

Florida Governmental Utility Authority

Board of Directors Special Meeting Agenda

Wednesday, March 8, 2006 2:00 p.m.

Quorum Hotel Tampa

Royal Palm Room 2

700 North West Shore Boulevard

Tampa, Florida 33609

Board Members:

Richard Wesch, Vice Chair, 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")

Judi Gilbert, Clerk to the FGUA Board, GSG

David Miles, GSG

Kevin Grace, GSG

Linda Schnauffer, GSG

Guests Present:

Dana Kaas, Severn Trent Environmental Services, ("STES")

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

Dave Vago, US Water/Wade Trim

Frank Schiraldi, HTA

David Owen, Lee County Attorney

I. Call to order -

Mr. Wesch, the Vice Chairman stated that Chairman Thomas was not able to attend the meeting due to illness and he would conduct the meeting. The meeting was called to order at 2:12 p.m.

II. Invocation -

No invocation was given.

III. Pledge of Allegiance -

The pledge of Allegiance was not conducted since no flag was provided in the room.

IV. Public Comment -

Mr. Wesch asked if anyone wished to come forward to address the Board. Since no one wished to address the Board, Mr. Wesch moved to SM 1.

The Vice Chairman, Mr. Wesch recognized the System Manager, Mr. Robert Sheets.

V. System Manager

SM 1 Contract Operations and Customer Service for FGUA Systems .

Mr. Sheets stated that this Special Meeting is to consider contract operations matters following the Citrus County Board of County Commissioners meeting on February 28, 2006. He went on to say that Citrus County made a motion to pursue the analysis of taking their system out and move forward with Resolution No. 2006-051, which the FGUA Board members were provided by staff, and was received from Citrus County. Furthermore, the motion was made to direct the Citrus County staff to negotiate with Severn Trent (ST) for a contract for ongoing operations of the Citrus County systems after transition. Mr. Sheets stated, today the only thing that has changed, is Citrus County has decided to take out their system on a yet unspecified date. The Resolution 2006-051 has no specified date, staff has had minimal conversations with the Citrus County staff and Mr. Sheets stated that Mr. Wesch could speak to that issue. But no specified timeframe was provided to staff. The recommendation that was made at the FGUA meeting on February 24, 2006, from the System Manager's standpoint has not changed. As Mr. Wesch stated the FGUA Chairman could not be here today, but Chairman Thomas did provide a few questions that she wanted on the record and to be discussed. Chairman Thomas also stated that a decision needs to be made today. The first question that Chairman Thomas asked was why we can't simply negotiate the contract as it was issued and described in the RFP with US Water/Wade Trim. Mr. Sheets stated that from the System Manager's standpoint the first reason is we do not have any indication that there are sufficient votes within the FGUA Board for this to be accomplished. Citrus County had indicated no desire to participate in a discussion with US Water/Wade Trim for them to assume the contract. Mr. Sheets indicated his understanding that TOHO, Osceola County, and Mr. Wheeler are in the same position. Mr. Sheets stated that Mr. Wheeler can certainly speak to this issue; they are not compelled to make any change at this time, even if the demobilization fee was eliminated. That being the case, Chairman Thomas' second question was why can't we sit down and negotiate a contract with US Water/Wade Trim for Lehigh Acres and Golden Gate and a contract with ST for Poinciana and Citrus. Mr. Sheets stated the answer is slightly complicated because from the System Manager's viewpoint the FGUA Board would have to be willing to do several things. One, to abandon the RFP process, because US Water/Wade Trim has already stated that if they are to receive less than four (4) of the systems, they would expect to have the right to sit down and re-negotiate the scope of services and price, and FGUA is not able to do this within the scope of the RFP. Secondly, the Board would have to declare an emergency so we could abandon our former procurement process and, at that point the Board could entertain negotiating with two contract operators. We would have two contract operators at the same time. From the System Manager's standpoint, that would not be our first choice and recommendation. Mr. Sheets stated that those were the questions raised by Chairman Thomas and he stated it can be discussed and debated and the Board members can add to this, but those were the Chairman's question. Mr. Sheets went on to say that representatives from both Severn Trent and US Water/Wade Trim are present at the meeting, and he was available to answer any questions raised to him by the Board. Mr. Wesch is also here to respond for Citrus County. Mr. Sheets stated that we are basically where we were one week ago, and as the System Manager we need to move forward with a contract that allows us to have enforceable performance measures, a penalty for failure to perform and it gives ST the ability to go ahead and make the commitments and the staffing they need to fulfill the contract. Mr. Sheets stated his thought was that the only modification to his

