

APPROVED

Minutes of Board of Directors Meeting
PEACE RIVER MANASOTA REGIONAL WATER SUPPLY AUTHORITY
City Council Chambers
Bradenton City Hall, 101 Old Main Street, Bradenton, Florida

July 25, 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, Executive 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 Charlotte County Commission Chair Richard Loftus, DeSoto County Commissioner Delma Allen, Sarasota County Commissioner Jon Thaxton and City of North Port Commissioner Jim Blucher.

Call To Order:

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

PUBLIC HEARING – BUDGET FOR FY08

Item 1. Budget for FY08

- a. Open Public Hearing***
- b. Presentation of Budget for FY08***
- c. Public Comment***
- d. Close Public Hearing***

Chair Staub opened the Public Hearing for the FY08 Budget presentation.

Mr. Lehman presented the Budget for FY 08. He said the Tentative Budget was approved by the Board on May 2, 2007 and then distributed to the members and customers and made available for public comment. Since that time, staff responded to the questions received and focused on the overall concern of reducing the budget. Ultimately, the total budget was reduced from \$97,156,903 to \$95,605,926. Mr. Lehman said the Manatee County and DeSoto County Boards of County Commissioners (BOCC) approved the budget. The Charlotte County BOCC did not approve the budget. The Sarasota County BOCC had additional questions which have

since been responded to. Mr. Lehman then reviewed the budget information. The major revisions to the Tentative Budget for FY08 included:

- Total budget reduced from \$97,156,903 to \$95,605,926
- Water Use Rate reduced from \$0.68.5 to \$0.64 per 1,000 gallons
- Annual Base Rate Charge increased slightly from \$12,113,666 to \$12,313,006
- Transfer from unrestricted reserves reduced from \$3,439,137 to \$2,375,899
- R&R Reserve balance through FY10 increased to over \$1,000,000 by deferring projects
- Reduction in pool water requested by North Port from .76 mgd to .25 mgd

Mr. Lehman noted there were no changes made to the member contributions and reserve fund assessments.

Commissioner Cummings said the Charlotte BOCC would have liked the Authority to ‘hold the line’ and not have a budget increase this year in consideration of the current budget environment. On the other hand, he said he understands the pressure the Authority is facing with all of the anticipated projects. He may have persuaded the Charlotte BOCC to accept the budget if his staff had been able to do their due diligence but the responses received to their questions regarding the budget did not contain the detailed information they expected. He expressed his frustration with not being able to get clear straight-forward answers from Authority staff. He said he still may be able to obtain the support of the Charlotte BOCC if they receive the justification. He said if the Board approves the budget with no drawbacks that will create difficulty for Charlotte in the future because staff will continue to give Charlotte unsubstantiated answers.

Commissioner von Hahmann said from Commissioner Cummings’ comments she understands he will not be supporting the budget. She said the Manatee BOCC accepted the budget and hopefully three Board members will support the budget today and it will move forward. Nonetheless, she said Commissioner Cummings should receive the detailed answers he wishes and requested over the next year Mr. Lehman provide the information to Commissioner Cummings he wants to have an extensive understanding and help him follow those items so next year he will be more comfortable with the budget.

Commissioner Hill said the DeSoto BOCC approved the budget so he will be supporting the budget today. He and his staff met with Authority staff regarding their concerns and they worked those issues out.

Chair Staub said the Sarasota BOCC had questions but left the decision to her. She said one of their main concerns is the use of reserves for operational expenses. They requested the amount transferred from unrestricted reserves be reduced and the amount has been reduced by \$1.8M. For next year, Chair Staub requested a financial policy be developed which addresses the amount to maintain in the reserve accounts. She also requested the Enterprise Fund identify the capital projects so this section of the budget is easier to track.

There were no public comments.

Chair Staub closed the public hearing.

Item 2. Adoption of Budget for FY08

Mr. Lehman noted the motion as presented in the board packet should be amended to reflect a total budget amount of \$95,605,926 and the adjustment in redistribution pool water for the City of North Port to .25 mgd.

Motion for approval of the budget was made by Commissioner Hill and seconded by Commissioner von Hahmann.

Under discussion, Commissioner Cummings said the Board is approving a budget over Charlotte’s objection

when Charlotte is paying 70% of that budget. He does not think it is unreasonable to have their questions answered in the detail they request and when there is no consequence then the actions continue. The Board's action reinforces the only protection Charlotte has is unilateral irrefutable legal protection. He said that is the message the Board's action sends to the Charlotte BOCC.

Chair Staub asked Commissioner Cummings what consequence he would suggest.

