the eastern plants and explore creating a utility district.

Mr. Carrino commented on the work done so far by U.S. Water and noted anything exceeding purchasing limits would have to come back to the Commission. He confirmed that the Commission was happy with their work thus far.

Commissioner Lee asked if they are looking at what needs to be done to prevent the deficit with Mr. Carrino responding there is no deficit. He explained that, when Raftelis looked at the City's system, they divided things up by usage only. They have since determined that the City is not operating at a deficit but actually at a surplus. The eastern customers are actually somewhat subsidizing the in-City customers.

Mr. Deremer suggested they could set up special districts for each development. The City could then sell wholesale services to each district at 100% of their costs.

Commissioner Holland recommended the Commission authorize staff to work with U.S. Water and bring it back to the Commission.

Mayor Hawkins asked if the language in the existing agreements would have to be changed with Mr. Deremer stating they could look at that. He indicated that would be a legal question.

Mayor Hawkins cited the pending development agreements with Mr. Gierok explaining that when they get to 80%, the City has to provide to DEP their plans for any expansion. He commented on the expansion project as it related to the County's proposal for an ISBA. He clarified that there are actually five developer agreements. He stated that they are legally binding documents.

Mr. Carrino stated that the development-specific special districts with wholesale agreements would be very different than what the City has done in the past and would apply to two of the pending developments. He noted there are not any agreements in place for those yet.

Mr. Deremer explained they would have capacity funds and user rates for those plants with existing capacity. When a new developer comes in that will require expansion, the developer would have to fund the plant and then turn it over to the City. He suggested they can tell the developer that the City will not impact the City residents, so they have to build the plant and then turn it over to the City. He then stated there is also a new practice that is looking for ways for developers to deficit fund the operating shortfall until there are sufficient customers to pay for operating the plant. He stated that they need to be careful how they negotiate the developer agreements in order to protect the City going forward.

## **2. Adjournment: 5:23 P.M.**

*\*These minutes reflect the actions taken and portions of the discussion during the meeting. To review the entire discussion concerning any agenda item, go to [www.eustis.org](http://www.eustis.org) and click on the video for the meeting in question. A DVD of the entire meeting or CD of the entire audio recording of the meeting can be obtained from the office of the City Clerk for a fee.*

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CHRISTINE HALLORAN  
City Clerk

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WILLIE L. HAWKINS  
Mayor/Commissioner