

A workshop meeting of the Apalachicola City Commission was held on Tuesday, January 20, 2026, at 6pm, at the Commission Meeting Room located at 74 6<sup>th</sup> Street, Apalachicola, FL.

Present: Mayor Brenda Ash, Commissioner(s) Donna Knutson, Adrienne Elliott, Despina George, City Manager Chuck Anderson, City Attorney Dan Hartman, Police Chief Bobby Varnes, Finance Director Lee Mathes, Grant Contracts Manager Leslie Glaze, and City Clerk Sheneidra Cummings

Absent: Commissioner Donna Duncan

Meeting was called to order by Mayor Brenda Ash followed by invocation and pledge of allegiance.

### **Agenda Adoption**

Commissioner Elliott made a motion to adopt the agenda, seconded by Commissioner Knutson. None opposed. Motion carried, 4-0.

### **Presentation: Florida Rural Water Rate Study**

Alicia Keeter, Executive Director of Florida Rural Water Association, and Diana Stewart presented the findings of the fiscal sustainability study conducted for the city's water and wastewater systems. Ms. Keeter clarified that this was a fiscal sustainability study rather than a rate study, meaning it analyzed the city's current financial position without suggesting new rates or changes.

Ms. Stewart explained that the study utilized fiscal year 2025 actual expenditures, the approved budget for fiscal year 2026, and capital improvement plan projects developed in collaboration with the city manager. The analysis applied a consumer price index of 3 percent to all operations and maintenance expenses moving forward. Current revenues were identified through customer count, billed usage, annual usage, and current rates. Water deposits and the sewer utility fund (SUF) debt service coverage fee were not included in the revenue projections, as the SUF fee will be eliminated at the end of fiscal year 2027 when that debt is paid off.

Ms. Stewart outlined several recommendations for future consideration. The city currently uses a multiplier system for rates based on meter sizes that does not align with familiar

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industry standards. She suggested the city review the American Water Works Association (AWWA) guidelines for proper rate application. The 3 percent consumer price index used in the projections might need adjustment if future budget increases or actual CPI exceed that amount, even though the city currently has a 3 percent minimum annual increase in place.

Reviewing the water revenue requirements on page four of the report, Ms. Stewart explained that the columns illustrated expenditures, with a red line showing existing revenue and a gray line showing revenue with the current 3 percent annual increase. At the end of fiscal year 2026, the water account was projected to have a surplus of approximately \$45,000.

For wastewater revenues shown on page six, Ms. Stewart noted that debt would decrease significantly in 2028 along with revenue, as the sewer utility fee would no longer be charged. The projections showed that existing rates would not generate sufficient revenue to cover continuing debt and capital expenditures once the SUF fee was eliminated. Even with a 3 percent increase, the wastewater side would not be sustainable.

Page seven displayed combined water and wastewater revenues, showing that while the system appeared to be generating money overall, the wastewater deficit was being covered by water rates. Ms. Stewart recommended conducting an actual rate study in the future to develop better scenarios once the SUF fee was discontinued, potentially reducing water costs while increasing wastewater rates to avoid a significant financial impact.

The capital improvement plan on page ten detailed projects identified by Florida Rural Water and the city manager, showing funding sources including water revenues, wastewater revenues, and grant monies. Ms. Keeter noted that the plan did not yet include grant funding recently awarded through Hurricane Idalia's State Revolving Fund (SRF), which could potentially offset some expenses currently designated as water or wastewater revenues.

Ms. Stewart emphasized that line items marked with asterisks represented asset management reserves for replacing existing assets at the end of their useful life, not new assets. These additional amounts, beginning in fiscal year 2028, represented what the city needed to budget beyond current maintenance expenses. Starting in fiscal year 2028, the city would need to budget \$400,000 for water and \$146,000 for wastewater annually for asset management.