Commissioner Cummings said do not approve the budget.

Chair Staub pointed out that with the next expansion Sarasota will be paying the lion's share instead of Charlotte. She said frankly her BOCC seems to go with the majority rules whether Sarasota is the big player or the small player. Sarasota staff spent hours with Authority staff getting their questions answered and the majority of recommendations made, if not all, were taken. Chair Staub suggested for next year all the financial staffs get together at one time with the Authority staff so that everybody's questions are asked and answered. She further suggested all the BOCCs could be invited for a financial review. Chair Staub said the message she is sending, and feels the Authority is sending, is that the Authority was requested to make cutbacks like the counties and cities and they did. Chair Staub said she will personally speak with all of the Charlotte Board members (except the alternate because of sunshine law) to insure they understand that three Board members and their staffs were comfortable with the budget and this was strictly a business decision.

Motion was made by Commissioner Hill, seconded by Commissioner von Hahmann, to approve the Budget for FY 08 in the amount of \$95,605,926 including the pool water adjustment for the City of North Port to .25 mgd. Motion was approved 3 to 1 with Commissioner Cummings dissenting.

Item 3. Resolution 2007-06 'Resolution Setting Forth Schedules Establishing Rates, Fees and Charges for FY08'

Resolution 2007-06 formalizes the Board's adoption of the Budget for FY08 and establishes the rates, fees and charges by the Authority for FY08 in accordance with the 'Second Amended Interlocal Agreement Creating the Peace River/Manasota Regional Water Supply Authority'.

Motion was made by Commissioner von Hahmann, seconded by Commissioner Hill, to approve Resolution 2007-06 'Resolution Setting Forth Schedules Establishing Rates, Fees and Charges for FY08' including the pool water adjustment for the City of North Port. Motion was approved 3 to 1 with Commissioner Cummings dissenting.

RECOGNITIONS/RESOLUTIONS

Item 4. Resolution 2007-07 'Florida Water, Wastewater and Systems Operators Week'

Mr. Pilon read Resolution 2007-07 recognizing August 6-10, 2007 as 'Florida Water, Wastewater and Systems Operators Week'.

Motion was made by Commissioner Cummings, seconded by Commissioner von Hahmann, to approve Resolution 2007-07 'Florida Water, Wastewater and Systems Operations Week'. Motion was approved unanimously.

CONSENT AGENDA

APPROVED

Meeting Minutes Continued

July 25, 2007

Commissioner Cummings requested Items 9, 15 and 16 be removed from the Consent Agenda for further discussion. Commissioner von Hahmann requested Item 14 be removed from the Consent Agenda.

- Item 5. Minutes of June 6, 2007 Authority Meeting*
- Item 6. Minutes of June 28, 2007 Authority Meeting*
- Item 7. Acceptance of Check Register for Month of May 2007 for Further Audit*
- Item 8. Acceptance of Check Register for Month of June 2007 for Further Audit*
- Item 10. Extension of Legal Services Agreement with Nabors, Giblin & Nickerson, PA*
- Item 11. Extension of Agreement for Financial Services with Stifel, Nicolaus & Company, Inc., Hanifen Imhoff Division*
- Item 12. Extension of Underwriting Agreement with Citigroup (formerly Salomon Smith Barney, Inc.)*
- Item 13. Agreement for Professional Services with Raftelis Financial Consultants, Inc.*
- Item 17. Reject all bids for Regional Expansion Program Contract 6 'Kings Highway Improvements'*
- Item 18. Reconciliation of Budgeted Funds between Work Orders to 'Agreement for Professional and Technical Consultant Services' between the Authority and MWH Americas, Inc. for Regional Reservoir Expansion Project*
- Item 19. Approve and Authorize Executive Director to sign Work Order No. 8 '2006-2007 ASR Wellfields Annual Report' to Agreement for Professional and Technical Consulting Services between the Authority and CH2M Hill for an amount not-to-exceed \$40,000*
- Item 20. Budget Transfer for Office Renovation in the amount of \$154,949*
- Item 21. Budget Transfer for Land Management of RV Griffin Reserve in the amount of \$25,000*
- Item 22. Declaration of Surplus Assets and Miscellaneous Items*
- Item 23. Approve Cooperative Funding Agreement between SWFWMD and Authority for ASR Degasification Project*

Motion was made by Commissioner Cummings, seconded by Commissioner Hill, to approve the consent agenda for July 25, 2007 with the exception of Items 9, 14, 15 and 16. Motion was approved unanimously.

