MINUTES
City of Cocoa
Special City Council Meeting

May 12, 2020

A Special City Council Meeting was held on Tuesday, May 12, 2020, in Cocoa City Hall, in City Council Chambers, located at 65 Stone Street, in Cocoa, Florida, 32922, as publicly noticed.

I. Opening Matters:

Mayor Williams called the meeting to order at 4:05 p.m.

Councilmember Warner provided the invocation and Councilmember Koss led the assembly in the Pledge of Allegiance to the Flag of the United States of America.

The City Clerk took the roll.

PRESENT:	Jake Williams, Jr.	Mayor
	James Goins	Deputy Mayor
	Don Boisvert	Councilmember (via phone)
	Lorraine Koss	Councilmember
	Brenda Warner	Councilmember
	Anthony Garganese	City Attorney
	Matt Fuhrer	Interim City Manager
	Carie Shealy	City Clerk

OTHER STAFF MEMBERS PRESENT:

Jack Walsh, Utilities Director; and Rebecca Bowman, Finance Director.

II. Approval of Agenda:

1. Agenda: Special Meeting of May 12, 2020 (20-256)

* **Motion by Councilmember Koss; Seconded by Councilmember Warner, to approve the agenda as presented for the Special meeting of May 12, 2020.**

AYES: Williams, Goins, Boisvert, Koss, Warner

THE MOTION CARRIED UNANIMOUSLY (5-0)

III. Council Business:

1. Presentation by Jacobs Engineering Group/Raftelis Financial Consultants, Inc. related to the Privatization of Patrick Air Force Base and the 45th Space Wing Utilities.

Interim City Manager Fuhrer provided a brief background on this issue and pointed out that both Councilmember's Warner and Boisvert were on Council when a similar item was presented in July 2016. He advised that on January 22, 2020 a request for proposals was released and now proposals are due July 22, 2020.

He noted that the City's team included Jack Walsh, Rebecca Bowman, Anthony Garganese, and himself. Mr. Mike Burton with Raftelis and Mr. Ed Davis with Jacobs were also a part of the team and were here to present.

Mike Burton introduced himself and advised that he had retired from Stantec in November and was now with Raftelis. They are handling the financial part of this and Mr. Davis is handling the Jacobs part.

Ed Davis, Senior Project Manager with CH2MHILL advised that he has been involved with this since the beginning and he spoke about some of the documents that were initially updated and advised that they may need updated again.

Mr. Burton provided a presentation[1] regarding the Utility Privatization at Cape Canaveral/Patrick Air Force Base.

He explained what utility privatization is which is essentially the military putting utility systems up for sale. It would be a fifty year service contract.

Mr. Burton spoke about the advantages of a municipal bid and why utility privatization was important for the City of Cocoa. He noted that one reason was the opportunity to expand the service area and to support Cape Canaveral and Patrick Air Force Base as an economic force in the community. Secondly, it would lead to the potential for a steady and long-term source of revenue which would provide a return to the City.

The process for utility privatization was explained and a timeline was shown for the process, which is as follows and is about a twenty three month process:

[1] EXHIBIT A: Utility Privatization Cape Canaveral/Patrick AFB Presentation

- Government schedules the UP procurement
- RFP is issued and the site visit is scheduled
- 3 to 4 months are allowed to prepare the proposals (although the COVID-19 crisis has delayed this process)
- Government review of proposals
- Proposers prepare final proposal revisions
- Government makes its recommendation to the Air force
- Air Force makes final decision and awards contract

Mr. Burton stressed that the City must immediately proceed if it was decided to pursue the contract.

The documents required for the proposal are the Technical Proposal, Past Performance, Contract Documentation and Price Proposal.

Mr. Burton reviewed the financial analysis of this project along with a SWOT Analysis, where he reviewed strengths, weaknesses, opportunities, and threats, in regards to this project.

Mr. Burton felt that no one else in this area has the ability to produce water like Cocoa can.

Councilmember Koss asked why the City was so behind on the RFP process. In response, both presenters stated that was for someone else to answer. It was also pointed out that the COVID-19 crisis hindered a lot of the process but they monitored it weekly and were notified immediately when it came out.

Mr. Burton further advised that if this is approved then the City would request an extension as the City was about three and a half months behind competitors.

Further discussion was held on costs, threats, and keys to success.

Councilmember Warner asked if they had gone out and inspected the pipes, assets, etc. so that the City knows what they were dealing with.

In response, Mr. Davis advised that there was not a lot of time, and they could possibly have two, four-hour sessions which is not a lot of time, and they would probably have to review what was on paper.

Councilmember Warner voiced her concern with the sewer lines because when construction took place there were a lot of sewer issues before people moved into

their homes. This continued for about three years after new construction. She had no concern with water but stressed that the whole construction process was bad.

