

Florida Governmental Utility Authority

Board of Directors Meeting Minutes

Friday, March 17, 2006 10:00 a.m.

Golden Gate Community Center

Room C

4701 Golden Gate Parkway

Naples, Florida 34116-5901

Board Members:

Richard Wesch, Member, Citrus County
Mike Johnson, Member, Osceola County
Jim Lavender, Member, Lee County

Staff Present:

Robert E. Sheets, Systems Manager, Government Services Group, Inc. ("GSG")
Charles Sweat, Director of Operations, GSG
John Pelham, General Counsel, Pennington, Moore, Wilkinson, Bell & Dunbar, P.A.
Gregg Pavitt, Chief Financial Officer, GSG
Judi Gilbert, Clerk to the Board, GSG
John Dunty, Operations Manager, GSG
Yvette Hartsfield, Customer Service Manager, GSG
Kevin Grace, Director of Contract Services
David Miles, Special Projects Administrator, GSG
Linda Schnauffer, Business Manager, GSG
Bill Focht, Customer Service Representative, GSG
Barbara Kerby, Customer Service Representative, GSG

Guests Present:

Richard Anderson, Lehigh Acres Watchdog, Inc.
Ralph Hemingway, Lehigh Acres resident
Ed Goscicki, STES
Scott Covert, Lee County Attorney's Office
Jeffrey Wilson, PRMG
Ed Holt, Nowlin, Holt & Miner
Terry Morton, Nowlin, Holt & Miner
James French, Collier County

I. Call to order -

Vice Chairman Wesch called the meeting to order at 10:00 a.m.

II. Invocation -

Mr. Jim Lavender gave the invocation.

III. Pledge of Allegiance -

The Pledge of Allegiance was recited.

IV. Public Comment –

Vice Chairman Richard Wesch welcomed everyone to the meeting and asked if anyone from the public would like to address the Board. The Vice Chairman recognized Mr. Ralph Hemingway.

Mr. Hemingway stated he was a Lehigh Acres resident and that he was pleased and yet discouraged. He stated that about ten (10) days ago Lee County Commissioner John Albion stated that the County is not interested in buying the water utility system at this time for the simple reason they have expansion problems within their own system and internal issues. Mr. Hemingway stated to the Commissioner that was fine. He said he was glad the County was not taking over the utility system because of the way they have handled other situations in Lehigh Acres. But Mr. Hemingway said he was concerned about what had heard recently with FGUA. He said since the FGUA has taken over there has been a drag. He stated he was on the advisory committee for Florida Water and was out with the engineers on a lot of the projects, so he said he was very familiar with the problems facing them then, and in the future.

Mr. Hemingway said that what scared him most is a recent official report that said within five to ten years the drinking water level in Lehigh Acres will drop below the average depth of their well systems. He said with the growth of Lehigh in which all the duplexes are on one-quarter acre lots with two wells and two septic systems, the liquid from those septic systems are going to start to run into the water veins and people are going to start drinking their neighbor's party from the night before. He said in other words, he is very concerned they will be drinking wastewater and not pure water. He realized when FGUA took over the system there were a lot of problems. He said that one of the problems that is close to him is the Majestic Golf Course where he watched that project and then Merrill Lakes with the recycling of the water. The pipe was put in and everything is in place and he said it looks like a Mississippi River Boat sunk in the middle of the pond, because all you see is one stack sticking up. Mr. Hemingway said, as he understands it, the electrical and water systems have not been in place and need to be ordered. He is concerned it is not being managed well and it bothers him that the DEP permit was issued without all the preparation being in place. He went on to say that there are two golf courses that could be using treated water. He said Copper Head is not too far away and Westminister should be using treated water and they are not. But, he said his biggest concern is that he has not seen any evidence that FGUA is going to put in any additional water lines or any additional sewer lines. Mr. Hemingway said that when he was on the Board for Florida Water and heard that FGUA was interested, he said no he was not interested unless the FGUA could come in with some money to give them capital improvements, because they needed it. He said 3 or 4 meetings later Mrs. Roberts of Florida Water came in and said not to worry that FGUA was taking over and in the deal they were to get anywhere from \$11 to \$18 million dollars worth of projects. He said he was glad and wanted to know when it was starting, because they needed it. Mr. Hemingway said the project manager at that time called and told him that they were going to start to connect the dead ends around Westminister for more pressure and more hydrants, and that he would be looking at more water pressure at the industrial park. He said those that are not familiar with Lehigh, the industrial park growth is booming and the more buildings that go in, the need for more fire protection. Five times the systems (hydrant) were not adequate for pressure for proper use. Mr. Hemingway is concerned at the health situation. He wants to see FGUA excel in all areas with the expansion being the biggest issue. Mr. Hemingway said Greenbrier is one area where they need water and sewer. He also said he has concerns over the problems with soil conservation and wildlife.

Mr. Wesch then stated to Mr. Hemingway that FGUA does have a capital improvements program and it may very well be that the staff needs to coordinate through him to make a local presentation as to the capital improvements program.

Mr. Sheets then stated that he appreciated him coming here and wanted to let him know that FGUA will be at the East County Planning Commission Community meeting on March 23, 2006. Mr. Sheets stated that Charles Sweat and staff will be there to make a very extensive presentation to explain

where FGUA is with all the projects and Mr. Sheets stated that this would be where everyone would be given an opportunity to speak and he said he welcomed the resident's comments at that time. Mr. Sweat said that the meeting site is at the school on Homestead Road at Lee County High School.