Regarding reserves, Ms. Stewart explained that unrestricted reserves and cash on hand were necessary for capital improvements, unexpected operations and maintenance costs, legal expenditure, and natural disasters. The city currently had no identified reserves, though it was expected to have approximately \$72,000 by the end of fiscal year 2026,

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providing only about twelve days of operations and maintenance expenses. The recommended minimum was ninety days of operations and maintenance reserves. With the projected 3 percent increase, the city would not reach the ninety-day threshold until approximately 2028.

Page eleven detailed current debt obligations, showing how debt would decrease in 2028 when the SRF loan was paid off. One bond would continue with several years remaining on its forty-year term.

The rate schedules beginning on page seventeen showed current drinking water rates, which were the same for all meter sizes regardless of size. Ms. Stewart noted this should be reviewed and possibly changed. The schedules projected rates through the next five years with 3 percent annual increases. Commercial rates were shown on page eighteen, with notably high base rates for six-inch and eight-inch meters, though no customers currently used those meter sizes. Ms. Stewart indicated uncertainty about how these multiplier numbers were calculated and recommended closer examination in a future rate study.

Wastewater rates for residential customers were shown on page nineteen, and commercial rates on page twenty, with similar concerns about the unusually high rates for larger meter sizes that resembled impact fees rather than monthly rates.

Pages fifteen and sixteen displayed average monthly bills. Residential customers typically used about 3,500 gallons per month, with projections showing what bills would look like when the SUF fee was eliminated in 2028. Commercial customers averaged about 15,000 gallons per month, with similar projections provided.

**Further Discussion held.**

### **Public Comments**

Lorella Lee Coxwell expressed frustration about the lack of progress on scheduling a referendum regarding the proposed water district, which had been discussed at the previous commission meeting.

Bill Zester inquired about the status of the forensic accounting investigation into how the city's funds were spent in the past and why the city currently had no capital improvement money and existing debt. City Attorney Dan Hartman confirmed that a representative from the auditor general's office would meet with staff the following day to discuss the scope

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and timing of the audit, with Commissioner George representing the commission at that meeting.

Dyana Stewart from Fl. Rural Water explained that restricted funds must be set up specifically for certain purposes and projects, with the attorney able to provide additional details. She referenced the asset management reserve costs suggested in the study, which should be placed in a reserve fund that carries forward to subsequent years if not fully spent.

Joe Scarabin inquired whether the state or city would continue operating the water system.

Dennis Green emphasized the need for resolution and accountability following meetings. He stressed that transparency was essential and that many residents, including those not attending meetings, lacked information about basic issues like water safety. He urged the commission to focus on progress and providing clear information to build public trust.

Commissioner George clarified for Mr. Zester that funds collected through water and wastewater revenues must be used for specific purposes by law and cannot be shifted between accounts, with these requirements providing guidance on when rate increases are necessary.

### Mayor and Commissioner Comments

Mayor Ash asked Ms. Keeter about the next steps following the presentation. Ms. Keeter recommended a working workshop where the commission, city manager, and Florida Rural Water staff would sit together to review all information including guaranteed grants, current projects, salary and staffing needs, and asset management requirements. With this comprehensive picture, multiple rate scenarios could be developed using their rate study model, exploring different approaches such as varying percentage increases for sewer versus water.

Ms. Keeter explained that the process would involve gathering historical data, working with consultants, developing a complete list of needed projects and guaranteed grants, analyzing staffing needs, and examining asset management requirements. She estimated this would take a minimum of eight to twelve months because of the extensive information gathering required and the need to work around staff's daily duties. The comprehensive rate study would examine connection fees, base rates, usage fees, and comparisons with similar-sized systems in the region, along with potential revenue streams from services like grease trap inspections for restaurants.

