

APPROVED

Minutes of Board of Directors Meeting
PEACE RIVER/MANASOTA REGIONAL WATER SUPPLY AUTHORITY
DeSoto County Administrative Building
201 East Oak Street, Arcadia, Florida

June 6, 2007

Board Members Present:

Commissioner Shannon Staub, Sarasota County, Chair
Commissioner Adam Cummings, Charlotte County, Vice Chair
Commissioner Jane von Hahmann, Manatee County
Commissioner Jerry Hill, DeSoto County

Staff Present:

Patrick J. Lehman, Executive Director
Douglas Manson, General Counsel
Kevin Morris, Facilities Division Director
Mike Coates, Water Resource Division Director
Ray Pilon, Government/Community Affairs Director
Ed Yates, Finance/Administration Division Director
Susan Hochuli, Water Resource Planner
Linda Stewart, Secretary

Others Present:

A list of others present that signed the attendance roster for this meeting is filed with the permanent records of the Authority. Chair Staub recognized the elected officials present in the audience who included City of North Port Commissioners Barbara Gross and Jim Blucher and Sarasota County Commissioner Jon Thaxton.

Call To Order:

Chair Staub called the meeting to order at 9:30 a.m.

CONSULTANT INTERVIEWS:

Item 1. Consultant interviews and ranking for Regional Resource Development: Source Water Feasibility Study -- Dona Bay System, Flatford Swamp System, Shell Creek System Presented by Susan Hochuli, Water Resource Planner

Three submittals were received in response to the Authority's Request for Consultant Statement of Qualifications. Each statement of qualification (SOQ) received included a multi-disciplinary team under a single prime consultant as listed below alphabetically. Copies of the SOQs were previously distributed to the Board members and staff for review. In accordance with the Authority's Procurement Policy, all three teams were determined to be qualified based upon the evaluation of their written response and were invited to formally interview with the Board.

- ASR System LLC – Gainesville, Florida
- Boyle Engineering Corporation – Sarasota, Florida
- PBS&J – Sarasota, Florida

Ms. Hochuli presented an overview of the project which was followed by the consultant presentations. She noted each team was provided fifteen minutes for their presentation.

After conducting the interviews, the Board ranked the teams by written ballot in order of preference with No. 1 being the highest ranked firm. Contract negotiation sequence is based on the ranking that was established by the Board as follows:

1. PBS&J
2. Boyle Engineering Corporation
3. ASR System LLC

During the course of the interviews, Chair Staub's inquiry to the prospect of moving one project forward; namely, the Dona Bay System, should the analysis be done before the completion of the feasibility study in its entirety, prompted Commissioner Hill to say he understood the purpose of conducting the feasibility study was to have an understanding of all three projects to determine which to proceed with first. Commissioner von Hahmann was in agreement with Commissioner Hill. She said she understands the work on the Dona Bay System is further along than the other two and does raise the question of why wait until the completion of the study but agrees you do not make a judgment call until you have all the details.

Chair Staub suggested a stakeholder management committee be formed so the member staffs, and others, can be involved in creating the scope and review of deliverables. She said the members can offer their individual perspectives toward the various projects. She requested the Board's consideration of a motion toward her request.

Motion was made by Commissioner von Hahmann, seconded by Commissioner Cummings, to approve the ranking of engineering firms for 'Regional Resource Development: Source Water Feasibility Study – Dona Bay System, Flatford Swamp System, Shell Creek System' and direct staff to initiate contract negotiation with the highest ranked firm. Motion was approved unanimously.

Motion was made by Commissioner von Hahmann, seconded by Commissioner Cummings, to form a Stakeholders Management Committee to participate in creating the scope and review of deliverables for the 'Regional Resource Development: Source Water Feasibility Study – Dona Bay System, Flatford Swamp System, Shell Creek System'. Motion was approved 3 to 0 with Commissioner Hill not present at this time.

CONSENT AGENDA:

- Item 2.** Authority Board Meeting Minutes of May 2, 2007
- Item 3.** Acceptance of Check Register for Month of April 2007 for Further Audit
- Item 4.** Cancellation of July 18, 2007 Board meeting and reschedule Board meeting for 9:30 a.m. on July 25, 2007, Bradenton City Hall, 101 Old Main Street, Bradenton, Florida
- Item 5.** Set public hearing for consideration of the Budget for FY 08 for 9:30 a.m., July 25, 2007, Bradenton City Hall, Council Chambers, 101 Old Main Street, Bradenton, Florida
- Item 6.** Acceptance of Semi-Annual Investment Report (October 1, 2006 – March 31, 2007)
- Item 7.** Investment Policy Revisions:
 - i.** change all references of Fiscal Manager to Finance/Administration Division Director (due to change in title)
 - ii.** provide for the ability to negotiate and purchase securities from broker/dealer firms approved by the Clerks of Court of the member counties
- Item 8.** Concurrence with issuance of HDR Work Order No. 20 'Water Supply and Water Quality Management Plan' for an amount not-to-exceed \$74,900
- Item 9.** Response to Board Inquiries

Commissioner Cummings said he was willing to accept Item 9 'Response to Board Inquiries' as a staff

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Meeting Minutes Continued

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response only. He said he did not believe the response provided an accurate accounting of what occurred as it related to the time of bonding and did not take into consideration the initial scope and estimates of the Peace River Option (PRO). Further, as he recalled it became necessary to delete items in order to stay within the bonded budget of the PRO. He is interested in the same detail to-date for the Regional Expansion Program.