Mr. Wesch then asked if anyone else from the public would like to speak.

Mr. Richard Anderson, Lehigh Acres Watchdog, came forward to speak to the Board. Mr. Anderson said he was aware of the meeting in Lehigh on March 23, 2006 and was glad that Mr. Sweat and Mr. Sheets had made this opportunity available to the residents. He said he was disappointed that there would be no discussion on the citizens committee. He knows that there are some problems in Golden Gate and has sent his recommendations to Charles Sweat and after speaking to him he said he thought perhaps they should join forces between Lehigh and Golden Gate on the citizens committee instead of having two separate committees. Mr. Anderson stated he does not know what the problem is with this. He said he will be speaking to others today after the meeting and hopefully get other viewpoints on the matter.

Mr. Wesch said that he was going to ask Mr. Sheets to respond to his inquiry, but first asked if stinky was OK. Mr. Anderson responded that yes he was fine.

Mr. Sheets stated that they have for the Lehigh Acres Utility Advisory Board, narrowed the number down to ten (10) names. These individual names have come from the community-at-large and from the chamber and other groups and it is staffs goal to bring back in April to the Board a recommendation of five people from this original list of ten names and then move forward. Mr. Sheets stated that staff is working diligently to get this accomplished. Mr. Anderson stated that he knew that staff was working hard because he had spoken to the manager.

Mr. Anderson apologized that he had not taken a look at the agenda before coming to the meeting, but stated that he knew there was a consent order for the Lehigh Acres and was not sure it was on the agenda. Mr. Wesch said yes it is. Mr. Anderson apologized and said he was late in arriving to the meeting since he spent two hours getting from Lehigh Acres to the meeting. Mr. Wesch then stated that we do not do roads. Mr. Anderson said that he knew this and was not blaming anyone for the road conditions in the area.

Mr. Anderson did however state that he hopes that a letter he sent to the East County Water Control District that FGUA was dumping the effluent treated water into their canal system has made a difference and said that is one of the reasons FGUA was fined. He said that maybe doing an in-kind project with the East County Water Control District can be considered by the Board. Mr. Anderson said he had sent a letter to both Mr. Sweat and Mr. Sheets discussing those possible projects and thinks it is a good idea, but just wants to do something for Lehigh Acres that is water related. Mr. Wesch then informed Mr. Anderson that this is Agenda Item OP 1 to be discussed at today's meeting.

Mr. Wesch asked if anyone else would like to speak to the Board, there being none Mr. Wesch directed the meeting to Public Hearing.

V. Public Hearing -

PH 1 Public Hearing to Approve Conservation Water Rates in Golden Gate

PH 1a Approval of Resolution 2006-04, establishing a Conservation Rate Structure and Adjusting Rates in the Golden Gate Utility System

Mr. Wesch asked Mr. Sweat if he had any comments, and Mr. Sheets asked Mr. David Miles to present his comments.

Mr. Miles stated Mr. Jeff Wilson from PRMG was there who did the water conservation study and a copy was attached as Agenda Item PH 1a. Mr. Miles also said Mr. James French was there from Collier County Regulatory office and there is a letter from him where they have no objections to what was being proposed. Mr. Miles invited them to speak if they had any comments they wished to present to the Board. Mr. Miles told the Board that there was a Rate Resolution attached as PH 1a that proposes to do two things. Mr. Miles said that this is the first time that they had taken a FGUA system to a conservation rate structure set up in block rates that is designed to encourage the water users to save water by having lower rates for low volume users and higher rates for higher volume users in a stair step approach. Mr. Miles stated that a presentation was made on January 24, 2006 at the Board meeting by Mr. Wilson, where he covered the new rate structure. Mr. Miles said the second was on May 2004; PMRG conducted a rate sufficiency study for the Golden Gate utility system that indicated at that time that FGUA would have to do a 4-1/2% rate increase going into FY 2007 this is October 1, 2006. Mr. Miles said that as part of the twelve (\$12) million bond issue, that was issued this past December, that rate setting was updated and in the most recent study it indicated the increase would be 6% as opposed to 4-1/2%. Mr. Miles added as part of this rate resolution that 6% be broken into four 1-1/-2% increments with the first one taking effect May 1, 2006, the second October 1, 2006 and then third and fourth on October 1st of the succeeding years. Mr. Miles said this will ensure the system remains healthy and is able to cover bond documents. Mr. Miles also commented that those bond documents will be funding a major capital improvement to the Golden Gate system that will be executed over the next couple of years. Mr. Miles said this public hearing today was noticed both in English and Spanish in the Naples Daily News on February 20, 2006 and copies of the notice were placed in bills to all customers in Golden Gate in February of this year. Mr. Miles then extended an invitation for Mr. Wilson and Mr. Miles to answer any questions.

Mr. Wesch asked Mr. Miles if the rate implementation schedule was presented to the Lee County Regulatory Authority. Mr. Miles said it was the Collier County Regulatory Authority and stated yes it was presented to them and a copy of the complete rate study was provided to them and they were aware of the fact that FGUA is proposing to do a revenue neutral adjustment to go to the conservation rates. Mr. Miles stated that they are also aware of the fact that FGUA is proposing to do the four-step rate increase and did have a discussion with Mr. French and other members of the staff this past Wednesday of this week and Mr. French is present if anyone had any questions. Mr. Wesch then asked Mr. Miles for confirmation that this conservation rate program was first suggested to FGUA by the residents. Mr. Miles responded, yes it was by the residents and also by the County Commissioner for Collier County, Mr. Henning who represents the district. Mr. Miles said they had requested it about one year ago and FGUA had placed it into the FY 2006 budget program to come to this point.

