

# Florida Governmental Utility Authority

## Board of Directors Agenda

Friday, January 20, 2006

Poinciana Community Center

Main Auditorium

395 Marigold Avenue, Kissimmee, Florida

### **Board Members:**

Lea Ann Thomas, Chair, Polk County

Richard Wesch, Member, Citrus County

Brian Wheeler, Member, Osceola County

Jim Lavender, Member, Lee County

### **Staff Present:**

Heather Encinosa, Utility Counsel, Nabors, Giblin & Nickerson, P.A.

John Pelham, General Counsel, Pennington, Moore, Wilkinson, Bell & Dunbar, P.A.

Robert E. Sheets, Systems Manager, Government Services Group, Inc. ("GSG")

Charles Sweat, Director of Operations, GSG

Gregg Pavitt, Chief Financial Officer, GSG

Erin Quinn, Clerk to the Board, GSG

David Miles, GSG

John Dunty, GSG

Linda Schnauffer, GSG

Yvette Hartsfield, GSG

Dieudonne Thomas, GSG

Lester Wright, GSG

### **Guests Present:**

Robert Nanni, Osceola County

Ed Goscicki, Severn Trent Environmental Services ("STES")

Joseph Graziouse, Severn Trent Environmental Services, ("STES")

Bill Lynch, ARCADIS

John Hermann, ARCADIS

Chris Haney, HDR

Gary Deremer, US Water/Wade Trim

Dave Vago, US Water/Wade Trim

Dave Schultz, US Water/Wade Trim

### **I. Call to order -**

Chairperson Thomas called the meeting to order at 10:05 a.m.

### **II. Invocation -**

Mr. Brian Wheeler conducted the invocation.

### **III. Pledge of Allegiance -**

**Special Presentation** – Chairperson Thomas presented a Proclamation and plaque to Mr. Robert Nanni for his three (3) years of service representing Osceola County on the FGUA Board of Directors.

### **IV. Public Comment –**

Chairperson Thomas asked if anyone wished to address the Board. With no one present wishing to address the Board, Chairperson Thomas closed public comment.

### **V. Public Hearing -**

**PH 1** Continuation of Public Hearing to Approve a Bulk Water Rate in Lehigh Acres

**PH 1a** Resolution 2006-01, Bulk Water Sales Rate for Lehigh Acres Utility System

Prior to calling the public hearing to order, Chairperson Thomas requested a brief synopsis on the Bulk Rate Hearing in Lehigh Acres, Florida. Mr. David Miles addressed the issue, stating there was a Bulk Water Rate Hearing held on January 18, 2006 at 11:00 a.m. at the East Regional Library in Lehigh Acres, Florida in which two members of the public and two members of the press were present. At that time the public was informed that the public hearing would be continued to February 24, 2006 in Longwood, Florida. Mr. Miles handed out a memorandum to the Board of Directors. Mr. Miles explained that the reason for the continuance is Lee County requested the rate resolution be taken to the Lee County Board of County Commissioners for review. Mr. Miles stated the FGUA would be using an interlocal agreement with the City of Fort Myers for the potential exchange of water on an emergency basis between the two systems for up to 500,000 gallons per day. The reason for the bulk rate hearing was that the FGUA did not have a rate set in the Lehigh Acres Utility System. It is necessary to establish the bulk rate to be utilized in the interlocal agreement with the City of Fort Myers. Mr. Miles explained that it would be appropriate to continue the matter in order to go through the appropriate channels of consideration by the City and the County. The agenda item should be placed on the February 24, 2006 FGUA Board meeting agenda. Mr. Miles formally requested that the public hearing on Resolution 2006-01 be continued to February 24, 2006. Per Chairperson Thomas' inquiry, Mr. Pelham, General Counsel suggested the Bulk Rate Hearing be opened for public comment and then continued to February 24, 2006.

Chairperson Thomas called the public hearing to order and asked if anyone present wished to address the Board. With no one present wishing to address the Board, Chairperson Thomas continued the hearing to February 24, 2006.

The Board discussed the current decision to hold the next Board meeting in Longwood, Florida. The Board decided to hold the meeting in Lehigh Acres, Florida due to the upcoming Public Hearing regarding the Lehigh Acres Bulk Rate. The final decision was tabled until later on in the meeting in order to confirm meeting location availability.