recommendation would be that in light of not receiving any direction at this point from Citrus County, at this point if we actually had a contract to bring back to the Board, it may have to exclude Citrus County and we would continue on a month-to-month extension with Severn Trent for the Citrus County contract.

Mr. Wesch stated he had a few comments from the Citrus perspective. Mr. Wesch stated, as Mr. Sheets has indicated, the Citrus County Board has decided to move forward and pursue acquisition of the FGUA Citrus System. As such, relying on the last pronouncement on the issue, which was due to the demobilization fee, we are not to discuss US Water/Wade Trim's proposal, we being Citrus County. Mr. Wesch went on to say, given the Citrus County Board's action this past Tuesday, or Tuesday twice removed, it is his task today to keep their options open with regard to whether Citrus is going to look to run the system internally or pursue and continue an agreement with ST or perhaps even put out their own RFQ. Mr. Wesch stated he was split on his role on what he needed to preserve; the separateness of Citrus, but he also recognized his duty to the FGUA Board. Mr. Wesch stated having said that he would in all likelihood defer to his two fellow board members as to where the balance of the FGUA would like to go on this issue.

Mr. Wheeler stated that from the TOHO Osceola standpoint, as Mr. Sheets stated with the transition/acquisition of the Poinciana system still uncertain, Osceola has decided that they would like to have their portion. They (Osceola and TOHO) have been having ongoing discussions with Polk County on how this is to happen, with those things yet unresolved. Mr. Wheeler stated they are about in the same position as Citrus where they do not want to make any decisions until they know exactly what their position is going to be. Mr. Wheeler then stated it was probably in their best interest to leave things in place until they know or recognize when that decision will be made relatively soon; sometime this year, sooner than later, but believes it is best to leave things as they are and extend the contract with ST.

Mr. Lavender stated that they have a tentative date with the Lee County Board on April 3, 2006 to have the same discussion. So he echoed Mr. Wheeler's comments that they would like to see the status quo as well, he did not have any prediction on what may happen on April 3, 2006 at the Lee County Board meeting, but it will be the next time it will be discussed by his board. Mr. Lavender stated that this issue has not been discussed in quite some time.

Mr. Wesch then commented that having both representatives from the firms present and out of deference and out of respect for their diligence, they should be given an opportunity to address the Board, as long as everyone on the Board agreed to that approach.

Mr. Dana Kaas, with ST stated he would be brief with his comments. He stated they have gone through this for the last nine (9) months of attempting to work through this and believes it has been fully explored by them as the vendor, but also with the FGUA Board, the only thing they urged the Board to do was make a decision.

Mr. Dave Vago, with US Water/Wade Trim stated he disagreed with one thing that was said that being, on March 4, 2006 they had reached the one-year anniversary of the issuance of the RFP. It has been one year. He stated he did not know what to say that has not already been said, the Board approved the issuance of the RFP. That RFP contained a pricing model that looked to a contract that had a demobilization fee in it. The Board approved it. US Water/Wade Trim submitted proposals and signed the contract and was selected twice. Mr. Vago stated it was the FGUA Board's process and in

the course of complying with this process they won, and now being told that they do not have the contract. He stated he did not understand and did not believe it was fair.