Mr. Wesch then opened the public hearing. There being no speakers, the Vice Chairman closed the public hearing

Mr. Lavender motioned to approve PH 1 and PH 1a Resolution 2006-04. Mr. Johnson seconded the motion. All were in favor and the motion was unanimously approved.

**VI. Minutes – Approval of the February 24, 2006 Regular Board Meeting Minutes
Approval of the March 8, 2006 Special Board Meeting Minutes**

The Vice Chairman asked the Board for a motion to approve the February 24, 2006 Regular Board Meeting Minutes and the March 8, 2006 Special Board Meeting Minutes.

Mr. Lavender motioned to approve the February 24, 2006 and March 8, 2006 meeting minutes. Mr. Johnson seconded the motion. All were in favor and the motion was carried unanimously.

VII. Consent Agenda

- CA 1** Approval of Work Authorization GSG 06-11 for the general Inspection Services related to the Disassembly and Relocation of the Telemetry Transmission System Serving the Poinciana Utility Systems, FGUA Project No. PO 004
- CA 2** Approval of Work Authorization GSG 06-16 for the general Inspection Services for the Replacement of the Lime Slaker at the Golden Gate Water Treatment Plant Serving the Golden Gate Utility System, FGUA Project No. GG 009
- CA 2a** Approval of Budget Amendment 2006-10 for the General Inspection Services for the Golden Gate Utility System Water Treatment Plant Lime Slaker Replacement for FGUA Project No. GG 009
- CA 3** Approval of Work Authorization GSG 06-14 for the general Inspection Services for the Inflow and Infiltration Improvements within the Lehigh Acres Wastewater Utility System, FGUA Project No. LE 015
- CA 3a** Approval of Budget Amendment 2006-11 to provide funds for the General Inspection Services for the Inflow and Infiltration Improvements within the Lehigh Acres Wastewater Utility System, FGUA Project No. LE 015
- CA 4** Approval of Work Authorization HTA CI 032 with Hoyle, Tanner & Associates, Inc. (HTA) for Consulting Engineering Services for Citrus County Utility System, Project No. CI 032, Sugarmill Woods – CI 041 Citrus Springs/Pine Ridge Raw Water Wells
- CA 5** Other Items

The Vice Chairman asked if there were any questions, additions or deletions to the Consent Agenda. There being none, the Vice Chairman asked for a motion of approval of Consent Agenda items CA 1 through CA 4.

Mr. Johnson motioned to approve the Consent Agenda Items CA 1 through CA 4. Mr. Lavender seconded the motion. All were in favor and the motion was unanimously approved.

VIII. Finance and Administration

Mr. Wesch asked Mr. Miles for his comments and he said that Mr. Gregg Pavitt would be discussing these items coming before the Board. Mr. Pavitt stated he was going to briefly discuss the Comprehensive Annual Financial Report for the last fiscal year ending September 30, 2005. Mr. Pavitt said the accounting firm representatives Ed Holt and Terry Morton from Nowlen, Hoyt & Miner were present for any questions or comments the Board may have regarding their independent audit.

Mr. Pavitt said the Annual Financial Report for those in the audience that may not be aware is the financial statements for the District as well as an introductory transmittal letter that briefly described the District and its purpose. Then a section called Management's Discussion and Analysis provides a summary analysis of the financial performance, the gain and loss of the District as well as the financial position as of September 30, 2005. Mr. Pavitt asked the Board to turn to the introductory section to the transmittal letter (page ii) it essentially states a profile of the system outlining Golden Gate, Poinciana, Citrus County and Lehigh Acres which provided some background material, the size, size capacity, etc. Mr. Pavitt said this also shows the level of budgetary control and main work of the FGUA, and the operations and capital improvements program. Mr. Pavitt said this section was mainly for those who may be unfamiliar with the FGUA and this provides a background to the scope and purpose of the FGUA.

Mr. Pavitt then directed everyone to the next section which was the financial section. Mr. Pavitt said first is the Independent Auditors' Report which was prepared by Nowlen, Holt & Miner, P.A. and this report is a standard "clean opinion" of the District and its financial position.

Mr. Pavitt said the next section (page 3) is the Management's Discussion Analysis. He said here he would briefly discuss through the summary pages which highlights the financial performance end position rather than reading the text. Mr. Pavitt directed everyone to the top of page 5 displaying the FGUA's net assets or the balance sheet. Mr. Pavitt said currently the total assets in 2005 were \$267,823,607, this includes Current and Other Assets in the amount of \$109,707,751 million which is essentially bond proceeds and other cash reserves received, impact fees, repair and renewal funds and almost this entire amount is dedicated to capital improvement projects and/or maintenance. Mr. Pavitt said below this is the liabilities. He said in the Total Liabilities was \$187,086,212 million in Long-Term Liabilities and Other Liabilities was \$14,647,853 million which totaled \$201,734,065 million in debt

Mr. Pavitt then asked everyone to turn to page 11 which showed the FGUA's Statement of Net Assets. He said importantly, within that total amount of debt is an important qualifier when reviewing the total assets and the liabilities; it is two of the departed systems, Barefoot Bay and Sarasota. He said rather than paying off that debt, it still stays on the books. But, Mr. Pavitt said that although they have for those two around \$15 million and \$24 million of assets that FGUA also have (page 13) the liabilities of over \$15.2 million for Barefoot Bay and \$24 million for Sarasota. So, he stated some \$44 million of the \$187 million of debt essentially does not count, but because of the way it was taken out they have to include these items.