### **VI. Minutes – Approval of the December 16, 2005 Regular Board Meeting Minutes**

**Mr. Jim Lavender motioned to approve the December 16, 2005 meeting minutes. Mr. Brian Wheeler seconded the motion. All were in favor and the motion was unanimously approved.**

## **VII. Consent Agenda**

- CA 1** Approval of Work Authorization HDR LE 028 with HDR Engineering, Inc. for consulting engineering services for Lehigh Ares Utility System Homestead Road Force Main Construction Project No. LE 028 in the amount of \$52,000
- CA 2** Approval of Amendment No. 1 to Work Authorization MP LE 037 with Malcolm Pirnie, Inc. for Consulting Engineering Services for Lehigh Acres Utility System High Service Pump and Switchgear Replacement for Water Treatment Plant No. 1 in the amount of \$15,000

**Mr. Richard Wesch motioned to approve the Consent Agenda Items. Mr. Wheeler seconded the motion. All were in favor and the motion was unanimously approved.**

## **VIII. Finance and Administration**

- FA 1** Report by Rate Consultants, PRMG, on Conservation Rates for Golden Gate Utility System

Mr. David Miles introduced Mr. Jeff Wilson of PRMG explaining that the FGUA Board had previously directed staff to engage rate consultants to study lowering the base rate structure (Golden Gate) in order to help lower income customers.

Mr. Wilson handed out a copy of the presentation and stated a revised rate structure sheet was provided on page 16 of the handout. Mr. Wilson stated the main objective of PRMG was to investigate a conservation rate for the Golden Gate Utility System in order to provide relief for lower income customers. Mr. Wilson explained the history of the current rates, which were adopted by Florida Cities Water Company and acquired by the FGUA. Mr. Wilson discussed the methodology of the proposed water conservation rate blocks that are broken into four tiers as follows: Block 1 (0 – 6,000), Block 2 (6,001 – 10,000), Block 3 (10,001 – 20,000) and Block 4 above 20,000. Mr. Wilson stated the proposition does not include multi-family homes and commercial classes. The proposed alternative water rates are based on test year 2004 revenue recovery requirements and customer use statistics. Rates were then indexed by the following factors – FY 2005 index of 2.23% and FY 2006 index of 2.40%. There is an additional 1.5% rate adjustment related to financial requirements relative to the Series 2005 Bonds.

Mr. Miles noted that a rate sufficiency study was presented in May 2004 that showed the need to impose a 4.5% rate increase in FY 2007. The bond feasibility report recently issued in December 2005 came up with a 6% increase. After discussion with staff, it was decided to phase the increase in by putting in 1.5% increments. Mr. Miles stated staff is proposing to put 1.5% in place by April 1, 2006 along with the revenue neutral change and then the remainder of the 1.5% per year at the beginning of each fiscal year (FY2007, 2008 and 2009) totaling a 6% rate increase.

Mr. Wilson continued by discussing the Golden Gate water usage and bill distribution, noting that the majority of customers have bills that fall within the first block rate. Mr. Wilson stated with the new proposed rates, the base charge would decrease about \$2.40. This was one of the directives of the study to provide relief to those base charges, as they were approaching \$50.00. On the water side, it

is \$2.20 base charge. A total of 2,550 customers will see a 2.5% decrease. In the higher ranges you do see significant increases. There is a \$6,000 gallon cap on the wastewater side. On the sewer side there was a larger reduction on the base charge \$4.42 or about 15.3% total rate up to 6,000 gallons. In the combined bill, there were approximately 2,500 sewer customers and 3,800 water customers.

Mr. Wilson recommended that the Board consider adopting the proposed water conservation rates effective April 1, 2006, or as soon as the Authority is able to obtain regulatory approval. Mr. Wilson also suggested the Board continue to monitor the effectiveness of the proposed water and wastewater rates to assure the desired effect. Mr. Wilson opened the discussion up for questions.