Chair Staub asked Mr. Lehman to revise the information per Commissioner Cummings' comments. She noted, as with any project, certain decisions are made to add or delete items, and requested that information be included.

Per Commissioner Cummings request, the consent agenda remained 'as is' with his comments toward Item 9 recorded in the board record.

Chair Staub said it was Mr. Lehman's suggestion to respond to Board member inquiries in writing and she agreed that was a good idea. Chair Staub then said an 'assignment list' of all requests made of staff during a Board meeting would be helpful to the Board for tracking purposes and requested a list be initiated. Commissioner von Hahmann said Manatee County had recently started a similar process and it was working well. The Board concurred with the establishment of a Board Assignment Sheet.

Motion was made by Commissioner von Hahmann, seconded by Commissioner Cummings, to approve the consent agenda for June 6, 2007. Motion was approved unanimously.

REGULAR AGENDA:

***Item 10. Review of 2007 Florida Legislative Session
Presented by Diane Salz, Legislative Liaison***

Ms. Salz said the \$50,000 appropriation from the legislature for the SWUCA Recovery Initiative marks an important first step for the Authority toward benefiting the long term health and economy of the region. She noted although a modest first step, given the budget climate in Tallahassee this year and given the \$460M veto list of projects, the Authority did well for a first attempt during a very difficult year. Discussions are already under way for the upcoming year with the Governor's office. She said a key senator has expressed an interest in this Initiative who also chairs the Senate General Government Appropriations Committee. She said the Authority's partnership will likely expand on this Initiative along with their visibility creating an opportunity to showcase the Authority at its best. Working as a team, advocating for the SWUCA Recovery Initiative and the strength of the Authority's commitment to promote this important regional Initiative will determine the region's environmental and economic future. Ms. Salz said special thanks goes to Ray Pilon of the Authority; David Rathke, Terri Behling and Colleen Thayer of the District; and the legislative delegation for their efforts toward making this legislation possible. She noted a Special Session for Property Tax Reform is scheduled for June 12 through 22. Ms. Salz also provided a written summary of relevant issues to the Authority.

Referring to the upcoming Special Session for Property Tax Reform, Commissioner von Hahmann pointed out for the edification of the public, the District will not be held harmless when it comes to the tax rollbacks that are about to happen at the legislative level. She noted every taxing district will be affected.

Further, Ms. Salz said what she is hearing is there will be a tiered approach. Representative Dean Cannon indicated special districts, although he did not enumerate who was included in the mix, would be minimally impacted which would mean a small roll back with an override capability.

Commissioner von Hahmann said the next move is the constitutional amendment which could actually have a more significant impact because she did not believe it would be possible to separate districts from uniform

taxation. She feels local government really needs to pay attention and educate the public on how this will impact them on various levels.

Chair Staub said it was very last minute when it became evident the Authority did not have a place holder in the House for the SWUCA Recovery Initiative. She said a special thank you goes to Representative Grant who actually put money in for Sarasota County's Philippe Creek Septic Tank Replacement Program and was able to move \$50,000 from that program to this Initiative. In Sarasota's scheme of the septic tank replacement program, she said it was a very small amount to pay to get the Authority's foot in the door because hopefully next year, if funds are available, it would go smoother. She also said a special thank you goes to Ms. Salz, Mr. Pilon and Ms. Roth because without their forethought looking into this strategy and their hard work over a very long weekend, this would not have happened.

***Item 11. Master Water Supply Contract (MWSC) 'Exhibit C' Administrators Meeting Report
Presented by Patrick Lehman, Executive Director***

Per the ongoing discussions regarding the submission of the twenty-year projections in January, it became apparent there are various perceptions regarding Exhibit C of the MWSC and the Board directed the administrators to develop guiding principles for Exhibit C. Mr. Lehman said the administrators met on May 31. All the member counties and North Port were represented. After a lengthy discussion, the administrators came to some common understandings and it is anticipated those guiding principles will be finalized and presented to the Board at the next meeting. The administrators also discussed the need for a pipeline policy. As previously mentioned, a pipeline policy was discussed during the MWSC negotiations however no resolution was reached at that time. With the current issues now facing the Authority, it is critical a pipeline policy be established. Mr. Lehman said the administrators set a goal of six months to develop a *draft* policy for Board consideration.

Chair Staub felt the six-month timeframe to develop the pipeline policy was too long. She pointed out there were three pipeline issues on today's agenda and does not know how the Board can continue to consider these projects without having an understanding of who is going to pay. She suggested it may be more productive for the administrators and the Board to meet in a workshop session instead of the administrators continuing to meet for six months and then perhaps still not having consensus.

Commissioner Cummings noted whatever understanding may have been reached by the administrators with regard to the guiding principles for Exhibit C, it was not unanimous. He said his staff has concerns about some of the principles. He said the MWSC is what it is and he is not sure why the Authority is trying to create a separate document on how to interpret that language. As to the pipeline policy, he said the Authority already had a model that worked based on equity. Sarasota used it. It made sense. Basically with that model, the Authority builds the pipeline and the hydraulic entitlement is owned by the Authority but is pro-rated based on the percentage of the local contribution. He said the direction the Authority seems to be going is the very direction the water authority in Volusia County rejected and is now trying to go back to the equity-based system.