Mr. Pavitt then directed everyone back to page 5 to the Capital Assets he said at the bottom of the chart is displayed the Total Net Assets. Mr. Pavitt said after the assets and liabilities what is remaining, and the rest was invested in capital assets, net of related debt. This means given the

entire infrastructure that the District has and by subtracting all the debt from what it owes the District is essentially \$10.5 million remaining free and clear. This is essentially \$2.5 million from the mortgages being paid off. Then the next area is the Restricted and Unrestricted Assets of the District. Mr. Pavitt said or bond proceeds, and water impact fees, etc. which are restricted as to purpose as to how they can be spent. Mr. Pavitt said lastly is the Unrestricted Category of \$22 million which includes the total amount available at the discretion of the FGUA within the mission of the FGUA.

Mr. Pavitt then directed everyone to the bottom of page 6 which displays a chart table of Increase In Net Assets. Mr. Pavitt said this is basically the income statement for the FGUA or its financial performance. He said that the total operating revenues is some \$34.7 million in operating revenue that is from the billing revenue for the water and lease water services, he said that the \$34.7 million was an increase of almost \$6 million from the year before. He also said in the prior year Citrus and Lehigh Acres had only come on board on December 5th so it only shows ten (10) months of performance. So that is why 2005 is higher because it reflects a full year, in addition to the growth.

Mr. Pavitt said the District then had operating expenses reflected in two categories. One was the Budgetary Operating Expenses, which was \$17.5 million and the second was the Depreciation and Amortization Expenses which is the wear and tear of the assets, a total of \$25 million.

Mr. Pavitt stated the next section is the Non-operating Revenues and Expenditures which are essentially the net of 1) developer contributions in-kind as well as 2) all the water and wastewater impact fees which is not revenue, but is to pay for the capital construction going forward. Then he remarked the net assets are showing an increase of \$24 million and the bottom line of comparing 2005 to 2004 the net assets at the start of the year were \$42 million which is an increase of \$66 million, this was mainly from the capital construction and water and wastewater impact fees.

Mr. Sweat asked Mr. Pavitt if the bottom line was that FGUA was in good shape. Greg responded, "Yes we are in good shape." Mr. Sweat then asked if the Board had an opportunity to review the report and if they had any questions for Mr. Pavitt and from the auditors.

Mr. Sheets asked if the auditors would like to make a comment to the Board. Mr. Holt and Mr. Morton came forward and thanked the Board for the opportunity.

Mr. Holt said the purpose of the auditor is to render an opinion on the financial statements and assure that state statute compliance is met. Mr. Holt said the good point is 1) they did render a qualified or clean opinion and 2) this is a comprehensive annual report which is more than what the law requires by the state and he said in the past years FGUA has been awarded the Achievement in Financial Reporting and they expect this report will also be awarded. Mr. Holt said beyond that there is around \$23 million in unrestricted assets. He said that is important because as the FGUA looks at these unrestricted assets, it is good now to look at what these obligations or expenses are going forward. He said FGUA had about \$17 million before depreciation so that means that FGUA is over 100%. Mr. Holt said if there are hurricanes or other items of an emergency then the Board has some discretion of where funds are to be pulled and where to incur debt.

Mr. Holt brought to the Board's attention a section which is a compliance report which addresses compliance and internal control and they reported no reportable conditions. Mr. Holt also mentioned another section for the single audit and he said the Federal government looks down this page to see if there is an unqualified opinion. Also, there is a page for the management letter; the letter provides

information during the course of an audit. He said if there are any items that they want to bring to the Board's attention, that they feel will help in increased efficiency or an internal control weakness, then this is where all those items from the prior period were addressed. Mr. Holt stated they had only three items that had not been addressed. They were reconciliation of accounts receivable and customer deposits and on policies and procedures. The firm felt a written policies and procedures manual needed to be established. He said not only is it good for the Board to have this in writing, but from a training point of view this is also good, and believes every organization should have their policies and procedures in writing, then an item is carried over. Mr. Holt said they also had an item that was carried over to fixed assets, inventory, reconciliation and general ledger and then had new comments on revenue building, connection fee procedures, increase on purchasing procedures and then in the last section he said is the response. This section provides the staff to response to those comments referenced above and in each area it showed where the staff had concurred that there is a weakness and they recommend this should be accomplished by September 30, 2006. Mr. Holt said if anyone had any questions they would be happy to respond. Mr. Holt said he wanted to thank the staff and Board to be given the opportunity to present their report and answer any questions.

Mr. Wesch asked the Board for any comments, there being none the Vice Chairman entertained a motion to approve FA 1 FY 2005 Comprehensive Annual Financial Report.

Mr. Johnson motioned to approve FA 1 FY 2005 Comprehensive Annual Financial Report. Mr. Lavender seconded the motion. There being no further discussion the Vice Chairman called for a vote and the motion was carried unanimously.

FA 2 Approval of the 2006/2007 Budget Calendar

Mr. Wesch asked if Mr. Miles would be discussing FA 2 and Mr. Miles directed it to Mr. Pavitt. Mr. Pavitt said FA 2 was for the Approval of the 2006/2007 Budget Calendar. It was for the preparation and adoption of the budget and capital plans for the Authority. Mr. Wesch then asked if this was for Board information only or was it something that needed to be adopted. Mr. Pavitt responded it was for the Board's information only.