Mr. David Miles stated that staff is looking for direction to begin the rate study process. Staff provided charts and information to Jim French in Collier County to begin the regulatory approval process. Mr. Miles suggested if the Board felt that this presentation appropriately addressed concerns, then staff should go through the rate hearing process and have a final rate decision in March 2006 for implementation with the customer's bills. Mr. Miles stated that there is a sixty (60) day window for Collier County to approve the proposed rate and that staff has provided the necessary information so Collier County is aware of the proposition. Discussion ensued as to the methodology of the proposed rates. Mr. Miles suggested the Board approve staff to move forward with the rate study process and obtain approval for the rate hearing process by taking it to Collier County for approval. There was discussion to whether or not approving the rates at the March meeting would provide sufficient enough time for the April billing process and the Board decided that May 1, 2006 would be appropriate for implementation of the rate change.

**Mr. Richard Wesch motioned to approve scheduling the public hearing on the rate change in Golden Gate, Florida. Mr. Jim Lavender seconded the motion for discussion.**

Mr. Wesch suggested for future meetings, they be scheduled within the jurisdiction where they are experiencing rate adjustments. Chairperson Thomas suggested the March Board meeting be held in Golden Gate, Florida. Mr. Charles Sweat suggested that community information meetings be conducted prior to changes to inform the public and gain feedback. The Board agreed to trying to have meetings in the appropriate jurisdiction and to holding public information meetings.

**All were in favor and the motion was unanimously approved.**

**FA 2** Report on Status of Citrus Springs Special Assessment and Final Results of Citrus County Water and Wastewater Regulatory Authority Approval

Mr. Miles indicated that the agenda item had been erroneously removed from the agenda package and he would be giving a verbal report. There was an update on the December 16, 2005 meeting concerning the hearings that were held on the special assessment district for Citrus Springs and Pine Ridge. There were three special assessment districts that had been taken to the Citrus County Water and Wastewater Regulatory Authority. One was a capital assessment particularly for line extensions in the Citrus Springs community. The other two were for line maintenance assessments in Pine Ridge and Citrus Springs. At the meeting that was held on December 5, 2005, the Citrus County Water and Wastewater Regulatory Authority did not approve the line maintenance assessments in Pine Ridge and Citrus Springs; however, they did approve the proposal by FGUA for capital assessment for the Citrus Springs community. There was a downsizing of the additional assessment

area, but they also included the infill lots at the assessment area for those lines already extended by the FGUA. Approximately \$3.5 million has been spent on extending lines in compliance with the Topeka Line Extension Agreement. There were approximately 200 lots that were initially connected; however, there are approximately 2,200 other lots where water lines went past them and no houses are currently in place which will be in need of future connections. To recover that cost the Citrus County Regulatory Authority allowed the FGUA to include those lots into the total along with an additional assessment area of 3,350 lots. This allows the FGUA to establish special assessment districts for approximately 5,550 parcels of land in the Citrus Springs area. The Citrus Springs area has approximately 34,000 lots in it originally completed by Deltona. Mr. Miles noted that Citrus Springs is the second fastest growing area next to Poinciana that the FGUA currently serves. In the Citrus County area in the past year there were over 1,300 water connections made. The FGUA does not serve all of the areas in Citrus County with sewer and therefore there was a smaller area. The rates approved by the Board at that time were broken down into three tiers. The Citrus County Water and Wastewater Regulatory Authority approved those vacant lots that have a line in front of them installed by Florida Water Services Corporation or its predecessors prior to the FGUA acquisition stay at the \$446 rate. For lots established since the FGUA acquisition, and prior to December 5, 2005, they initially established a rate structure of \$1,635 and that amount would rise to \$1,810 once it became part of the assessment district in order to cover the overhead costs of the assessment. For the additional lots for lines to be installed after December 5, 2005, they approved a base rate of \$1,910 for the construction of the water mains into that area, and once the assessment district was established, that amount would increase to \$2,085. Finally, they came back and said that the proposed 20-year special assessment revenue bond to provide the capital funding for the construction of the assessment area, and to recoup and pay-off part of the 2,004 Line of Credit that the FGUA should be lowered to a 5-year assessment period. Mr. Miles stated that the annual assessment would increase by \$200 per EDU or lot and the Citrus County Water and Wastewater Regulatory Authority recognized that and still wanted to move forward on the 5-year assessment period. On January 3, 2006, the staff went back to the Water and Wastewater Regulatory Authority where the FGUA had a proposal in the amount of \$461 per year for five years for financing. The Regulatory Authority wanted to split it into two categories again. The category that was infill lots was assigned a rate of \$415 per year for five years and the category including 3,350 additional lots increased to \$479 per year for five years, those two rates were approved at that time. It generated a sum total of \$185,000 less in gross revenue than the FGUA requested to complete the assessment district. The staff advised the Regulatory Authority that at the staff level we had determined, that we could accomplish the water main extensions and do what we set out to do and refund the 2004 Line of Credit. The only concern was running into significant cost increases in the order of 30%-40% the FGUA is currently experiencing with construction bids. Originally, there was a 20% contingency and it was reduced by the Water and Wastewater Regulatory Board to 10%. Having concluded that, we are now in position to move forward with the special assessment district in the Citrus Springs community at the direction of the Board of Directors. The staff believes they had completed all the required regulatory requirements of Citrus County and its Water and Wastewater Board. Mr. Miles stated staff is seeking permission to move forward on that particular bond issue and, seeking to move forward on the parity bond issue, which is approximately \$8.5 million. The issues were completed on December 22, 2005 for the required capital project construction financing for the Lehigh Acres, Golden Gate and Poinciana utility systems. Mr. Miles stated by moving forward on these we would be able to complete the Citrus County bond issuance. Mr. Miles asked the Board to allow staff to move forward with the debt financing in Citrus County.