- Item 9. GAP Water Supply Agreement between the Peace River/Manasota Regional Water Supply Authority and Sarasota County, Florida*

Commissioner Cummings said the majority of the water being addressed in this agreement is not GAP water but water that is going to meet current allocation. He said what it comes down to is if the Authority is going to pay Sarasota for not taking their full allocation, Charlotte should be paid for not taking their full allocation.

Mr. Manson said the Authority does not pay any customer for not using their allocation. However, if a customer puts water into the redistribution pool there is the potential to be reimbursed should another customer need it. With this agreement, the Authority increases their capacity by 2 mgd without capital infrastructure cost or debt. The Authority is buying the water to be able to recharge the ASR wells and to meet water quality issues in times of drought. In any agreement, adequate and reliable water supply is one of the purposes. In addition, part of this water is going to North Port to meet their demands. Something else that is unique in this agreement is that Sarasota has shaved the peaks with the Carlton wellfield and there is no direct compensation to Sarasota. That is, their peak month capacity will be reduced by virtue of Sarasota using the Carlton wellfield and the Authority gets the benefit. Mr. Manson said if other member governments want to enter a similar agreement and provide the Authority with water on demand he felt the Authority could enter into such agreements. He also said there is nothing in the MWSC to preclude a modification of the way the redistribution pool water is managed.

Commissioner Cummings said should the proposal be to shorten the timeframe on the pool water, he would be willing to consider that. But that is not what is being discussed. He does not think the Board should agree to an exclusive contract that treats one member differently from the others.

Mr. Manson said this is water beyond Sarasota's allocation. The Authority has a permit and the capacity to pump additional water so the Authority has a buy-down and the availability of additional water. With Punta Gorda, the Authority buys the water from Punta Gorda. With Sarasota, instead of paying a certain amount per 1,000 gallons, an existing mechanism was used which is the pool water, i.e. Sarasota will be credited through the redistribution pool and gets paid based on the pool water rate.

Mr. Lehman added that the Conjunctive Water Use Permit (CWUP) is in the name of the Authority and the 2 mgd belongs to the Authority. The Authority is supplying Sarasota's allocation but it is being supplied from Carlton through the CWUP permit. Sarasota is not reducing their allocation.

Commissioner von Hahmann asked where the Authority stands for being able to provide water to all of its customers if the GAP agreement with Sarasota is not approved.

Mr. Lehman said if the GAP agreement is not approved, the Authority will default on their obligations set out in the MWSC.

Chair Staub asked Dave Bullock to explain what impact, if any; there will be to Sarasota if the GAP agreement is not approved.

Mr. Bullock, Deputy County Administrator for Sarasota, said Sarasota agreed to have the Authority as a co-permittee on their primary incoming water source. The Authority determines when and how they want to reduce the flow based on maintaining reliability to the rest of their customers. If the Board does not approve the GAP agreement, then Sarasota will resume taking their full allocation and during the course of the year will have to recover the 212 mg they voluntarily have foregone since February. If that would cause any reliability problems to the rest of the customers, the Authority would have to deal with that.

Chair Staub asked if there was any further discussion. Being none, she said the Board needs to make a motion or move on. Commissioner Hill made a motion for approval of the GAP agreement and the motion was seconded by Commissioner von Hahmann. Chair Staub then asked North Port for comments.

Commissioner Blucher said North Port does not oppose this agreement. They believe conserving water for future use is a plus for the region. He said North Port has 1 mgd of water available from the Myakkahatchee Creek and would consider an agreement with the Authority per Mr. Manson's earlier comments.

Chair Staub said if an agreement were to be negotiated, it would need to have similar requirements as the agreement with Sarasota.

Mr. Manson said technically the Authority would need to have control over the water through a WUP along with an operations agreement with North Port.

Commissioner von Hahmann asked if the North Port Commission would consider the co-permitting control the Authority would need.

Cindi Mick, North Port Utilities Director, responded. She said there are two possibilities for consideration. One is pool water with a shorter date which also could be a benefit to everyone. For North Port, they can

produce more water from the Myakkahatchee Creek WTP during certain times of the year. With regard to the GAP permit, because the GAP permit was to increase new water supplies not already permitted, North Port did not participate because they already had a WUP and they were able to modify the permit and increase their withdrawal from the creek. For this particular arrangement, she looks at it as temporary either through a shorter time period on the pool water or a water supply contract but different than Sarasota's GAP agreement because North Port is not a party to the GAP permit.

Chair Staub said she sees two things that need to happen. One is to look at the potential of a contract with North Port and it is incumbent upon the Authority to make certain the control is with the Authority. Second is to look at the possibility of shortening the term of the pool water. In this regard, she is concerned how reliability may be affected and requested staff explain how any proposed modifications to managing the pool water will impact reliability. She asked if someone would put forth a directive to staff to work with North Port on the possibility of a water supply agreement.