Mr. Wesch brought it back to the Board for further discussion, there being none, Mr. Wesch asked if the staff had any further comments. Mr. Sheets stated he wanted to add that this does not preclude the staff as we move forward, for example, to include in any additions or enhancements to the existing contract those same performance provisions, that if Citrus County chose to take advantage of that, that those would also be conveyed to Citrus County if they should take the system out. That is the guidance we would need from Citrus County should they want us to do that on their behalf or if they would get someone independent.

Mr. Wesch brought it back to the Board.

Mr. Wheeler then made a motion that the FGUA Board reject the Utility Operations, Maintenance, Billing and Customer Service Agreement negotiated with US Water/Wade Trim under the procurement process due to the unsatisfactory demobilization component, and due to the change of circumstances relating to the host government's directions regarding the providers operations, maintenance, billing and customer service. Part of the basis of this motion is that Citrus County has directed staff to begin the transition of Citrus County taking ownership of the system and that TOHO/Osceola County has indicated a desire to begin a transition process sometime in the near future, and Lee County has indicated they will be making a decision on transition in the near future. Finally, US Water/Wade Trim has raised concerns about the viability of the proposed contract and stated that their pricing and scope could be affected by the discussed changed provisions. Mr. Lavender seconded the motion. All being in favor, the motion was carried unanimously.

Mr. Wesch then asked the System Manager for direction on the next step.

Mr. Sheets stated he believed that several other motions were necessary. Mr. Sheets requested that the Board consider terminating the current procurement process. Secondly, he asked that staff be authorized to continue discussions with Severn Trent regarding the extension of the existing contract. Lastly, the staff would need to come back at the next board meeting to report on the initial discussions and at that Board meeting the Board would direct staff or someone to head up the negotiations with ST for enhancements to their existing contract. Mr. Wesch stated that Citrus County has to preserve its standing to either participate or not. Mr. Wesch then brought it back to the Board.

Mr. Jim Lavender motioned to terminate the current procurement process for the Utility Operations on the basis that conditions have substantially changed over that which was initially set forth and that the host governments have raised concerns over the transitioning to a new operator over the magnitude of the demobilization fees. Given the correspondence and statements the Board has received from US Water/Wade Trim, further negotiations are unlikely to result in a satisfactory agreement in the procurement process. Mr. Brian Wheeler seconded the motion. All were in favor and the motion was unanimously approved.

Mr. Wesch requested a motion be given on direction with regard to Severn Trent.

Mr. Brian Wheeler motioned that the Board authorize staff to initiate discussions with Severn Trent for extension of their existing contract and potential modifications of the scope of services and performance standards in the contract, then report back to the Board the results of the discussions, if possible at the March 17, 2006 Board meeting, if not, then the first meeting in April 2006. Mr. Jim Lavender seconded the motion. Mr. Wesch asked if the motion maker and second would entertain the following amendment, just a clarification that this direction may or may not include the Citrus system, depending on further Citrus County Board of County Commissioners direction on the issue. Mr. Wheeler stated he would approve the amendment to the motion. Mr. Lavender seconded the amendment. All were in favor and the motion, as amended, was unanimously approved.

The Vice Chair then recognized Mr. Sheets regarding SM 2.

SM 2 Approval of Work Authorization (GSG 06-13) with Government Services Group, Inc. for Citrus Utility System Transition