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Commissioner Elliott's main takeaway was the significant difference between water and wastewater revenue requirements, noting that ideally both systems should be independent and self-sustaining. She observed that the combined revenue requirements consistently showed a surplus, suggesting the current path with capital improvements and 3 percent increases could continue as-is, though the SUF decrease would eventually require attention. She inquired about the amount of customer deposits and suggested those funds be placed in a high-yield account to generate revenue for the system, keeping only enough cash on hand to cover typical deposit returns. Ms. Stewart confirmed deposits should be in a separate account to draw interest and only transferred to the main account when customers fail to pay bills.

Commissioner Elliott clarified for the public that a forensic audit conducted in 2020 identified problems from the past, and to her knowledge no unauthorized transfers had been made from the enterprise fund to the general fund during the current commission's tenure. She emphasized that issues being addressed occurred close to a decade or more ago.

Commissioner George sought clarification on budget numbers, particularly questioning whether reserve amounts were included in operating expenses. Ms. Stewart confirmed that reserves were included as operating expenses because they were being pulled from current revenues. The reserves shown for fiscal years 2026 and 2027 represented amounts required under the DEP loan agreement and asset management plan, with the city required to reserve 12.5 percent of operating expenses until the loan ended in 2027. Additional asset management amounts beginning in 2028 represented separate needs beyond the DEP requirement.

After detailed discussion about how reserves were categorized, Ms. Stewart explained there were two different buckets of reserves: one mandated by the DEP loan for debt repayment, and another for day-to-day operations and maintenance emergencies. The DEP-required reserves were legally obligated to that loan, while other reserves covered operational needs.

Commissioner George noted that the final loan payment would occur in December 2027, which falls in fiscal year 2028, affecting when the SUF revenue would actually cease. She questioned why certain effects of losing the SUF revenue didn't appear larger in the projections, given that SUF provided approximately \$350,000 net revenue annually in fiscal years 2026 and 2027 after debt payments. Ms. Stewart explained that while the revenue was lost, the debt expense was also eliminated, essentially balancing out in the new rate structure.

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Commissioner George also questioned the source of \$118,000 in miscellaneous wastewater revenue projected after the SUF was removed. Ms. Stewart identified this as connection fees, penalties, late fees, and other charges. The breakdown included late fees, bank interest, credit card fees, and sewer tap fees. Commissioner George noted these amounts seemed higher than what was in the budget and would need to review that further.

Regarding the reserve balance calculations starting from zero, Commissioner George noted that while the city hasn't properly designated reserves in financial records, there are likely funds in the enterprise fund that could be reallocated as beginning reserves once the current fiscal year audit was completed.

Commissioner George concluded that most projections were based on past actuals and current budgets, with the biggest unknown being the capital improvement amounts. She expressed concern that the capital improvement plan relied heavily on grants, which represented soft money that shouldn't be counted on for planning purposes. She noted that current federal and state grant funding was uncertain, with many programs experiencing cuts. She believed some estimates might be too low and questioned whether the information could be explained clearly enough for community understanding.

Commissioner Knutson agreed that the reliance on grants for capital improvements was problematic, noting that planning should never solely be dependent on grant money. She emphasized the need to be more self-sustaining and less reliant on grants, ensuring the city had control over financing needed improvements. She acknowledged the study provided useful starting information but questioned whether projections were adequate, noting that simply increasing rates 3 percent annually through 2030 would represent a 15 percent cumulative increase that would be difficult for residents but might not generate sufficient funds given rising costs. Commissioner Knutson also emphasized that the city needed to determine how to save money and generate funds differently, not just calculate current costs. She concluded that the information demonstrated that the city was not ready to enter into a water district because it could not rely on others to solve these problems.

Mayor Ash asked about the path forward. Ms. Keeter recommended proceeding to a working workshop to gather comprehensive information and develop multiple-rate scenarios. She estimated eight to twelve months minimum for a thorough rate study with accurate information from audits, financial statements, and coordination with billing staff.