**Mr. Richard Wesch motioned to approve staff moving forward with the Citrus Springs Special Assessment with the stipulation that we send notice to the Board of County Commissioners in Citrus County stating we have met the requirements of the Water and Wastewater Regulatory Authority. Mr. Brian Wheeler seconded the motion. All were in favor and the motion was unanimously approved.**

**FA 3** Quarterly Financial Report for FGUA Systems for 4<sup>th</sup> Quarter FY 2005

Mr. Gregg Pavitt presented the fourth quarter financials and year ending September 30, 2005. Mr. Pavitt provided a handout broken down by utility systems. Mr. Pavitt briefly discussed the expenditures, net income, highlighted the capital projects, and provided a comparison of usage and growth.

Mr. Pavitt discussed Citrus County stating the revenues were roughly 21% more than projected and expenses were 10% more than projected. Revenues were \$6.1 million and the expenses were \$4.85 million. \$1.1 million was budgeted for prior year capital projects, with a total budget of \$13.6 million through FY 2004-2005 for active amounts. \$8.4 million was actually expended leaving approximately \$5 million remaining to complete the work.

Mr. Pavitt discussed Golden Gate stating the revenues were approximately 10% more than projected. Revenues were \$5.4 million and the expenses were \$5 million. \$1.2 million was budgeted for prior year capital projects and we have encumbered \$810,000 in projects. For the current year, a total of \$6.4 million was budgeted for projects and \$3.2 million was actually spent.

Mr. Sweat noted that unfinished projects will carry over to 2006. Mr. Dunty stated more action would be seen during this year.

Mr. Pavitt discussed Lehigh Acres stating the presentation reflects only a partial year. Mr. Pavitt stated the revenues exceeded budget by just over \$1 million. For prior year capital projects, \$2 million was budgeted and \$1.6 million was expended.

Mr. Sweat noted that construction was slowed down on the water and wastewater treatment plant improvements due to an eagle that was discovered. The final plan of action should be made by the first week of February 2006. At this point construction is scheduled to be completed in the September to December timeframe.

Mr. Pavitt discussed Poinciana stating revenues are up almost 18% over the 2004 period totaling \$14.5 million. The total capital project budget is at \$30 million and we have expended or contracted for \$17.2 million. Mr. Pavitt stated the overall cash balance is fairly healthy.

Mr. Pavitt presented and discussed the number of connections per utility system.

**FA 4** Other Items

Chairperson Thomas continued discussion of the February 24, 2006 Board meeting location stating confirmation was given that the meeting would be held at the East County Regional Library in Lehigh Acres, Florida in which the public hearing for the Bulk Water Rate would be continued.