SM 2a Budget Amendment 2006-09

Mr. Sheets stated the other item to bring before the Board concerned the Citrus County letter from Mr. Battista which served as a companion piece to this item. Mr. Sheets went on to say the standard with any transition, and what is consistent with our management services agreement, that once we have been notified by the host government of their intent, we are required to record and keep separate those hours from our standard scope of service, so this is a work order similar to what has been done in Sarasota County's transition and what the Board approved, at that time. He went on to say, should discussions begin with Citrus, to allow us to be compensated, and these are the hours and costs that are reimbursed as part of the transition. It is hard to estimate these hours that is why it is based on a time and materials basis. Mr. Sheets stated that they do know that as they move forward, not only will they be required to do all the things described in the work order, but one of the things that will be unique to Citrus County acquisition, is our need to go before their board, at least once a month, to keep them apprised of the decisions that we are making and to seek clarification for amendment to those actions from that board. He stated as the FGUA Board could see, in the Battista letter there are a lot of things that are happening in Citrus County that must continue to happen, because we do not know whether we are going to be stewards of this system for six (6) months or eighteen (18) months or twenty-four (24) months. So this is a work order that keeps track of the time and costs so the FGUA can be reimbursed for this effort during the transition. The Vice Chair asked if the Board had any questions. Mr. Wheeler asked Mr. Sheets if based on the inflation how the cost of the previous one would compare. Mr. Sheets stated the last one completed full course was in Sarasota County. That transition was over a two (2) year period with some starts and stops within that timeframe. He went on to say that Sarasota County was actually fairly easy because they did allow that time and many things were factored into the regular budget process, things were budgeted to take care of transition. But that was in 2000 to 2001. Mr. Miles stated it was from 2000 to 2002. Mr. Sheets went on to say, it was well in excess of \$100,000.00, but that was over a two-year period and that was in 2002 dollars. The thing that will make this unique is there is so much going on pertaining to parity debt, special assessment debt, and the Topeka Line Agreement. These are issues that are on top of us today. Mr. Sheets stated that we are going to have to track those, it will take a lot of time working with the County in this transition process because whether they take it over in October 2006 or October 2007, they are now in the utility business with us as a partner. It would be inconsistent with our mission statement if we made unilateral decisions on those items

without the County's full involvement and engagement. Mr. Wheeler agreed. Mr. Wesch asked the Board if they had any questions, if not, he would entertain a motion.

Mr. Lavender motioned to approve the Work Authorization 2006-13. Mr. Wheeler seconded the motion. All were in favor and the motion was carried unanimously.

Ms. Heather Encinosa asked if SM 2a the budget amendment was included in the motion. Mr. Wesch then directed for a motion to include SM 2a. Mr. Lavender motioned that SM 2a the budget amendment, be approved. Mr. Wheeler seconded the motion. All were in favor and the motion was carried unanimously.

The Vice Chair then recognized Mr. Sheets.

SM 3 Other Items .

Mr. Sheets stated he would like to have some discussion and direction from the Board on the letter to the Citrus County attorney, Mr. Robert Battista, which outlines several transition issues that we have to engage with Citrus County today. As you are aware, in the 2006 budget there is a parity debt issue scheduled that came as a result of the 2003 due diligence that was done at acquisition, that funds several major programs. The largest being the wastewater treatment plant expansion in Citrus Springs. This parity debt should have already been issued, but has not because of the concerns with Citrus County. These projects are upon us and we are going to have capacity issues within two years in Citrus Springs if the permitting and design does not start today. The debt is currently scheduled sometime in April, with the bond resolution coming back to the Board. Mr. David Miles stated that we are looking to have the bond resolution back to the Board on the meeting of April 21, 2006. Mr. Sheets stated the concern here is Citrus County wanting to do something quicker than later, then something might have to be done on an interim basis. Mr. Sheets cited, like what was done in Poinciana with a line of credit to get the monies in place to perform the projects. It is important to have a serious discussion with Citrus County that this is what we are going to do, unless the County directs us in a different capacity.

Mr. Sheets stated the second issue was much on the same line, being the 2007 budget. Obviously, the County has hopes of taking over the system in October 1, 2006, and then he does not think they would want the FGUA staff preparing the upcoming capital budget of a system that they are going to take ownership. Mr. Sheets stated that he has no indication that this is the timeframe for the County, but if it is a discussion needs to be started, since he felt that the County would prefer to have their staff working with FGUA in preparing a budget that they are going to be responsible for in a twelve (12) month period. Mr. Sheets stated he felt this is important as the rest, since the staff spend a lot of time and effort, as you will see in the strategic planning session next week. Mr. Sheets said this is something that would need to go to staff or the FGUA Board itself to get direction.