Commissioner von Hahmann said the documentation she has reviewed refers to a uniform rate system and she does not see how you can get to a uniform rate if you are working on an equity distribution because that is practically impossible to do.

Commissioner Hill said the Board needs to come to a solution where the Authority owns all the pipelines if they are going to be successful with an overall regional system that provides reliability and moves water in two directions.

Mr. Manson pointed out it was not that the pipeline issue was deferred during the MWSC negotiations; but left unresolved because it is a complicated issue and the only one they could not make progress on. He pointed

out one of the reasons why the Authority is looking at various options is when more and more systems are tied together and water flows in more than one direction, the idea of one pipeline/one user does not work. The idea of breaking it down on a percentage basis falls apart. Mr. Manson said it is a complicated issue and one he does not have an answer for.

Chair Staub suggested a workshop with the administrators following the July 25 Board meeting to discuss both Exhibit C and the pipeline policy. The Board was in concurrence. She said their goal would be to adjourn the regular meeting by 11:00 a.m. to begin the workshop session. She requested North Port and Punta Gorda participate in the workshop. She asked that Exhibit C be first on the agenda. She requested the information on the pipeline policy options be provided to the Board as early as possible so the Board has adequate time to review the information. She requested the meeting be taped and refreshments provided.

**Item 12. *GAP Water Supply Agreement between Peace River/Manasota Regional Water Supply Authority and Sarasota County*
*Presented by Douglas Manson, General Counsel***

Mr. Manson said the Authority has begun to receive water from Sarasota County under the GAP program. An agreement has been negotiated with Sarasota for the implementation of the GAP permit and conjunctive use of water from the Carlton WTP. In effect, Sarasota is going to be paid a rate similar to, if not exactly the same, as the redistribution pool rate; although Mr. Manson pointed out it is neither redistribution pool water nor part of Sarasota's allocation. A methodology is set out where the Authority has to request a certain quantity of water for a certain duration with timeframes established for Sarasota to respond and for the Authority to accept the water. There are periods of time set out for Sarasota to shutdown for maintenance and other operational considerations.

Chair Staub said the 2 mgd of water from the Carlton WTP is part of the GAP program but because of the drought conditions and the water quality issues the Authority is being faced with; Sarasota began to provide the water and did so without an agreement in place.

To refresh everyone's memory, Mr. Lehman said the GAP program was derived two years ago when the projected demands exceeded the 18 mgd available from the Peace River Facility (PRF). In this year's budget, the Authority is contractually obligated to 18.2 mgd and to 18.8 mgd in FY08. The exceedance is not as large as originally projected two years ago, however there is still a GAP need to meet regardless of the drought. In addition, a key concept of the GAP program is to provide rest and rotation and to manage resources conjunctively.

Chair Staub asked with the addition of the 2 mgd from the Carlton WTP, if that is sufficient to meet the GAP needs of 18.2 mgd and 18.8 mgd or if a fall back position is needed.

Mr. Lehman said adding the 2 mgd from the Carlton WTP to the 18 mgd from the PRF for a total of 20 mgd; it is possible to meet the GAP needs for FY07 and FY08. Nevertheless, it cannot be predicted what the drought conditions might bring for the future. Mr. Lehman said utilizing the GAP program to its fullest capacity would add to the reliability of the regional system to meet the needs of the Authority's customers into the future.

Chair Staub noted Sarasota is stepping down from their contract with Manatee in April 2008. She suggested it may be timely for the Authority to consider talks with Manatee on their availability of excess water, if any.

In response to Chair Staub's comment, Commissioner von Hahmann said that is a discussion that can happen at the utility board level. Toward the GAP contract, she was not aware if Manatee's legal staff had reviewed

the contract. She asked several questions for her edification of the contract conditions.

Commissioner Cummings said his BOCC wanted the opportunity to review the contract and he could not take action today. He said the contract language is confusing because although the title 'GAP Water Supply Agreement' would imply the additional supplies; when reading the contract and per the discussion today, the contract also addresses water quality issues for existing capacity. He is concerned about the precedent of there being one customer who if they do not take their full allocation they get paid for it. He said Charlotte has never used their entire allocation but pays for the full allocation every year.

Mr. Manson said the pricing for the water is based on the base rate but is only a pricing mechanism. This is neither pool water nor allocated water. He suggested any extra capacity Charlotte has, they consider putting it into the redistribution pool because last year there was a need for pool water by North Port who exceeded their allocation and had to pay a conservation fee.

Commissioner Cummings said they considered that possibility and were getting pretty thin right now but most years are not near as close as they are. Because Charlotte steps it up and because it is not a supplemental source, they cannot change their cost on the other side by reducing operations on another plant and manage it so they can take that whole block when they bring in new. Typically what has happened is when they got close; they started having water quality issues which is indicative of the PRF operating beyond its capacity.

Chair Staub suggested another reason may be the additional pressure the Authority has to maintain through Charlotte's lines which is not the case when it comes to Sarasota.

Commissioner Cummings said that does not change the TDS.

Chair Staub said she is not convinced the TDS issue is just on one end of the line.