Mr. Wesch then asked if there were any questions or any other items. Mr. Miles said he did have a walk-on item FA 3.

FA 3 Other Items

Mr. Miles said he had requested this walk-on item and referred the Board to copies provided to them before the meeting of the revised item which is a revision to the Interlocal Agreement with the City of Fort Myers that was passed by the Board's last meeting. Mr. Miles said that when the signatory copies were presented to the City Clerk of the City of Fort Myers there had been a glitch in their internal processes and there were some minor editorial changes made. Mr. Miles said he had sent an email to each Board member earlier in the week stating the changes, noting the changes did not change the content or subject of the report and now it was to be presented to the City of Fort Myers Board this following Monday evening, and the staff is asking that the FGUA Board re-approve this document as it is now written with the changes that the City of Fort Myers has requested.

The Vice Chairman asked if any Board members had any questions, there being none he asked for a motion.

Mr. Lavender moved to approve the Agenda Item FA 3 the Revised Bulk Water Agreement with the City of Fort Myers. Mr. Johnson seconded the motion and it was carried unanimously.

Mr. Wesch then directed the meeting to Operations.

IX. Operations

OP 1 Approval to execute the Lee County-DW Lehigh Acres Wastewater Treatment Plant FLA014565 OGC Case No.: 05-0329-36-DW Long Form Consent Order with the Florida Department of Environmental Protection, and to negotiate the in-kind penalty project of the Lehigh Acres Utility System

Mr. Sweat stated he would respond to OP 1 since he negotiated the agreement with the FDEP and Mr. Dunty would discuss the other OP items. Mr. Sweat said this has been discussed in the past, it is not new and what has resulted in this consent agreement is that the FGUA had agreed to execute this agreement with the FDEP. Mr. Sweat said it does come with penalties in the amount of \$52,800.00 and proposed to the Board to direct staff to negotiate an in-kind service agreement with the FDEP which would be 1-1/2 times the civil penalty and off-set amount of \$79,200.00. Mr. Sweat said this could be a number of things and has not submitted the final list to the FDEP for consideration and approval which would follow thirty (30) days after. Mr. Sweat said if the Board would consider authorizing staff to execute this consent order, then staff will put together an in-kind service list and bring back to the Board at the next meeting for the Board's consideration, approval and authorization to submit this list to the FDEP. Mr. Sweat said today staff is requesting that the Board approve execution of the Consent Order.

Mr. Wesch asked if the Board members had any questions for Mr. Sweat, he then recognized Mr. Anderson from the audience.

Mr. Anderson said he wanted to speak and make one request of the Board. He said to go ahead and authorize the agreement with staff to do this, but once passed, turn it over to the citizens committee and include the Citizens Advisory Committee in the selection process. Mr. Anderson said at least this would get more input from what the staff has suggested. Mr. Anderson wanted to have the opportunity for a town hall meeting and let the residents know what FGUA has suggested to do with the \$72,000.00. He said he knows this process will extend it out another month, but at least this way it would get some other input.

Mr. Wesch then asked if timing was important. Mr. Sweat responded that yes, this was a time sensitive issue. He said if the Board was to entertain Mr. Anderson's suggestion he would need to go before the District DEP almost immediately to see if they would give us additional time. Mr. Sweat said this will definitely take additional time.

Mr. Pelham asked the Vice Chairman if he could ask a question. Mr. Pelham said that in paragraph 15 of the Consent Order he asked Mr. Sweat did it not state that we needed to give the DEP fifteen (15) days notice upon the Board's approval of the Consent Order if they chose to elect the in-kind option as he read it. Mr. Sweat said yes that is why it is important to respond immediately since it is a time sensitive issue. Mr. Sweat said it is also highly unusual to have public participation in this matter and due to the time constraints it would create more hurdles.

Mr. Pelham then said the time is sixty (60) days then to present the in-kind list to the DEP.

Mr. Lavender agreed that this is unusual but also understood Mr. Anderson's concern in keeping the public involved, but it would be unusual to have the public actually participate in this approval. Mr. Lavender stated that he had confidence that Mr. Sweat would negotiate a reasonable settlement with the DEP and stated that he has seen it done at Lee County's Utility Department. Mr. Lavender stated since this is a time issue this needs to be done and once Mr. Sweat has a menu of items that the DEP will consider and will sign off on, then Mr. Lavender said they will inform the Citizens Advisory Committee. Mr. Lavender said with so much uncertainty he would rather do that. Mr. Anderson then asked if perhaps FGUA should come up with the 5 or 6 items to bring to the committee if he was agreeable will this. Mr. Lavender said he was agreeable with having Mr. Sweat coming back with whatever the DEP is willing to accept and then the Board can inform the committee so they understand the value of what they are getting. Mr. Anderson said that was agreeable with him.

Mr. Lavender motioned to approve OP 1, and Mr. Johnson seconded the motion. All were in favor and the motion was unanimously approved.

Vice Chairman Wesch asked to move to OP 2.

OP 2 Approval of Work Authorization URS LE 052 for the Biological Assessment and Continued Site Observations for URS Corporation for the Lehigh Utility System Wastewater Treatment Plant Expansion Project No. LE 052

OP 2a Approval of Budget Amendment for Project No. LE 052, for the Biological Assessment and Continued Site Observations for URS Corporation for the Lehigh Acres Utility System Wastewater Treatment Plant Expansion Project No. LE 052.