Mayor Williams added that in 2011/2012 the Cape changed all water lines and replaced piping while they tore down facilities. There are a lot more septic tanks than sewer on the Cape; however, he was not sure about Patrick Air Force Base.

Councilmember Koss asked about the age of system. In response, Mr. David explained that all of that information was in the RFP and he was not sure how old or how many miles of piping it was. One of the initial system deficiencies was to replace pipe in the first five years.

The system was built in 1958.

Councilmember Koss further spoke about sea level.

Deputy Mayor Goins agreed with Councilmember Warner and it was the unknown conditions that concerned him. He asked who did repairs on base now and would like to see their reports.

Councilmember Koss asked about the City's investment so far. Staff responded and mentioned it was around $100,000. This included the updating of plans that would have had to be updated anyway.

Mr. Walsh spoke about this project and mentioned that there were significant challenges in how they would proceed in several areas, including HR and Utilities. Mr. Burton agreed that this would be a huge challenge to get going.

Interim City Manager Fuhrer advised that the first recommendation was the extension request. After this decision was made they could come back and determine how to move forward.

Mr. Burton agreed and stated that they could at least move forward with water as if they were going with the July 22nd deadline and if they extension was approved they could add sewer.

Councilmember Warner was fine with moving forward with the water and holding off on the sewer until they know if the extension was approved.

Mr. Davis said they have already submitted a letter of interest for both systems and they attended an onsite meeting which was required for the proposal.

Councilmember Koss asked how many people were in attendance at that meeting. In response, it was stated that there were about one hundred, with eight to ten firms from all over the country.

Mr. Walsh stated that doing both systems could potentially enhance the City's position but he explained in detail the three different proposals that could be submitted and the reasonings as to why one might submit for one portion and not the other.

* **MOTION by Councilmember Warner; Seconded by Deputy Mayor Goins, to approve staff's recommendation to request an extension of time for the due date for the Proposals to be submitted to the DLA due to COVID-19 interruptions.**

AYES: Williams, Goins, Boisvert, Koss, Warner

THE MOTION CARRIED UNANIMOUSLY (5-0)

Deputy Mayor Goins requested thorough information for the items that would be on tomorrows Council agenda.

Mr. Burton announced that he had an analysis that he could share individually with Councilmembers tonight or tomorrow if they wish. He explained what the analysis would entail.

Deputy Mayor Goins further asked if there was a way to find out who the base contracts with currently before tomorrow. In response, Mr. Walsh mentioned that if this was won by Cocoa all of that information would be part of figuring out how to do all of this.

Interim City Manager Fuhrer pointed out that this was a unique investment for a local government but there was an element of risk.

IV. Adjournment.

* **MOTION by Councilmember Warner; Seconded by Deputy Mayor Goins, to a adjourn the Special meeting of May 12, 2020.**

AYES: Williams, Goins, Boisvert, Koss, Warner

THE MOTION CARRIED UNANIMOUSLY (5-0)

The meeting adjourned at 5:32 p.m.

Jake Williams, Jr., Mayor

ATTEST:

Carie Shealy, MMC, City Clerk

RAFTELIS

Jacobs

May 12, 2020

Utility Privatization
Cape Canaveral/Patrick AFB

EXHBIT A: Utility Privatization Cape Canaveral/Patrick AFB Presentation

Agenda

- What is Utility Privatization (UP)?
- What are the Advantages of a Municipal Bid?
- Why is UP Important to the City of Cocoa?
- What is the Utility Privatization Process?
- What Proposal Documents are Required?
- Utility Privatization Team Make-up
- Financial Analysis – Investment at Risk and Return on Investment
- Strengths, Weaknesses Opportunities and Threats (SWOT) Analysis
  - Competitive Position
  - Key Business Issues
  - Keys to Success

What is Utility Privatization?

- It is Essentially the Military Putting Utility Systems up for Sale
  - 50 Year Utility Service Contract
  - So the Military can Focus on its Core Mission
- Defense Logistics Agency (DLA) Template is used on all Procurements

What are the Advantages of a Municipal Bid?

- Regulated Tariff versus Fixed Price with Economic Price Adjustments
  - Rate to be paid by the military will be determined based upon the specifications in the RFP, will include:
    - Operations & Maintenance costs,
    - Capital costs,
    - Return on investment (return on net book value of utility plan in service, does not included contributed assets)
  - Adjustments in the rate can be requested during the contract based upon application for the adjustments and documentation
- Municipal Bonds vs Private Debt – lower cost of debt
- Adjacent Assets and Operations

Why is UP Important for the City of Cocoa?