Commissioner von Hahmann requested staff begin negotiations with North Port regarding a water supply agreement and also look at the the option of shortening the term of the pool water. Directive was seconded by Commissioner Hill.

Chair Staub requested the member staffs be involved in the discussions. She said although it is important to get the reservoir and the ASR wells recharged as quickly as possible, she cautioned nothing is free and to keep in mind it is the rate payers who are impacted.

Commissioner Cummings said if Charlotte were to stop encouraging conservation and use their full allocation it would cause a problem for the Authority. If the Authority wants to pay Charlotte for whatever portion they do not use and the control of how much is used will be completely at the Authority's discretion, he would take that deal in a heartbeat and that in essence would be the same thing as what is being done here.

Chair Staub said the GAP is new water supply.

Commissioner Cummings said conservation is also a supply. Charlotte is paying for a product it is legally entitled to and is voluntarily foregoing.

Chair Staub said what you are doing is you are not using all of your allocation.

Commissioner Cummings said 'yes' and the net result of the GAP agreement is that Sarasota is not pumping the Carlton wellfield. This is not equitable to Charlotte. The inherent problem is that when all new supplies are to come through the Authority, some members have other opportunities they can bring to the table while the members that do not already have another source do not get that opportunity. The Authority needs to be looking at an equity-based voluntary system and the direction they seem to be moving is going to continue to be fraught with problems.

Commissioner von Hahmann said the issue then becomes how to fund what you are doing and how to run a budget if you don't know who is going to take what part of an allocation. There has to be some consistency and some amount that you know is going to be flowing in order to run the system. She is not sure how the pool offers the opportunity if you are conserving and you are able to put that into the pool and somebody else needs it how you go about doing it the way Commissioner Cummings wants it done and not jeopardize the financial stability of the Authority.

Commissioner Cummings said what we are doing in this contract creates a variation from the consistency to which Commissioner von Hahmann refers.

Chair Staub said to Commissioner Cummings that Charlotte signed a contract with the amount they wanted just like everybody else. Sarasota has their allocation and they pay for their allocation. Sarasota developed 2 mgd at the request of the Authority. It has nothing to do with allocation. The net result is the Authority gets 2 mgd more for reliability which is one of the big concerns of Charlotte.

Commissioner Cummings said Charlotte should be able to take its full allocation and that would be catastrophic for the Authority.

Chair Staub said Charlotte should take their full allocation and then if the Authority needs to do emergency measures, they will.

Motion was made by Commissioner Hill, seconded by Commissioner von Hahmann, to approve GAP Water Supply Agreement between the Peace River/Manasota Regional Water Supply Authority and Sarasota County, Florida. Motion was approved 3 to 1 with Commissioner Cummings dissenting.

Direction was given to staff by Commissioner von Hahmann, seconded by Commissioner Hill, to begin negotiations with the City of North Port for an agreement for the sale of water. Direction was also given to staff to provide options for shortening the term on the redistribution pool water.

Item 14. Tasks 1, 2 and 3 to Raftelis Financial Consultants, Inc.

Commissioner von Hahmann said her question on this item was answered and made a motion for approval. Motion was seconded by Commissioner Cummings.

Chair Staub said she was also going to pull this item for discussion. She asked Mr. Lehman what the primary goal of this study is?

Mr. Lehman said this is a result of the strategic plan and how the Authority can integrate, and make it financially feasible to integrate, existing sources into the regional system. This will start that effort and provide the Board with options on how to proceed. This work will be funded from the Resource/Supply Development Reserve account.

Motion was made by Commissioner von Hahmann, seconded by Commissioner Cummings, to approve and authorize Executive Director to sign Tasks No. 1, 2 and 3 to Agreement between Authority and Raftelis Financial Consultants, Inc. for an amount not-to-exceed \$55,986 and transfer funds from the Resource/Supply Development Reserve account. Motion was approved unanimously.

Item 15. Regional Integrated Loop System Phase 2 – Issue Notice to Proceed to King Engineering Associates, Inc. for Work Order No. 1 ‘Preliminary Engineering’

Item 16. Regional Integrated Loop System Phase 3 – Issue Notice to Proceed to PBS&J for Work Order No. 1 ‘Preliminary Engineering’

Commissioner Cummings referred to the Punta Gorda/Charlotte County interconnect (Regional Integrated Loop System Phase 1A) that the Board recently approved and asked if either Item 15 or Item 16 affected securing the grant funding for that project.