Mr. Dunty said OP 2 seeks approval of a biological assessment and continued site observations associated with the Lehigh Acres Wastewater Treatment facility. He said this should not be confused with the biological monitoring request that was granted by the Board last month.

Mr. Dunty said the biological assessment will allow them to potentially extend the construction phase beyond October 1st when the next nesting season starts for the bald eagles later this year. He said these funds have been set aside to allow the design engineer to continue to observe construction since the construction schedule has been extended due to the nesting season and some of the permit set-back issues they have encountered. Mr. Dunty said the third part of the request involves state required capacity analysis reporting and an annual plant report for the plant's performance. All three totaled \$80,500.00 and would be funded through 2005 Bond Issue.

Mr. Sweat also reminded the Board to consider the companion Budget Amendment OP 2a in the motion.

Mr. Wesch asked if there were any questions, there being none he brought it back to the Board.

Mr. Lavender motioned to approve OP 2 and OP 2a. Mr. Johnson seconded the motion. All were in favor and the motion was unanimously approved.

OP 3 Recommendation to Reject All Bids for the Citrus Utility System Sugarmill Woods Water Treatment Plant No. 2 Chlorine Conversion, FGUA Project No. CI 033

Mr. Dunty said that OP 3 asks for a rejection of all bids for the Citrus Utility System chlorine conversion. He said that staff received two bids, one was for \$315,000.00 and the other was \$268,700.00. Mr. Dunty said that in staff's opinion these bids are higher than the engineer's estimate of probable costs and wants to go back and seek new avenues. Mr. Dunty asked the Board to approve the rejection of all bids on this matter.

Mr. Johnson motioned to approve OP 3. Mr. Lavender seconded the motion. All were in favor and the motion was unanimously approved.

OP 4 Status of the Integrated Water Resource Management Plan

Ms. Hartsfield said that the Board had been provided the information from the community service representatives that provide an overview of the meetings that they have attended. She said they also provided the realtors and builders' associations in this calendar. Ms. Hartsfield said they have addressed over 72 issues and stated concerns by residents and they have all been addressed. Ms. Hartsfield then introduced Bill Focht the new community service representative. She said Mr. Focht came from Fifth Third Bank and he has worked in communications for some time and is well versed in H.R, finance, insurance, investments/lending, retail banking, marketing, community service and customer service. She said he has great knowledge and welcomed him. She said Bill is located in the Golden Gate service office.

Mr. Focht said he also has a background in construction, and general contract law. He said he was waiting to hear back from the Florida Bar and that he was happy to be a part of the organization. Mr. Sweat welcomed him and said he would not hold it against him that he was a lawyer. Mr. Wesch said his being a member of the Florida Bar would actually get him bonus points around here. (laughter) Mr. Sweat said that they will certainly use his talents. Mr. Wesch also welcomed him.

OP 5 Status Report on the Florida Governmental Utility Authority (FGUA) Capital Improvement Project Program

Mr. Dunty discussed the Status Report on the Capital Improvement Project by saying it included this month a profile of the last three months represented by bar graphs (color) of the timeline of the progression of the capital improvement projects. Mr. Dunty said he had also provided for the first time a summary table that shows how many projects are in design, bid, and in the construction phase. Mr. Dunty said he was happy to announce that Citrus has two additional projects that are now in design phase bringing the total to eleven (11) and Poinciana has six (6) additional projects in design phase and Lehigh Acres has one. Mr. Dunty said the same is displayed for bids stating that Poinciana has five (5) bid opportunities moving forward and Citrus has two more in the construction phase. Mr. Dunty said that we are now in the front end of the bubble and there are going to be a lot of construction jobs that are going to happen in the next few months and we will be moving forward on many projects. Mr. Dunty said that he is very excited about it and he stated that they also have an

additional job at Golden Gate and in Poinciana that involves in-flow, infiltration and collection system remediation, and they are looking at constructive ways to combine these jobs legally so they do not have to go through the process of a lengthy bid and in doing so can move these significant projects forward four or five months ahead.

Mr. Wesch remarked that this was very ambitious and could see how Mr. Dunty was spending his time. He then asked if there were any questions.

OP 6 Status of Severn Trent Environmental Services Deficiency List

Mr. Dunty said that over 80% of the dates have been provided for completion or projected completion for the punch list items. Mr. Dunty said the work authorizations have been submitted for consideration on the system operator for Board approval. Completion dates or expected completion dates have been provided to the inspectors. So, he said, in the field they can capture pictures and also create reports that can document the quality of the completed projects.

OP 7 Approval for the Director of Operations to execute the Collier County-DW Golden Gate Water Treatment Plant PWS ID No. 5110117 Short Form Consent Order OGC File No.: 06-0161-11-PW with the Florida Department of Environmental Protection

Mr. Sweat said that OP 7 is a Consent Agreement with DEP for the Golden Gate Water Treatment Plant. He said they had some ambitious contractors that activated the membrane vessels prior to approval by the DEP. Mr. Sweat stated that there was a letter noting the objection and upon meeting with the DEP and the result is the Consent Agreement that is before the Board for approval and a \$2000 penalty along with an administrative fee of \$250.00, bringing the total to \$2,250.00. Mr. Sweat said they look to capture this money from the contractor, Harn & Associates. Mr. Sweat said in his last conversation with the contractor and Mr. Pelham he told them that he was going to present this to the Board and look to speak with them again on Monday. Then they discussed splitting the costs. Mr. Sweat stated that he believed that since they do this for a living, and should have known they should have prior approval, they should be fully responsible for the costs. He said he would ask the Board to advise staff to pay the penalty to the DEP to stay in good standing with the thought of collecting these funds from the contractor.