Commissioner Cummings said what they are measuring is based on the meter when it is received from the Authority. It's not the measurement after it has gone through Charlotte's distribution system.

At Chair Staub's request, Mr. Lehman added that water quality is dependent not only on the water supply but also the maintenance in the distribution system so as the water travels through the distribution system if there are dead-end lines or the water stays stagnant for a few days the water quality is altered. Mr. Lehman said Carollo Engineering is looking into the water quality concerns raised by Charlotte and what the Authority may need to do and what Charlotte may need to do to reach an amicable resolution.

Back to the GAP contract, Chair Staub asked Commissioner Gross to address the Board regarding North Port's position.

Commissioner Gross said North Port has questions toward the contract. Per the Board's discussion this morning, she said there seems to be confusion as to how the GAP program will work. She encouraged the Board not to make a decision today.

Per the Board's discussion, Chair Staub requested the GAP Water Supply Agreement between the Authority and Sarasota be provided to all the appropriate staffs for review and put on the agenda next month.

*Item 13. Regional Integrated Loop System – Phase 1 Interconnect
Presented by Mike Coates, Water Resources Division Director and
Jeff Pearson, Charlotte County Utilities Director*

Mr. Pearson, Utility Director for Charlotte County, provided a project overview of Charlotte County's Port Charlotte to Punta Gorda Interconnect (PC-PG Interconnect) which included a review of the pipeline phases, key project objectives, estimated project costs and project timeline.

Commissioner von Hahmann asked if there had been more discussion by Charlotte regarding the ownership issue. Referring to the chart in the Board book comparing the PC-PG Interconnect and the Loop Phase 1 Interconnect, she noted for the PC-PG Interconnect the chart shows Charlotte as providing \$4.6M, District funding of \$11M and the balance of \$3.3M coming from some 'other source' which conceivably could be the Authority. She said there has been contention about ownership or how ownership is defined, and as she looks at these dollars a more significant portion of the costs is now going to be borne by someone other than Charlotte. She said Charlotte needs to resolve the ownership issue for the Authority to even consider the PC-PG Interconnect and asked where Charlotte stands in that discussion.

Commissioner Cummings said the concept presented to the Charlotte BOCC was the same he presented at the workshop in February when he said Charlotte would pay the whole local match. The Authority would own the pipeline but Charlotte would have all the hydraulic entitlement. Charlotte would be prepared to go so far as to guarantee that some percentage was going to be made available for the cost of a pass-thru cost of reimbursing Charlotte for their local match of the hydraulic capacity so the Authority would only pay for the portion and the time used. However, that language has not shown up in the proposed contract.

Commissioner von Hahmann asked Commissioner Cummings how he planned to account for more than double Charlotte's investment coming from the District.

Commissioner Cummings said what he had said was Charlotte would do the same 50/50 match that everyone else gets which would mean the District would match Charlotte's contribution and that was where they started. The PC-PG Interconnect today is not the project Charlotte neither needs nor proposed. Mr. Moore, Executive Director of the District, suggested the enhanced project and the additional components do not benefit Charlotte. However, Mr. Moore was willing to step up for the additional funding. Commissioner Cummings said what is presented today is new to him because he had been saying Charlotte would pay the whole local match. What is still being proposed is the hydraulic entitlement would be divided based upon the total cost of the project to the Authority versus who does the local match and that means Charlotte gets one-half of the capacity for their dollars that everyone else has gotten.

Commissioner von Hahmann said for her that is a huge boulder in the middle of the road when it comes to a decision being made on the PC-PG Interconnect because if there is no agreement on how the Authority can move forward in order to get this project done, it makes it very difficult.

In response, Commissioner Cummings said from Charlotte's perspective the part of this project they proposed and needed was between \$8M and \$9M and they were already talking about putting \$7.5M on the table. For another \$2.5M Charlotte can build the pipeline with no District assistance and own the line and it's the same deal if somebody wants to use it, Charlotte will pass through the cost for their cost.

Commissioner von Hahmann said it is that full vision of a regional connected system the District is looking for. The Authority is supposed to have a regional view so you want to go forward in meeting that overall plan.

Commissioner Cummings said the difference is whether it comes into Charlotte's distribution system and Charlotte reduces their take from the Authority versus pumping the water all the way through the system. You still have the regional integration. Another aspect is a big part of the purpose of this pipeline was for Charlotte

to be able to develop other opportunities within the county.

Referring to the comparison chart, Chair Staub noted Charlotte's local match is \$4.6M and not \$7.5M as previously mentioned.

Commissioner Cummings said that was new to him.

Mr. Lehman said that is the number Charlotte staff used in their presentation last week to the Charlotte BOCC.

Mr. Pearson confirmed the \$4.6 M is how much money Charlotte currently has in sales tax referendum funds.

Chair Staub asked if the District had actually made a commitment to this project.

Mr. Lehman said no Board action has been taken at this time. The discussion has been at a staff level. The calculations used were provided by District staff based on \$19M for the total project cost at 50% for engineering and 60% for construction. District staff proposed the funding be done over incremental years. However, as pointed out earlier in the meeting, the District is in a quandary until they know how they may be affected by the new legislation on tax reform.

Chair Staub asked if the District money committed for the Loop Phase 1 Interconnect was still available.

Mr. Lehman said yes. However, \$0.5M of SB 444 money was moved to the reservoir to secure that funding because of a deadline for expenditures.