#### **IV. Operations**

- OP 1** Approval of Change Order No. 7 to the Coastal Underground Contract for Topeka Line Extension of Florida Government Utility Authority (FGUA) Project No. CI 0516 in the Citrus County System in the total amount of \$560,000

Mr. John Dunty addressed agenda item OP 1, stating that the change order for Citrus Springs and Pine Ridge requests an additive amount totaling \$560,000 for Project No. CI016 and CI006, \$440,000 for Citrus Springs and \$120,000 for Pine Ridge.

**Mr. Richard Wesch motioned to approve Change Order No. 7. Mr. Brian Wheeler seconded the motion. All were in favor and the motion was unanimously approved.**

- OP 2** Status Report on the Florida Governmental Utility Authority (FGUA) Capital Improvement Project Program

Mr. John Dunty gave a PowerPoint presentation of the Capital Improvement Project tracking, which summarized all 120 Capital Improvement Projects throughout the various utility systems. Mr. Dunty noted that he is working with the engineers so that the bid phase becomes shorter and the process moves along faster. Mr. Wheeler suggested implementing a way to show the actual progress of each project versus the initial plan.

Mr. Jim Lavender asked Mr. Dunty what the ratio of Project Managers to projects is. Mr. Dunty stated there are one Project Manager per utility system and one Construction Manager.

- OP 3** Status of Severn Trent Environmental Services Deficiency List

Mr. Dunty addressed agenda item OP 3 stating he is in the process of preparing a detailed deficiency list with Severn Trent Environmental Services ("STES"). Mr. Dunty requested a complete list including the commitment for each project and dates/forecasts of completion for each item. Mr. Dunty stated that yesterday he had heard that 14 projects have been activated. Mr. Sweat noted that this list will be used as a management tool.

- OP 4** Status of Integrated Water Resource Management Plan

- OP 4a** Citrus County Utility System

- OP 4b** Golden Gate Utility System

- OP 4c** Lehigh Acres Utility System

- OP 4d** Poinciana Utility System (Osceola/Polk)

Mrs. Yvette Hartsfield addressed agenda item OP 4 stating the Community Representatives from each Utility System had provided information on public information meetings, including Home Owner Association meetings, school events, Chamber of Commerce events, and various other community meetings. Mrs. Hartsfield stated the Community Service Representatives have done a wonderful job

getting out into the community with information about the FGUA. Mrs. Hartsfield announced that this update would take place on a monthly basis from now on.

**OP 5** Status on the Capacity, Management, Operation and Maintenance Program

Mr. Dunty gave a quarterly PowerPoint presentation on the Capacity, Management, Operation and Maintenance Program (CMOM). Mr. Dunty explained that the purpose of the CMOM is to minimize sanitary sewer overflows and explained various programs utilized over the past year.

**OP 6** Proposed Land Lease or Purchase Initiative for Strategic Deep Well Injection Location for the Lehigh Acres Utility System

Mr. Sweat requested Board approval to move forward and negotiate a long-term lease or purchase of 6.84 acres of property in Lee County, adjacent to the pre-existing treatment plant, to be utilized for future expansion. Mr. Sweat noted that he had spoken with Lee County staff and they believe it is a good idea to acquire the entire proposed site. Mr. Sweat stated he had spoken with the seller and is requesting approval for staff and General Council to move forward with discussions. Mr. Sheets noted that staff would work closely with Lee County.

Mr. Sweat discussed the potential sale to a portion of 12.5 acres of land in Lehigh Acres that the FGUA owns where only 5 acres are needed. Mr. Sweat stated there is an interested buyer for the excess land and the sale of the land could help to offset the purchase of the 6.84-acre property in Lee County. Mr. Sweat stated an appraisal would be needed and staff would subsequently come back to the Board for approval. Mr. Sweat stated he would bring back descriptions in February.

**Mr. Jim Lavender motioned to approve staff moving forward with discussions. Mr. Richard Wesch seconded the motion for discussion.**

Mr. Wesch cautioned that it will be hard to convince him to sell the already owned piece of land, because once sold it will be hard to get it back if a need arises in the future.