Commissioner Knutson questioned whether the current study actually showed the city on track to become financially solvent by 2028 with adequate reserves. Ms. Keeter clarified

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that the SUF fee would need to be converted into a new sewer rate structure, likely not requiring the full \$29 but something in between. She emphasized that true evaluation would require assessing all assets, capital improvements, and staffing needs, noting that more staff would likely be needed as asset management increased.

City Manager Chuck Anderson added that Florida Rural Water had best practices from other communities, but each community had nuances requiring individual analysis. He noted that much discussion had focused on water, but wastewater required equally in-depth analysis. He preferred completing the comprehensive work in four to six months rather than eight to twelve.

Ms. Keeter explained that users placing greater demand on the system should pay more, such as industrial users consuming more chemicals and requiring more operator time compared to average residential customers. She noted multiple scenarios to evaluate, including tiered rate structures for water conservation, industrial user classifications, and fees for grease trap inspections and maintenance related to restaurants.

Mayor Ash asked for consensus on directing staff to move forward with Florida Rural Water Association on the comprehensive rate study. Commissioner Elliott expressed concern that the current study was now public and might confuse residents who could interpret it as showing bills would decrease in 2028, which was not accurate. She emphasized the need to clearly communicate what the study was and was not.

Commissioner Knutson suggested finding models from other communities that had already identified the most important stressors on water systems rather than spending eight months developing scenarios from scratch. She agreed to move forward but wanted to expedite the process by learning from others' experiences and focusing on the most critical areas for change.

Commissioner Knutson emphasized that the political process required constituents to call their state representatives. She noted that every call the representatives received reportedly supported the district, but she hadn't heard that sentiment locally. She suggested providing phone numbers and encouraging repeated calls as a call to action, giving residents something concrete to do rather than nonbinding surveys with incomplete participation.

**Mayor Ash summarized that consensus supported moving forward with data collection, which would be needed both for responding to the proposed legislation and for the future rate study.** She asked Commissioner Knutson to work with staff on developing a call-to-action process to report at the February 3 meeting.

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Attorney Hartman provided updates on two items deferred from the January 6 meeting. First, regarding referendum costs, the Supervisor of Elections indicated costs would be between \$3,000 and \$5,000, but the process could not capture people outside city limits, so it would not include all customers. Second, concerning the Chapter 180.301 statement and report required if the city was contemplating a sale or transfer of the system, Attorney Hartman noted this requirement existed regardless of whether the transfer was willing.

The Chapter 180.301 statement would include: finances of the current utility (largely already available), physical condition of utility facilities (information Dewberry Engineering had), impacts of purchase and sale on customers both positive and negative, additional investment required if transferred, alternatives to purchase or sale, impact on quality of service, water quality information, and necessary technical expertise compared to existing competence.

Attorney Hartman stated his legal opinion that the city was required to complete this statement. Completing it early would accomplish two purposes: fulfilling the requirement and answering questions the public and commission had since December, potentially educating the legislative delegation on financial, service, and quality issues.

City Manager Anderson clarified whether the priority was gauging community opinion, educating the community, or both. He suggested newsletters, web pages, social media, flyers, workshops, listening sessions, and information sessions as alternatives to surveys to capture public input.

Further Discussion held.

### **Delegation Meeting Update/Discussion**

Attorney Hartman added that the commission voted 5-0 on this issue after hearing from constituents at town halls and the delegation meeting, as well as privately. Public meeting attendance had shown almost no one disagreeing with that vote. He recommended not waiting for survey results before moving forward, as the commission was responsive to constituents and had a clear sense of public sentiment. The commission should be able to move forward based on their vote reflecting constituent will, with the understanding that overwhelming contrary input could change votes.

Commissioner George supported picking a method to gauge public opinion while recognizing limitations in reach and inability to force compliance.

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Commissioner Elliott suggested a phased approach: first mailing questionnaires with identifying codes or QR codes linked to specific accounts, then after two weeks, cross-referencing responses against accounts to identify non-respondents, followed by either a second mailing to non-respondents or volunteer efforts using census committee members experienced in door-to-door outreach.