Commissioner Hill said he was not comfortable with the way the Board does business. He said he could not believe they were sitting there responsible for the water of the region and has the opportunity to have water available in 2008, and it's the same amount of water, and they are still wrestling with an alternative project they are going to have the same problem with when you get to an agreement of who is going to pay for it.

Commissioner von Hahmann said she was moving toward the Loop Phase 1 Interconnect in as much as they cannot come to agreement on the contract. The Board has been asking for a way to work this out since the workshop in February. She is of the tendency to agree the Authority needs to go ahead and expedite what is ready so they are sure to have the ability to provide the customers the water they need.

Commissioner Cummings said that is fine. He reminded everyone however the way this conversation started was when it came time to do the Loop Phase 1 Interconnect nobody wanted to pay the local match, and the Authority was saying they were going to do both interconnects. What he offered, and he was very clear, was Charlotte will pay the whole local match so the Authority does not have any risk and then if they use it they would reimburse for Charlotte's percentage of the local match for the portion that is used. Everybody seemed interested but Charlotte has not been able to get a contract written that says those terms.

Mr. Manson replied he put the contract together but did not have clear indication on what the contract language should be. The understandings on the contractual framework between the different parties are vastly different from when he speaks to Mr. Moore and what Commissioner Cummings says. At the last Board meeting, Mr. Manson said the contract is going to be very similar to the DeSoto Contract and the idea that there was going to be an upgrade. He left the price blank and the exhibits blank. All of that is to be filled in by Charlotte and provided back to him.

Commissioner Cummings said he gave very clear conditions under which Charlotte would make this offer and

he has not gotten a contract anywhere remotely close to it. Charlotte is the one entity that has offered to pay the local match but expects to have the hydraulic entitlement per the MWSC.

Chair Staub said that is not up to the Board. The only way the Authority is going to get District funding is if the Authority owns the pipeline and she does not know what the District may have said about capacity to Commissioner Cummings but she has not heard differently.

Mr. Lehman said there are some District funding deadlines that need to be taken into consideration in this discussion and suggested Mr. Armstrong address those.

Mr. Armstrong, Manager of the Water Supply and Development Section at the District, said there is \$1M in the District's 2007 budget for Charlotte County's emergency interconnect and \$1.5M in the proposed 2008 budget. For the Loop Phase 1 Interconnect, there is \$2M in the 2007 budget and \$2.5M in the proposed 2008 budget. For the Loop Phase 1 Interconnect money, the District needs a decision by July 1, which is based on their funding cycle, which project the Authority is going to move forward with. If no decision is made, the 2008 money will go back into reserves and no longer earmarked for the Authority. The 2007 money has to be under a draft contract by July 31. Mr. Armstrong said on the issue of capacity ownership, capacity entitlement or however you want to title it, funding from the District will go toward ownership of capacity to the Authority. He noted it was done differently with Sarasota because at the time the Authority did not have an agreement in place to own capacity as they do now with the MWSC.

Commissioner Cummings said all he is saying is when someone uses a portion of that capacity Charlotte gets reimbursed for their portion of the local match. He does not see where that is an issue for the District to get into. That is for the Board to decide how they want to arrange their finances.

Chair Staub asked Commissioner Gross if North Port is willing to enter into an agreement to pay for the portion of the pipeline North Port would be taking water.

Commissioner Gross said North Port has always been willing to cooperate and pay their share. But they have not seen any specifics and cannot commit to any specific amount unless they know all of the parameters.

Chair Staub said what she is hearing is nobody wants to pay except the District is willing to contribute. Her feeling is since the original 4 mgd GAP is down, she would hope the Authority does not go forward with either of these projects at this time. That is why she put Manatee on the table with possibly filling in as Sarasota steps down. The Authority can then request the District transfer the 2007 funds to the Regional Expansion Program.

Commissioner Cummings stressed again there is one entity that is willing to pay and that is Charlotte.

Chair Staub asked Commissioner Cummings if Charlotte is willing to pay the \$8M.

Commissioner Cummings said that is what he has been saying right along.

Chair Staub said but you only have \$4.6M.

Commissioner Cummings said he had already said Charlotte would do \$7.5M and \$8M is probably still within the range of what they are talking about.

Commissioner Hill asked if the Charlotte BOCC had voted to do that.

Commissioner Cummings said he was not sure and asked Mr. Baltz to respond.

Mr. Baltz said the way it was presented to the Charlotte BOCC was just various concepts and as he recalls the BOCC is willing to listen but needs to know more information. He did not recall a formal vote being taken. Mr. Baltz reiterated Charlotte has \$4.6M in sales tax money available for interconnect projects in the county and anticipates \$2.5M from the District. Additional money could be made available through bonds.

Commissioner Cummings said his recollection of the BOCC discussion was that they wanted to make this happen.

Mr. Baltz said that is correct.

Commissioner von Hahmann said the ownership that is needed through this Authority is pretty much stated by the District so we as Board members do not have a lot of say on this.

Commissioner Cummings felt if the Board members were unified in how they wanted to proceed they would have a lot more say with the District than they do.

Chair Staub said she did not think so. She said those are the rules of the game.

Commissioner Cummings said what it comes down to is the capacity of either pipeline alternative is substantially more than the current demand. That is the core problem.