**All were in favor and the motion was unanimously approved.**

**OP 7** Other Items

Mr. Sweat addressed a letter received regarding Fire Hydrants being placed in Citrus County. Mr. Sweat stated we have committed to installing 204 fire hydrants in Pine Ridge by 2017 at a cost of over \$650,000 in order to meet standards.

**Mr. Richard Wesch motioned to approve installing fire hydrants in order to meet the necessary standards. Mr. Brian Wheeler seconded the motion. All were in favor and the motion was unanimously approved.**

Chairperson Thomas called a recess at 12:08 p.m.

Chairperson Thomas reconvened the meeting at 12:20 p.m.

## **X. System Manager**

### **SM 1** Status Update and Board Direction on the Award of the four FGUA Contracts for Operations, Maintenance, Customer Service and Billing

Mr. Robert Sheets provided the history of the four FGUA Contracts for Operations, Maintenance, Customer Service, and Billing stating that they had received two requests from Citrus County requesting the FGUA not move forward on any decision on the execution of a new contract because of various concerns. At that time, it was requested of the FGUA to revisit the issue in 60-days, which brings us to this Board meeting.

Mr. Sheets stated that Citrus County is still in the process of looking at possibly acquiring the utility system and will be having another meeting on February 7, 2006 which may or may not resolve this issue. Mr. Sheets stated that Lee County has also requested that the FGUA not enter into the contract at this time.

Mr. Sheets presented three options on how to move forward. Option one is to wait for the transition issue to be resolved and see what happens down the road with no given time frame. Option two is to stop the process all together and accept US Water/Wade Trim's withdrawal and terminate the procurement process. Option three is to terminate the procurement process and go with Severn Trent Environmental Services. Mr. Sheets recommended the Board go with option three and allow staff to sit down with Severn Trent and determine the parameters for contract negotiation to then come back in February to seek permission and guidance for more specific terms. Mr. Sheets expressed seeing no other feasible option at this time; however, a letter was handed out today from US Water/Wade Trim suggesting a fourth option. This option suggests sitting down with US Water/Wade Trim to negotiate terms. Mr. Sheets stated staff's recommendation remains option three, involving negotiations with STES. Discussion ensued as to the possibility of negotiating with US Water/Wade Trim. Mr. John Pelham and Ms. Heather Encinosa stated negotiations with US Water/Wade Trim would not be in compliance with the purchasing policy and would likely cause legal repercussions. Mr. Wesch stated he has received clear direction from Citrus County not to move forward with US Water/Wade Trim until after the BOCC meeting on February 7, 2006, which may not yield any decision on the matter. Mr. Lavender stated Lee County has given the same instructions but does not have a date set to discuss the matter. Mr. Lavender noted that if anything can be adjusted in the proposed contract for demobilization fees that gives Lee County comfort, the Lee County Board does not have an issue with who the operator is.

Mr. Wesch discussed having an issue with going through the negotiations with US Water/Wade Trim in which they would not negotiate much with the demobilization fees, only to receive a letter on January 19, 2006 from US Water/Wade Trim completely removing the demobilization fees. Mr. Brian Wheeler stated TOHO had transitional issues.

Mr. Sheets explained that the current extension contract with Severn Trent Environmental Services, expires in June, therefore a new contract or extension will be needed soon to continue with that entity. Mr. Sheets stated concern with waiting any longer to make a decision and then have less time to take the necessary steps.

Mr. Dave Vago of US Water/Wade Trim addressed the Board. Mr. Vago stated satisfactory negotiations took place and US Water/Wade Trim signed a contract agreement. Mr. Vago discussed

the demobilization fees mentioned by Mr. Wesch, stating US Water/Wade Trim could not change the terms of the agreement by removing the demobilization fees and that the fees are based on assumptions. Mr. Vago stated the FGUA initiated a process, selected a number one ranked operator, successfully negotiated the contract and if US Water/Wade Trim is not selected the FGUA would be negotiating out of terms. Mr. Vago stated that would be an arbitrary decision. Mr. Vago stated US Water/Wade Trim has invested close to \$400,000 in the procurement process to date and will not walk away for arbitrary reasons.