Commissioner George agreed the city needed the data regardless of the proposed legislation, emphasizing the responsibility to understand the system the city owns and manages. She noted the rate study information showed substantial work needed and that the city had to take action. The data on current system conditions and maintenance requirements was essential for moving forward and completing it would support the commission's decision that continued city ownership and management was in the public's best interest.

Attorney Hartman clarified that he understood Commissioner Knutson's concern about not labeling the work as compliance with Section 180.301. The technical information gathering could be done without that characterization, though the questions matched both the statute and those the commission had asked for since December 1. Having the data compiled in one place would allow citizens to see it, and if a formal statement was later required, the work would already be complete.

Commissioner Knutson stated she wanted the information for good management practices, not under the umbrella of meeting legislative requirements for selling or transferring the utility. In a previous meeting, the commission voted 5-0 against sale or transfer, so the work should be framed as internal management needs. She felt showing any alignment with the legislative path would signal support for an idea she opposed. She emphasized that parallel efforts could proceed: gathering information for management purposes while determining public opinion about the district proposal.

Commissioner Elliott noted uncertainty about whether the bill had been filed for the general legislative session, as it did not appear on the Florida Legislature website. She understood that bills for the general session had to be filed by January 9, and without the bill on the docket, it could not pass during the general session. A special session would begin sometime in April after the regular session ended March 13. Her concern was spending time, money, and resources on a report for something not yet official business that local taxpayers would fund, particularly given the unclear and shifting timeline.

Attorney Hartman responded that lack of communication from the delegation about whether the bill was filed indicated they weren't amenable to delaying it a year as requested. The delegation meeting showed a 2-0 vote to move forward with the local bill.

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Not doing anything in hopes the bill wouldn't proceed seemed inadvisable. The advertisement mentioned general or special session, suggesting it would be filed in one or the other. Doing nothing was not an option since something was happening.

State Representative Percy Sutton clarified that the bill was in draft form and would be listed once the thirty-day notice period following the advertisement concluded. It would be included in either the general or special session, but he could not specify which one yet.

Attorney Hartman emphasized this confirmed inaction was not an option since the bill was moving forward in the short term. What was lacking were answers to questions about financial impacts, rate impacts, water quality impacts, and staff impacts if the system moved to a district. The delegation's response had been that the district would handle those matters once established, potentially not until July. He argued for gathering technical data the city already had rather than waiting for the bill to pass, enabling the city to tell citizens specifically what would happen to rates, employees, and water quality rather than speculating.

Commissioner George supported preparing the reports as data the city needed regardless, backing up the commission's decision that continued city ownership and management was in the public's best interest. She questioned whether Commissioner Knutson was suggesting delaying any referendum or survey until data was prepared. Attorney Hartman clarified he recommended not waiting, suggesting a simple questionnaire in water bills could proceed, matched to accounts for one response per customer. He noted that elected officials are responsive to constituents, and the commission's 5-0 vote should reflect constituent will be based on public input at two meetings and private communications, with no indication of disagreement. Commissioner George further noted that any method chosen would have limited reach and no ability to force compliance.

**Mayor Ash confirmed consensus on moving forward with data collection needed for both the rate study and potential legislative requirements.** She asked Commissioner Knutson to work with City Manager Anderson and Attorney Hartman on the call-to-action process. City Manager Anderson referenced a two-page call to action document he had shared with the commission the previous week that included background information and contact information including phone numbers and email addresses for state representatives.

### **Receive City Commission Comments & Address Concerns**

There were no additional comments from commissioners beyond those made during the public comment discussion.

**Adjournment**

A motion to adjourn was made by Commissioner Elliott and seconded by Commissioner Knutson. None opposed. Motion carried 4-0.

Meeting was adjourned.

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**Brenda Ash, MAYOR**

**ATTEST:**

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**Sheneidra Cummings, CITY CLERK**