Chair Staub said lets don't do either and consider it at a later time.

Commissioner Cummings said you can't build utilities that way. You can't have your increments of increase on the bottom side of the demand curve.

Chair Staub said but this is not our only alternative.

Commissioner Cummings said Charlotte was interested in creating opportunities for itself and was willing to try to make that capacity available for everybody. They are not trying to say they have to control 100% of the capacity. They are saying that if it is used, they want reimbursed. That is two different things. The entitlement under the MWSC is not the same thing as ownership. The Authority would own it.

Chair Staub said the hanging issues are a decision to the District by July 1 and a *draft* contract by July 31. Chair Staub said we need a motion.

At this time, Commissioner Hill requested a break to have the opportunity to ponder the alternatives.

Following the break, Commissioner von Hahmann said she would like to move the Authority go with a no-build motion at this time and request the 2007 funds be moved to the regional expansion program and allow Charlotte the opportunity to continue to work out a contract if they choose and bring it to the Board at an emergency meeting prior to the July 1 District deadline. She said it is very hard to go forward with a pipeline when you don't have an agreement of who is going to pay for it.

Chair Staub made the second to the motion for discussion.

Commissioner Cummings asked on securing the grant funding for the Loop Phase 1 Interconnect does that commit Charlotte to providing the local match.

Mr. Lehman said the funding agreement specifies how much money over time but the District commits by budget year and \$2M is committed for the Loop Phase 1 Interconnect in 2007 that the Authority would request be transferred to the Regional Expansion Program if the Authority does not go forward with the interconnect. Charlotte still has their \$2.5M funding from the District for their emergency interconnect.

Commissioner Hill said when we say no-build, we are talking about not building either pipeline. He asked if the Board is actually willing to give up the opportunity of having 2 mgd available in 2008. He asked if we comfortable enough with our sources that we can afford a no-build on this pipeline?

Chair Staub said there are other alternatives such as another 2 mgd from Carlton, a potential of Manatee selling water to the Authority because Sarasota is stepping down their contract, North Port has opportunities and the City of Venice is still on the table.

Motion was made by Commissioner von Hahmann, seconded by Commissioner Staub to approve a no-build motion for a pipeline alternative to Punta Gorda; request the 2007 District funds committed to the Loop Phase 1 Interconnect be moved to the Regional Expansion Program and allow Charlotte County the opportunity to negotiate a contract for presentation to the Board at an emergency meeting prior to the July 1 District deadline. Motion was approved unanimously.

***Item 14. Regional Integrated Loop System – Phase 2 Interconnect
Presented by Susan Hochuli, Water Resource Planner***

Chair Staub suggested the Board consider Item 14 and Item 15 simultaneously as both are pipeline interconnects. She said a staff presentation was not necessary. She asked if the Board moves forward with one or both interconnect, who is going to pay.

Mr. Lehman said both projects are provided for in the FY08 budget in the Resource Development Fund until such time as there is a financial plan in-place. Both projects will be co-funded by the District and by the specific user which is North Port for Phase 2 and Sarasota for Phase 3. The costs will be recouped as the project goes to construction under the bond issuance and the upfront costs reimbursed depending on the financial plan.

Chair Staub said her concern is the FY 08 budget is not approved at this time and she has some concerns toward the budget so if either or both interconnects are approved she is not willing to commit to what is provided for in the FY 08 budget. As the Board is discussing the pipeline policy on July 25 she suggested that may be the time to consider these projects. She asked how time sensitive this is.

Mr. Armstrong said both projects fall under the same funding scenario as the Loop Phase 1 Interconnect. The District has committed \$1.5M for Phase 2 and \$1.35M for Phase 3 in their 2007 budget. Again, the District would need a *draft* contract by July 31 to encumber that money.

Chair Staub asked Theresa Connor to address the Board on Sarasota's position on the Phase 3 Interconnect.

Theresa Connor, General Manager of Water Resources for Sarasota County, said Sarasota has committed to the funding for the Phase 3 Interconnect in their CIP. Sarasota staff would however like the opportunity to further comment on the scope.

Chair Staub asked how the Phase 2 Interconnect would be handled. She said we can lock in the money but it is still going to be paid for by the Authority without knowing the payback from the user.

Mr. Manson said he did not understand the difficulty with the payback from the user in that the MWSC

mandates that if you buy the water you pay for it.

Mr. Lehman suggested the contract and work order be approved but withhold the notice to proceed until the FY08 budget is approved.

Commissioner von Hahmann made the motion to approve staff recommendation with the work order motion amended to withhold the notice to proceed until approval of the budget.

Motion was seconded by Commissioner Hill.

Motion was made by Commissioner von Hahmann, seconded by Commissioner Hill, to approve and authorize Executive Director to sign 'Agreement for Professional Services' between the Authority and King Engineering Associates, Inc. for the Regional Integrated Loop System – Phase 2 Interconnect Project. Motion was approved unanimously.

Motion was made by Commissioner von Hahmann, seconded by Commissioner Hill, to approve and authorize Executive Director to sign Work Order No. 1 – 'Preliminary Engineering' to Agreement for Professional Services between the Authority and King Engineering Associates, Inc. for the Regional Integrated Loop System – Phase 2 Interconnect Project for an amount not-to-exceed \$266,981 and authorize the Executive Director to approve additional work on behalf of the Authority, as may be needed, up to \$12,000. Notice to Proceed for Work Order No. 1 is withheld and will be issued upon adoption of the FY08 Budget. Motion was approved unanimously.