Mr. David Schultz of US Water/Wade Trim addressed the Board stating that during the procurement process US Water/Wade Trim was ranked number one. During negotiations, representatives held fast that no terms of the RFP would be changed. During negotiations, problems and alternatives were discussed. Mr. Schultz stated the demobilization fee is not a mandatory pay off. Mr. Schultz stated as with any purchase the company would honor the process until they term out or they would buy out the contract. The demobilization fee represents the salvage value of the unused life of billing for equipment, furniture, etc. required to maintain the system that the local government needs. Under the RFP, local government has no provisions for buying equipments and such; the demobilization fee could be reduced if this was under separate contract to purchase our assets. The demobilization fee represents real assets with real value. When you re-enter negotiations, you reach different conclusions. Mr. Schultz stated US Water/Wade Trim is the successful proposer. Mr. Vago stated negotiations need to be with US Water/Wade Trim and that he is confident of the legal right to negotiate with them.

Mr. Gary Deremer, President of US Water/Wade Trim, addressed the Board stating that for the new Board members, he is unsure whether or not they are aware of what extent the firms have gone to in order to truly become partners with the FGUA as the contract operator. Mr. Deremer stated he has been involved with both RFP processes for the contract operator and the terms of the RFP were held to so strictly that there is no room for alternatives. Mr. Deremer mentioned the issue of institutional knowledge in their RFP stating there are provisions to deal with that issue. Mr. Deremer stated he has a problem if a clear sheet of paper is given and US Water/Wade Trim is not involved.

Mr. Joe Graziose, Vice President of Severn Trent Environmental Services, addressed the Board stating STES has a contract with the FGUA and it can be elongated. Mr. Graziose stated willingness to move forward in the negotiation process and asked the Board to understand that there is a commitment from STES to improve the level of service. STES is committed to work with the FGUA and stand side-by-side. Mr. Graziose stated STES is prepared and ready to start immediately to work through contract issues.

Chairperson Thomas called a recess at 12:55 p.m.

Chairperson Thomas reconvened the meeting at 1:05 p.m.

**Mr. Jim Lavender motioned to delay the RFP process for the Citrus County Board of County Commissioners to hold their meeting and to take up the issue again in 30 days (next meeting). Mr. Brian Wheeler seconded the motion. All were in favor and the motion was unanimously approved.**

**SM 2**                      Status on Citrus County Transition Study

Mr. Sheets discussed the status on the transition study for Citrus County stating the FGUA met with Citrus County staff to try and update the assumptions and other information. Mr. Sheets stated another meeting will take place and a decision will be made as to going forward or not at the February 7, 2006 meeting of the Citrus County Board of County Commissioners.

**SM 3** Status on the 2006 FGUA Board Meeting Schedule

Discussion ensued amongst the Board of Directors regarding the 2006 FGUA Board meeting schedule. The February 24, 2006 Board meeting will be held at the East Regional Library in Lehigh Acres, Florida and the strategic planning session on March 16, 2006 and the March 17, 2006 Board meeting will be held in Golden Gate, Florida area. Chairperson Thomas will speak with Mr. Sheets about the strategic planning facilitator.

**SM 4** Other Items

No other items were presented.

**XI. Utility Council**

**UC 1** Other Items

Ms. Encinosa stated Gassner Development is suing the FGUA over a previous agreement with Florida Water Services. She stated that counsel is in the process of responding to the complaint and that counsel is of the opinion that the FGUA has good defenses to the claim.

**X. General Council**

**GC 1** Other Items

Chairperson Thomas read the proclamation for Mr. Robert Nanni as an outgoing Board member.

Chairperson Thomas asked the Board if they would like a separate Board meeting to address RFP issues and all Board members stated preference to discuss the matter at the regular Board meeting.

Chairperson Thomas suggested conducting an RFP for existing manager services.

**Mr. Richard Wesch motioned to look into putting together an RFP for management services. Mr. Brian Wheeler seconded the motion.**

Mr. Lavender stated it would take a major sell to convince him to switch management and that he would be nervous about the transition. Mr. Lavender stated he would be hard pressed to go in a different direction. Mr. Wesch echoed the same comment as Mr. Lavender stating the FGUA should at least look into it.

**All were in favor and the motion was unanimously approved.**

Chairperson Thomas adjourned the meeting at 1:35 p.m.