Mr. Pelham said that during their discussion, it was discussed that the FGUA would withhold from the last payment the amount of the penalty as a method of bringing home the issue to the contractor, and that unless the Board has an objection, that this was what he recommended that they do.

Mr. Sweat said he was thinking of asking for \$10,000 to be held back just in case there were other issues that may arise even though Mr. Dunty has reported that everything is in good order he felt nonetheless that the \$10,000.00 amount should be held back.

Mr. Wesch asked that based on these facts why would Harn & Associates think we would entertain a split on this? Mr. Sweat said they do not believe they are fully responsible and have had considerable challenges with Harn & Associates and it is very disappointing. Mr. Sweat said that he has worked with them in the past and it was a pleasure working with them, although this has not been the case in this instance. Mr. Sweat said that Mr. Dunty had advised him that they are 204 days late in bringing the project on line which is very disappointing as well. He said they did not believe it was

there responsibility to call the DEP and if they had called the DEP his guess is that it would have been approved if the circumstances had been explained and would have been allowed under some conditions. Mr. Sweat said he is not suggesting to the Board that we back off our stance.

Mr. Pelham also reminded the Board that this is the third phase of this project with Harn & Associates.

Mr. Wesch asked if there were any questions. Mr. Johnson then asked what did staff communicate with the contractor when this was discovered.

Mr. Dunty said it was there expectation that the contractor was also a design engineer and also provided the certified engineer. The certified engineer resided in Idaho. Mr. Dunty said the design engineer, the certified engineer and the contractor in the design phase were in his opinion completely dysfunctional. Harn & Associates recently submitted as-built drawings to the DEP for final approval that were not stamped and he said we all know the ramifications resulting from this. Mr. Dunty said what he has had to do is to facilitate three or four parties as to where they were at each step and he felt it has been very difficult to discuss when they are out-of-state.

Mr. Sweat said to answer the question staff was on-site and the water was turned on, but they could not oscillate those vessels.

Vice Chairman Wesch asked for a motion to approve OP 7.

Mr. Lavender motioned to approve Agenda Item OP 7, with the condition that the Board not be responsible for any of the penalties or charges. Mr. Johnson seconded the motion. All were in favor and the motion was unanimously approved.

OP 8 Other Items

Mr. Sweat stated that was all of the OP items.

X. System Manager

SM 1 Other Items

Mr. Sheets said he had several items to bring before the Board as informational and action. Mr. Sheets said he knew that some of the items were discussed at the Strategic Planning Retreat yesterday. Mr. Sheets said that because many of these items have to do with Citrus County he first wanted the Board to be aware of a conversation that he had with Mr. Battista, who is the Citrus County Attorney and has had the lead responsibility for the Citrus County System Transition. Mr. Sheets said that in the letter he sent to Mr. Battista on March 3, 2006, there were several issues pending and would require action by this Board. Mr. Sheets said he wanted to assure the Board that he would be following up with a letter to Mr. Battista after this meeting since he knew the Board had several actions pending.

Mr. Sheets said the first is the discussion of Severn Trent (ST) and whether or not Citrus County wants to move forward on their own, independent of the FGUA, in negotiating a contract and he said that based on his conversation with Mr. Battista, he believed that it will be the County's position to

have the FGUA's staff go back to ST and negotiate modifications to the agreements for all the systems including Citrus in this process. He said Mr. Battista felt that when they do decide to take the system out they are then in a position of assuming all provisions and terms of the revised contract. Mr. Sheets said that since they have not given us any date, they can not still say if that transition will be in 6, 12, 18 or 24 months.

Mr. Sheets said the other part of the conversation with Mr. Battista had to do with the schedule to come back in April before the Board for all the necessary bond resolutions for Board approval of the \$6 plus million in parity debt for Citrus County, which has been scheduled since 2003 for the 2006 capital improvement program. Mr. Sheets said the most critical is around \$3 million for the expansion of the Citrus Springs WWTP. Mr. Sheets said the process should have begun almost four months ago, but have not for reasons everyone is aware. Mr. Sheets said that in his conversation with Mr. Battista it is the County's intent to do nothing to impede the FGUA in moving forward in making all necessary improvements on schedule in the 2006 budget. Mr. Sheets said however, since their Board has indicated to take this system out some time in the future, staff will recommend to the Board that we not move forward with the parity debt issue but come back to the Board in April and ask the Board to accept a line of credit where we can do interim funding for the \$6 million. He said this could be beneficial to Citrus County, for example if they were to take the parity debt out within the next 18-24 months FGUA would have to make sure that they had certain call provisions of the parity debt that could add to the interest cost because of the unique structure of the call provisions. He also said to have a line of credit, it can be structured much like with Poinciana and does not have penalties and provides ease and flexibility when Citrus County takes ownership. He said hopefully they will have all the documents in April to the Board for approval.

Mr. Sheets said they are working with Bank of America now and currently have a \$5 million line of credit and will discuss this with them; and if there are other options they will look at them.