- Opportunity to Expand Service Area and Support Cape Canaveral/Patrick AFB as Economic Force in the Community
- Potential for steady, long term (50 Year) source of revenue which will provide a return to the City.
    - The return will be based upon the City's current policy of contributing a return on investment of the book value of utility assets to the General Fund.
    - This policy will apply to the investment in assets that the City will make in the distribution systems of the air force bases.

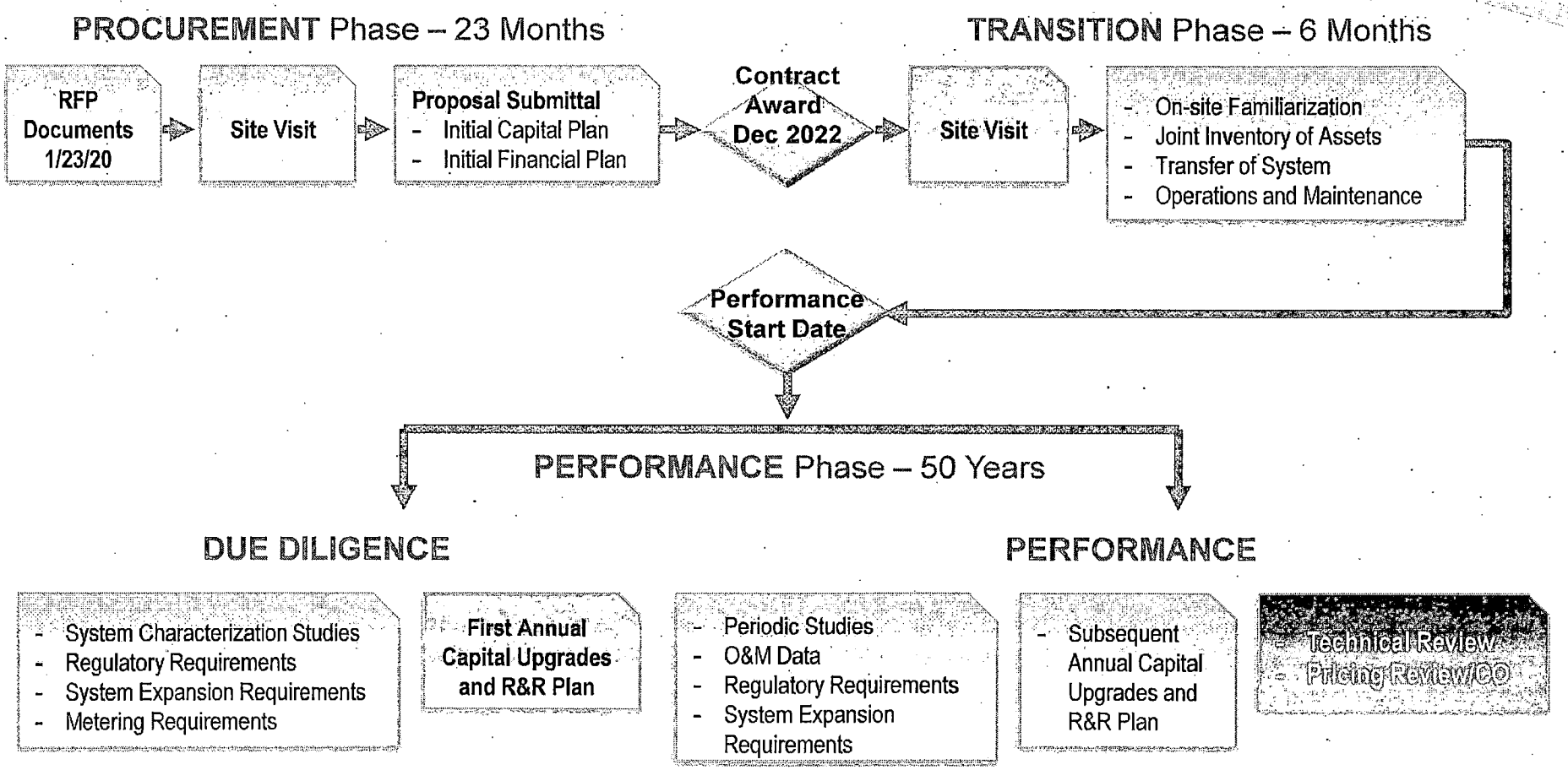
What is the Utility Privatization (UP) Process?

- Government schedules the UP procurement
- RFP is issued and site visit is scheduled
- 3 to 4 months are allowed to prepare proposals
  - The COVID-19 crisis has delayed this process.
  - Original due date for the City's proposal to be submitted was 5/22/20
  - DLA extended the due date to 7/22/20.
  - The City must proceed immediately if the City decides to pursue this contract.
- During government review of proposals….
  - Government sends requests for clarifications to proposers
  - Government schedules face to face meetings

What is the Utility Privatization (UP) Process?