Mr. Sheets stated the third issue and the one with the most complexity is the special assessment program that we have put together in Citrus Springs. For the new members of the Board, Citrus Springs is one of the eleven systems that we run in Citrus County and it is experiencing explosive growth by their standards. We are also compelled to comply with the Topeka Line Agreement, that up until a month ago if you were within 2,500 feet of an existing line we had to run an extension for your service and we received \$447.00. This amount has been raised to almost \$2,000.00 on a per unit

basis. But as you know, it cost more than \$2,000 to run a line 2,500 feet. The special assessment program was put into place to assist us in putting those lines in advance of those requests. We have identified an area of around 7,000 parcels, but due to the regulatory authority, the County has over the FGUA, that program was reduce to around 3,500 parcels. We were scheduled to issue around \$12 million dollars of debt, a portion which was to pay back an existing line of credit and the remainder to fund the in-fill program in advance of the growth. Mr. Sheets stated that assessment program has got to begin now; April at the very latest, to meet the statutory timeframes to have those assessments on the tax bill in November 2006. In lieu of this, then something the County could assume in November, unless they had their own parallel assessment. We either have to move forward with the assessment program starting in April, or look again to interim funding for that program with a line of credit. This comes with some risk, if at the end of that two-year period the County has not exercised its option, then we are back at incurring additional issuing costs on some permanent basis. This can bring up a lot of other issues, one of which, what will the County do with the Topeka Line Agreement once they accept that program. The County has the right to either modify that agreement or to repeal it. Mr. Sheets stated he did not think the County would want to entertain this without a lot of time and thought because this comes with a lot of financial, growth management, and political implications. Mr. Sheets stated we can not sit idle and do nothing. The growth continues on. The FGUA did almost 1,000 new connections in Citrus Springs in the past twelve (12) months. Mr. David Miles stated that we have completed about 1300 new connections throughout Citrus County. Last year about 650 were connected and we are on a rate in the last five and one-half (5-1/2) months based on the refunds we just issued this last week. We are on a rate that is in excess of 750 connections per year; the rate of growth is accelerating in Citrus Springs. Mr. Sheets stated that when the FGUA took it over it was only 30 requests, and this is one of the last areas, not only in Citrus Springs, but in the State of Florida where an individual can buy the land and build a house on it for less than \$250,000.00. The reason is that you have the Maronda Homes and US Homes with their land agents, and they do not built 50 homes in a year. This is a very critical program and puts tremendous stress on us financially and on capacity, and we can not rest until the County decides on their timeframe. However, we have to show concern and consideration for Citrus County as our partner, so we need to determine financing on this as we move forward.

Lastly, Mr. .Sheets asked that the staff get guidance on who we are to work with at Citrus County and define the timeframe with transition issues. The staff is intent on keeping this Board aware on a monthly, if not on a more frequent basis as issues come up, and look for guidance from you. Remembering that we are here to assist Citrus County in accomplishing whatever its mission within the system.

Mr. Wesch stated that from the County's perspective, they are holding their first organizational meeting in the early part of next week, and hopefully be able to start responding to some of these issues.

Mr. Sheets then asked if anyone had any questions with Citrus County's Resolution 2006-051. He stated again that there is no transfer date in the Resolution.

The Vice Chairman asked if there was anything else to be discussed in SM 3. Mr. Wesch then asked if there were any items before the Utility Counsel.

VIII. Utility Counsel

UC 1 Other Items

Ms. Encinosa stated there was nothing.

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

IX. General Counsel

GC 1 Other Items

Mr. Pelham stated there was nothing.

Vice Chairman Wesch then adjourned the meeting at 2:36 p.m.