*Item 15. Regional Integrated Loop System – Phase 3 Interconnect
Presented by Susan Hochuli, Water Resource Planner*

Ms. Hochuli pointed out a typographical error in the motion for Work Order No. 1 in the board book. The motion should read for professional services with PBS&J rather than King Engineering Associates, Inc. The dollar amount is accurate.

Chair Staub noted Sarasota staff would like the opportunity to discuss the scope on Work Order No. 1 as they just received the information on Friday. North Port may want the same opportunity.

Mr. Lehman said Ms. Hochuli has met with both staffs a number of times to discuss the work orders however any additional comments will be taken into consideration.

Commissioner von Hahmann made the motion to approve staff recommendation with the work order motion amended to withhold notice of proceed until the FY08 budget is approved.

Commissioner Hill seconded the motion.

Commissioner Cummings said he just wanted to make sure he understood who is paying.

Chair Staub said that will not be determined until the FY08 budget is approved. However, the consultants may not move forward until notice to proceed is given. Sarasota has committed the funds for Phase 3 in their CIP.

Motion was made by Commissioner von Hahmann, seconded by Commissioner Hill, to approve and authorize Executive Director to sign 'Agreement for Professional Services' between the Authority and PBS&J for the Regional Integrated Loop System – Phase 3 Interconnect Project. Motion was approved unanimously.

Motion was made by Commissioner von Hahmann, seconded by Commissioner Hill, to approve and authorize Executive Director to sign Work Order No. 1 – ‘Preliminary Engineering’ to Agreement for Professional Services between the Authority and PBS&J for the Regional Integrated Loop System – Phase 2 Interconnect Project for an amount not-to-exceed \$353,588 and authorize the Executive Director to approve additional work on behalf of the Authority, as may be needed, up to \$15,000. Notice to Proceed for Work Order No. 1 is withheld and will be issued upon adoption of the FY08 Budget. Motion was approved unanimously.

***Item 16. Dry Season Planning for Water Supply and Water Quality
Presented by Mike Coates, Water Resources Division Director***

Mr. Coates said drought conditions are projected to continue into June with improved conditions predicted in the July/August timeframe. Rainfall for May was 2.5 inches below normal and for the past twelve months is 13.4 inches below normal. Peace River flow conditions are 70% to 85% below normal for the past twelve months. There have been no withdrawals from the Peace River since April 21, 2007. All demand at the Peace River Facility (PRF) is being met from stored reserves. Demand for May is down. For the past twelve months the PRF has averaged 16.5 mgd and for May averaged 14.4 mgd. That is due, in part, because of Sarasota’s contribution, North Port’s increase in their supply and conservation. Total water in storage is 659 mg. About 70% of that is in the ASR system. The 659 mg is about 2.6 BG less than last May. The 659 mg number reflects approximately 46 days of supply at current demand levels.

Water quality has remained stable. Total Dissolved Solids is 768 mg/L and Sulfates is 290 mg/L. Both are well below the FDEP state-wide emergency authorization allowing exceedance of specified secondary and primary drinking water standards.

Mr. Coates emphasized this is a temporary situation and cyclical in nature. He said the Authority needs to insure they have the supplies on line to deal with similar conditions in the future. To that end, if the Authority continues with their demand management efforts and puts new supplies on line as planned, they will meet that need. In the near term, continue to develop and implement the Water Supply and Water Quality Management Plan identified in the Board’s April 4, 2007 emergency declaration. In the long term, complete the facilities currently under construction, continue to aggressively pursue environmental sustainable future supplies and develop a coordinated regional conservation effort.

***Item 17. Peace River Facility Expansion (Consultant: Boyle Engineering Corporation)
Presented by Kevin Morris, Facilities Division Director***

Mr. Morris said work on the Peace River Facility Expansion is moving forward as scheduled. He extended his appreciation to those who sponsored the groundbreaking ceremony on May 11, 2007 including Boyle Engineering Corporation, MWH Americas, Inc. and Encore Construction Company.

***Item 18. Governmental Affairs – Staff Report
Presented by Ray Pilon, Governmental/Community Affairs Director***

Mr. Pilon said the annual teacher’s tour co-sponsored by the Authority and CHEK took place during May. On the same day, District staff accompanied Hanna Walker, project analyst for Governor Crist in Washington DC in charge of water and environment, and Dick Keen, Senator Martinez’ southwest representative, on a tour of the PRF.

Item 19. *Budget for FY08*
Presented by Edward Yates, Finance/Administration Division Director

Mr. Yates said Authority staff has responded to the questions that have been presented to-date regarding the budget. Budget presentations are scheduled for Manatee County on June 12, Sarasota County on June 27 and tentatively Charlotte County on June 12.

Chair Staub said she has concerns regarding the budget. One is a policy issue she wanted to discuss with the Board for the Reserve and Replacement Fund. She said it appears there may be a tendency to rely on reserves for operating and that is not good financial accountability. It also makes her wonder if the cost of water is appropriately reflecting operations and the Authority's overall well being.

