

CITY OF GREEN COVE SPRINGS CITY COUNCIL SPECIAL SESSION

321 WALNUT STREET, GREEN COVE SPRINGS, FLORIDA
TUESDAY, MARCH 25, 2025 – 6:00 PM



MINUTES

Invocation & Pledge of Allegiance to the Flag

Roll Call

COUNCIL MEMBERS PRESENT: Mayor Steven Kelley, Council Member Connie Butler, Council Member Ed Gaw, Council Member Matt Johnson

COUNCIL MEMBERS ABSENT: Vice Mayor Thomas Smith

STAFF MEMBERS PRESENT: L.J. Arnold, III, City Attorney, Steve Kennedy, City Manager, Mike Null, Assistant City Manager, Erin West, City Clerk

Mayor to call on members of the audience wishing to address the Council on matters not on the Agenda. No comments.

COUNCIL BUSINESS

1. Presentation and discussion of updated Electric Rate Study. ***Mike Null and Navid Nowakhtar, FMPA***

Assistant City Manager Mike Null speaks about the electric study and introduces Navid Nowakhtar with FMPA.

Navid Nowakhtar speaks and presents the updated electric rate study numbers to the Council.

Council Member Gaw asks Mr. Nowakhtar with the timing of the increase, would it seem come easier at a time of reduced natural gas prices?

Mr. Nowakhtar advises it is at an advantage to do in a time where there is low prices because it is better optics for the customers.

Council Member Gaw asks for the best measures of showing the customers the increase information and if it should be in the next bills with charts and graphs.

Mr. Nowakhtar advises the best customer outreach is before and to communicate it actively and advises once the rate takes effect to reinforce by showing the responsible process is in place and investing in the future.

Council Member Butler asks Mr. Nowakhtar to explain how the increase will be 14% in 2025 but then reducing to 6% in 2026.

Mr. Nowakhtar advises it is a larger increase in that early period, which then allows you to manage more to an inflationary or semi-inflationary increase thereafter.

Council Member Johnson advises he does not see any way around the \$1.96 million deficit and the information needs to be communicated with the citizens.

City Attorney Arnold suggests condensing down the presentation and making it a 5-minute presentation with some answers to questions that could be asked.

Mr. Nowakhtar advises that can be done and the PR team will help staff pursue communication platforms and mechanisms to get the word out.

Mayor Kelley speaks about communicating the increase to the public, the other fees and services we provide, and asks about the background of the base rate increases.

Assistant City Manager Mike Null advises rates were increased in January 2024 by approximately 7% and then in October 2024 increased by 10%.

Mayor Kelley speaks about the increase before 2024 was back in 2015 or 2016 and speaks about ways to try and ease the frequency of increases and ease the impact of the increase.

Council Member Butler suggests a concern with the residents will be over the new developments.

Mr. Nowakhtar advises that as those developments come into the system, they are paying impact fees. Long term, that provides the city economies of scale. As the system grows, the city can spread those distribution investments over a larger customer base.

Discussion followed concerning impact fees and how it will help with the infrastructure.

Mayor Kelley asks if staff has investigated averaging of the bills and charging so that citizens can essentially pay a yearly average every month.

City Manager Steve Kennedy advises the electric system has been used as a budget-balancing mechanism, relying on reserves and fund balances rather than covering all costs. This approach has led to a declining fund balance and increasing transfers, indicating a core problem. With recent efforts by individuals like Finance Director Ms. Wang and others have focused on stabilizing costs through strategic contract purchases and pricing adjustments. This emphasizes the need for a stronger financial strategy, including setting aside funds for renewal and replacement to avoid borrowing or issuing bonds for future needs. This would stabilize rates and strengthen the system over time. Recent rate increases and planning aim to address longstanding vulnerabilities and move toward a sustainable solution rather than postponing issues.

Council Member Gaw asks what a 14% increase will mean to the average bill for the average customer.

Mr. Nowakhtar advises that a good approximation for that is 1,000-kilowatt hours. With the 14% increase it will be approximately \$14 for every 1,000-kilowatt hour.

Council discussion followed concerning the next steps.

Mr. Null advises the Council to receive the report and then based on the direction staff will come back to the next meeting with a resolution to define what is done with the over collection and then an ordinance would be brought to the Council for the rate increase.

Mayor Kelley asks for an explanation on repaying the half a million to repay Interfund Transfer.

Finance Director Sue Wang advises in the fiscal year 2003 audit the General Fund took out a loan from the electric fund of \$1.2 million due to General Fund balance having a deficit of \$1.5 million. This was done for the auditors not to write the city up for using restricted funds to pay for operating expenses.

Motion to accept the plans for the overage with two million dollars and direct staff to come back with a rate ordinance.

Motion made by Council Member Johnson, Seconded by Council Member Butler.

Voting Yea: Mayor Kelley, Council Member Butler, Council Member Gaw, Council Member Johnson

City Attorney Arnold updates the Council on the lawsuit with Pegasus and advises they are requesting a 10% reduction in the amount owed to the city for reimbursement.

City Manager Steve Kennedy speaks and suggests in lieu of having another meeting Council approve the 10% and then allow the attorney and himself to negotiate anything further. Mr.

Kennedy advises this will keep it from having to come back at another meeting and Mr. Arnold or himself, will report back to the Council.

Emergency motion to accept the 10%.

Motion made by Council Member Butler.

Council Member Gaw advises he would like to speak.

Mr. Arnold advises there needs to be a second of the motion will need withdrawn.

Council Member Butler withdraws her motion.

Council Member Gaw speaks against allowing the 10% reduction and prefers to get the full amount owed.

Mr. Arnold advises that pursuing a case further in front of a Judge would require significant effort—live witnesses, attorneys, affidavits, and hearings. While he understands Council Member Gaw’s perspective, he disagrees and believes it’s time to move on, as the small financial difference doesn’t justify the additional cost and effort.

Mayor Kelley advises he agrees with Mr. Arnold although he shares the same sentiments as Council Member Gaw.

An amended emergency motion to allow the staff to negotiate on behalf of the city of at least 10%.

Motion made by Council Member Butler, Seconded by Council Member Johnson.

Voting Yea: Mayor Kelley, Council Member Butler, Council Member Johnson

Voting Nay: Council Member Gaw

Adjournment

There being no further business to come before the City Council, the meeting was adjourned at 7:30 p.m.

CITY OF GREEN COVE SPRINGS, FLORIDA



Steven R. Kelley, Mayor

Attest:



Erin West, City Clerk