Mr. Sheets said this is compounded by the growth in Citrus Springs and the Topeka Line Agreement. He said this has been in the last six months costly in time and services to get it ready in the assessment programs to the Citrus County Water and Sewer Regulatory Authority. He said through the process they have been successful in getting new connection fees approved and an assessment program, although not like the one submitted, it is one that they can live with and use as a permanent funding solution to the growth in Citrus Springs, and he said this allows them to comply with the letter of the law to the Topeka Line Agreement. Mr. Sheets reminded everyone the Topeka Line Agreement requires them to extend service to anyone requesting service if they are within 2500 feet of an existing FGUA line and FGUA collects \$1900.00. Mr. Sheets said anyone in the utility business knows that you can not stay in business and collect \$1900.00 for 2500 feet of line.

Mr. Sheets said the reason this needs to be part of the discussion now because there is also a companion project in Citrus Springs to be completed this year. He said to meet all the statutory requirements so they can place on the November tax bill a special assessment against those properties receiving the line extension in Citrus Springs. He said it is also a process they need to begin by April. Mr. Sheets said Citrus County needs to let them know about that, and if they want FGUA to move forward with the special assessment program

Mr. Sheets said he believes it is also important to know if Citrus Springs wants FGUA to entertain some form of interim financing. He said that is even more complicated, because if they entertain interim financing the FGUA would not go forward with the special assessment program and then not

have the special assessment revenue to pay for the interest cost for the line of credit. He said this would involve more analysis if this would have any negative rate impact if FGUA went in that direction. Mr. Sheets stated it is important to meet with Citrus County very quickly because this will have a great impact on them in terms of cost and a permanent solution for funding for the growth of Citrus Springs. Mr. Sheets said it is also important and critical for Citrus Springs, that after acquisition, does Citrus County want to continue the Topeka Line Agreement.

Mr. Sheets said an item that is not as critical but one that has been moving forward is the utility advisory board in Citrus County. Mr. Sheets said again with Citrus County's decision to take the system over we are not going to act unilaterally. Mr. Sheets said they will require direction from the county on whether they want FGUA to create the Board. He said FGUA needs to be a true partner in the Citrus County system.

Then Mr. Sheets asked if the Board had any problem with staff bringing back to the Board in April the necessary document to approve either a modification or an enhancement for our current line of credit for the capital projects in Citrus County.

Mr. Wesch said he would have no objection if he thought it was necessary, but would need to know all the options.

Mr. Sheets said first, they need to have a rather lengthy discussion with Citrus County on what is involved because what is proposed has encompassed 1-1/2 years of staff work. Then Mr. Sheets asked the Board if they had any problem with Mr. Sheets responding to the letter by Mr. Battista. There was no objection from the Board members.

Mr. Sheets then directed the Board's attention to the modification of the contract to Severn Trent (ST). Mr. Sheets said that this was briefly discussed at the strategic session retreat.

Mr. Pelham stated that there was a conference call on Monday of this week with Ed Goscicki, Joe Graziose of Severn Trent, staff and both FGUA counsel. Mr. Pelham stated they discussed the scope of the contract and the expectations of the Board. Mr. Pelham stated the contract needed to include the performance standard that were included in the RFP process and the penalty provisions in the RFP contract. He also said the contract would need to have the five (5) year budget forecast. Mr. Pelham said he felt it was a good discussion and ST was receptive to working within those parameters. He also felt it is appropriate to designate a board member to be the liaison with ST and staff, with the hope of bringing back a contract for approval.

Mr. Wesch asked if the discussion with ST included demobilization.

Mr. Pelham responded that elimination of the demobilization fee was discussed.

Mr. Miles stated they had been assured by ST that an office would be placed in the Longwood area for coordination purposes and modifying purposes. It was also discussed that the FGUA may assume customer services center leases. If so, funds will be deducted from ST for this process.

Mr. Wesch asked if there were any questions. Mr. Johnson asked about transitional issues. Mr. Sheets stated that it would come back to the Board for approval.

Mr. Wesch then nominated Chairman Thomas as the board member to act as the liaison.

Mr. Lavender moved to appoint Chairman Thomas to act as the Board's liaison in the discussions with ST and staff. Mr. Johnson seconded the motion. All were in favor and the motion was unanimously approved.

Mr. Sheets then brought to the Board's attention Work Authorization GSG 06-17 and stated that in January 2005 the process began with the RFP, and all the other aspects that went with this process. He said at that time the Board directed staff to move forward again and re-open it for bid. The funds that were allocated for this process are depleted at this time. At the Board's direction, the System Manager has initiated discussions with ST and now the Board has given the Chairman the ability to negotiate with ST. He said the work authorization details of all of the transitional and other issues. He noted some of the difficult issues and the element of time. Mr. Sheets said that ST has committed to placing an office in Longwood and they worked out an arrangement on the auditing issues.

Mr. Pelham has reviewed everything and stated this is time and materials authorization.

Mr. Lavender motioned to approve SM 1 (Work Authorization GSG 06-17) and it was seconded by Mr. Johnson. All were in favor and the motion was unanimously approved.

Mr. Sheets stated that the strategic retreat yesterday was overall the best thus far, in that he felt it was very production. Mr. Sheets thanked the Board for their participation in making it a success.

XI. Utility Counsel

UC 1 Other Items

Ms. Encinosa was not present at the meeting.

Vice Chairman Wesch then asked if General Council had any items.

XII. General Counsel

GC 1 Other Items

Mr. Pelham said he had no items to bring before the Board

XIII. Board Items

BD 1 Other Items

Vice Chairman Wesch then adjourned the meeting at 12:18 a.m.