Mr. Lehman said Burton and Associates, the Authority's rate consultant, is currently developing a rate projections model that should be completed in the next two months. With the model, you can plug numbers into the reserves and play 'what if' scenarios and how rates are impacted and develop a policy toward reserves. Mr. Lehman said exactly as Chair Staub said the Authority needs to develop a policy and Burton and Associates is already moving forward and will be meeting with the financial staffs to address that issue in the near future.

Chair Staub said the budget shows \$140,000 additional reserves applied to reduce costs. She said she can understand items you do not have control over like chemicals but we have control over salaries, training, travel etc. She asked the Board members if she was the only one that was worried.

The other Board members said they had not met with their financial staffs and reviewed the budget in that level of detail and therefore could not comment at this time.

Chair Staub referred to a spreadsheet Mr. MacFarlane of Sarasota County staff, had prepared that compares all of the costs from FY 03 thru proposed FY 08 and asked if everyone had this chart.

Mr. Lehman said he was not aware of what she was looking at nor were the Board members.

Chair Staub asked Mr. MacFarlane to email the spreadsheet to all of the member staffs using Mr. Lehman's email list. She asked what the timeline was on approving the budget.

Mr. Lehman said per the Interlocal Agreement the budget must be adopted by August 15 and the public hearing for the adoption of the budget is scheduled for the July 25 Board meeting.

Chair Staub asked if it was allowed to change the budget once adopted.

Mr. Manson said he thought you would be allowed to change your budget but did not know how without looking into it.

Commissioner Hill suggested all the budget concerns be circulated to all of the staffs so they can hopefully work out any issues prior to the public hearing for adoption on July 25.

Item 20. *Authority Organizational Structure Review*
Presented by Patrick Lehman, Executive Director

Mr. Lehman said we are in the midst of benchmarking ourselves against other organizations not only other organizations that may be like the Authority but organizations the Authority may be like in the future and

anticipate coming back to the Board in September with how we look and any restructuring that may be proposed.

STATUS REPORTS:

- Item 21. Hydrologic/Water Supply Conditions*
- Item 22. Horse Creek Stewardship Program*
- Item 23. Peace River Basin Resource Management Plan*
- Item 24. Regional Reservoir Expansion*
- Item 25. Integrated Regional Water Supply Master Plan*

These reports are presented for the Board's information.

Regarding *Item 22. Horse Creek Stewardship Program*, Chair Staub asked what the timeline was on receiving the annual report?

Mr. Stone said it is anticipated the 2005 Annual Report will be finalized within the next 60 to 90 day timeframe and the 2006 Annual Report by the end of the year.

Regarding *Item 23. Peace River Basin Resource Management Plan*, Chair Staub said the stakeholder meeting summary details a Peace River Coordinating Committee that will be determined by Governor Crist and Mr. Cantrell with DEP seems to be in favor of this. Chair Staub said if no action is being planned before the next Board meeting, she would hope the Board members could review the minutes so they could discuss this matter in more detail at the next meeting and determine if the Authority should send a letter in support to the Governor. She felt it was really important the Authority weigh in. She asked Mr. Coates if he was aware if any action was going to be taken before the next Board Meeting.

Mr. Coates said he was not aware of any action to be taken before the next Board meeting but would check with Mr. Cantrell and report back to the Board.

Mr. Manson asked if the Board would like Mr. Cantrell to do a presentation at the July 25 Board meeting and if so he would see if he is available.

Chair Staub suggested waiting until the fall because of the heavy agenda and workshop in July.

Commissioner Cummings said Charlotte's over-arching concern was although they were relatively pleased with the Cumulative Impact Study; the Resource Management Plan is not remotely close to going where it needed to go.

Chair Staub said maybe that is for the coordinating committee. She would think the Authority would have someone on the committee so then they could be a part of the implementation.

REPORTS:

- Item 26. General Counsel's Report*

Mr. Manson referred to his written report on phosphate matters and made specific mention of the following:

Ona Mine – Mr. Manson said the Authority (and Charlotte County) filed a motion to the DCA which requested the Appellate Court relinquish jurisdiction back to the Florida Department of Environmental Protection to consider the recent findings contained within the Peace River Cumulative Impact Study. The Authority's

motion was granted. Presently, we are awaiting an opinion from the FDEP Secretary whether or not they will reopen the case and refer it to an Administrative Law Judge for supplemental findings. A status report is due on June 15 to the DCA.

Commissioner Cummings extended a standing offer of a tour of the river to the Board members and their colleagues.

Item 27. Executive Director's Report

Mr. Lehman had nothing further to report.

MEMBER COMMENTS

Chair Staub requested the response to Charlotte County's budget questions be provided to all of the members.

Mr. Lehman said it was previously sent to all of the financial staffs; however, he will email it to the Board members as well.

Chair Staub said we are going to try to end next month's meeting at 11 a.m. for the workshop so the more preparatory work that can be done beforehand, the better.

PUBLIC COMMENTS

None

ANNOUNCEMENTS

Next Authority Board Meeting and Workshop

Public Hearing – Budget for FY08

9:30 a.m., Wednesday, July 25, 2007

City Council Chambers

Bradenton City Hall

101 Old Main Street, Bradenton, Florida

Adjournment

There being no further business to come before the Board, the meeting adjourned at 1:17 p.m.

The Honorable Shannon Staub, Chair