- Proposers prepare final proposal revisions
- Government makes its recommendation to the Air Force
- Air Force makes final decision and awards contract
- About a 23-month process

What is the Utility Privatization Process?



What Proposal Documents are Required?

- Technical Proposal
  - Service Interruption/Contingency and Catastrophic Loss Plan
  - Operations and Maintenance/Quality Management Plan
  - Initial System Deficiency Corrections, Upgrades, Connections, and Renewals and Replacements Plan
  - Transition Plan
- Past Performance
- Contract Documentation
- Price Proposal

Utility Privatization Team Make-up

- Jacobs – Preparation of the City's Proposal – focus on engineering and operations elements
  - Prepare Capital Upgrades and Renewals and Replacements Plan
  - Prepare O&M Plan, Service Interruption and Catastrophic Loss Plan
- Raftelis – preparation of the financial elements of the City's proposal to be included by Jacobs in the City's proposal
  - Cost Estimators
  - 50 Year R&R, Capital Upgrades, O&M Pricing, ensure no negative impact to existing ratepayers
- City Attorney – Prepare Contract Documentation portion of the proposal
  - Review all contractual elements of the RFP
  - Prepare Contract Documentation portion of the proposal

Financial Analysis

City Investment at Risk:	
City Investment for Proposal Effort	$1,212,000
City Investment During Implementation	750,000
Total City Investment at Risk	**$1,962,000**
Other Embedded City Costs	$250,000
Utility Rate Revenues	$53,818,010
Investment at Risk as a Percentage of Rate Revenues	**3.65%**

- Return
  - City can recover a return on the City's capital investments in accordance with the current City policy of 6% of net book value of utility plant in service, that would be transferred to the General Fund in accordance with current City policy.
  - This would not include contributed assets.
  - It is not possible to predict the net book value of utility plant in service until the financial plan is developed.

SWOT Analysis
Competitive Position

Strengths

1. Designated regional water provider per state statute and contractual obligation to serve Bases.
2. Existing water service contract and relationship. Regardless of who gets the Base contract, Cocoa will continue to provide the water at the City's retail rates.
3. The City has a strong asset management and capital planning program.
4. Proximity of existing system & response time
5. Cost advantages in costs of capital and not-for-profit status

Weaknesses

1. Limited experience with federal procurement requirements.
2. Limited experience with distribution operations on a military base
3. We will only have 2 months to proposal submittal, which is a very aggressive schedule, particularly regarding involvement of Utility staff in assisting with development of costs, budgets and operations plans.
4. We are about 3 ½ months behind competitors

SWOT Analysis
Key Business Issues

Opportunities

1. Sharing of costs, such as overhead and operational redundancy.
2. Long-term benefits to regional economy of keeping the utility publicly-owned.
3. New funding source may provide opportunity to add resources that also may benefit the existing Cocoa water system

Threats

1. Loss of pursuit investment
    1. Loss of award
    2. DLA abandons UP post-RFP submission but before award.
2. Cash financing of emergency Base repairs, resulting in potential short-term subsidization – can mitigate by providing for emergency reserves in the financial plan.
3. Stranded investment in the Base due to DLA cancellation or Base Realignment and Closure (BRAC) initiatives.
4. Unknown condition of underground infrastructure
5. There are additional risks/threats associated with having to meet water quality (WQ) standards throughout the entire base(s) water system(s); whereas, now, the City is only required to meet WQ standards at the base meters.

SWOT Analysis
Keys to Success

- ***Keys to Success*** *>>> Leverage existing Operations and Maintenance work force, minimize on-site staff, deploy established asset management program*
- ***Keys to Success*** *>>> Protective language to protect City of Cocoa*
- ***Keys to Success*** *>>> Competitive construction pricing, Justification for upgrades, Sound CIP methodology, Cohesive plan for the future*
- ***Keys to Success*** *>>> Make sure that all government recognized deficiencies are corrected within the time frame required by the government, and that the contract addresses renewal and replacement of all inventory when it reaches its useful life*
- ***Keys to Success*** *>>> Make sure there is sufficient time during transition to prepare the City of Cocoa to assume full time operations and maintenance of the utility systems*
- ***Keys to Success*** *>>> Transparency in the Regulated Tariff price proposal will protect the City*

Recommendation

- Request an extension of time for the due date for the Proposals to be submitted to the DLA due to COVID-19 interruptions.
- Approve the task orders for Jacobs and Raftelis at tomorrow evening's Council meeting (5/13/20), with the stipulation that notices to proceed will not be issued until and unless the DLA approves an extension of the due date for the Proposals.

Discussion