The funding of Phase 2 and Phase 3 do not impact the Punta Gorda/Charlotte County interconnect (Phase 1A). Mr. Lehman said to clarify what Commissioner Cummings is questioning is the transfer of pipeline funds that had to do with the US 17 interconnect of Punta Gorda that was cancelled. As the Board directed, a letter was sent to the District requesting those funds be transferred to the Peace River Facility expansion. The District

Governing Board and basin boards will be addressing this request at their upcoming meetings. The Board approved moving forward with these two interconnects at last month’s meeting withholding the notice-to-proceed until the FY 08 Budget was approved. Phase 2 is the interconnect to North Port’s Myakkahatchee Creek Water Treatment Plant. Phase 3 is the interconnect going north from Sarasota County’s Carlton Water Treatment Plant to the Preymore Interconnect and then toward Manatee. These work orders are for the preliminary engineering. The feasibility study will address what size pipe, cost, and who are the potential partners in the pipeline so it can be determined who would be the participants before getting to the design stage. This follows the Authority’s existing contract obligations for pipelines.

Commissioner von Hahmann said with all the pipeline projects moving forward the various routes become confusing and requested in the future a map be provided showing the pipe route specific to that project.

Commissioner Blucher said North Port is in favor of these projects going forward even though they had some concerns previously because of the differences among the Authority members on how to move forward with pipeline projects.

Motion was made by Commissioner Cummings, seconded by Commissioner von Hahmann, to authorize Executive Director to issue notice-to-proceed to King Engineering Associates, Inc. for Work Order No. 1 ‘Preliminary Engineering’ to Agreement between Authority and King Engineering Associates, Inc. for the Regional Integrated Loop System Phase 2 Interconnect Project for an amount of \$266,981 and transfer funds from the Resource/Supply Development Reserve account. Motion was approved unanimously.

Motion was made by Commissioner Cummings, seconded by Commissioner von Hahmann, to authorize Executive Director to issue notice-to-proceed to PBS&J for Work Order No. 1 ‘Preliminary Engineering’ to Agreement between Authority and PBS&J for the Regional Integrated Loop System Phase 3 Interconnect Project for an amount of \$353,588 and transfer funds from the Resource/Supply Development Reserve account. Motion was approved unanimously.

REGULAR AGENDA:

**Item 24. Source Water Feasibility Study
Presented by Mike Coates, Water Resources Division Director**

Mr. Coates said the agreement with PBS&J for engineering services for the Source Water Feasibility Study for Dona Bay System, Flatford Swamp System and Shell Creek System has been negotiated. The goal of the Study is to provide the Board with adequate information regarding the opportunities of each of these sources to enable a decision on which water supply project(s) will move into the final stages of design. The project Work Plan, which is a part of the Agreement, describes the activities required to identify, evaluate and compare water supply project development opportunities for the three sources. The Work Plan has been reviewed by the technical advisory committee (TAC) that includes the Authority member’s customers and partners.

Mr. Coates said the purpose of Work Order No. 1 is to develop a foundation of existing data on each source, identify where additional data is needed to facilitate evaluation of each source as a water supply, and provide a preliminary alternative analysis of each watershed to help focus subsequent project efforts. It is estimated to take three months to complete this work effort. Work Order No. 1 has also been reviewed by the TAC.

Commissioner von Hahmann said this is where the Authority needs to be. As she looks at the proposed interconnects the Authority needs the sources to feed those lines. Manatee wants to be a participant in building a regional system but until they know where the water resource is coming from, it becomes hard to ask their

citizens to contribute above what they are already doing. She said for her this is step number one in moving forward in the regionalization of water supply and she is fully supportive.

Chair Staub said the Authority has a critical time coming in 2013 when they are going to need more water and asked if there was a deadline.

Mr. Coates said Work Order No. 1 is to be completed three months from notice to proceed and the Feasibility Study is to be completed by the end of August 2008.

Chair Staub said the time may come if the drought conditions continue and there are problems refilling the ASR wells that the Authority may want to consider starting one project before the completion of the Study even though Commissioners Hill and von Hahmann do not agree. She impressed upon Mr. Coates the criticality of staying on schedule and requested he relay that message to the consultant.

Mr. Coates said one of the things required as part of the Authority's April 4, 2007 Water Shortage Emergency declaration is the development of a 'Water Supply and Water Quality Management Plan' by August 15, 2007. The management plan will identify the near term opportunities to improve water quality and bolster the water supply situation until the Peace River expansion is completed.

Chair Staub said the important thing to her is to get off the Peace River.

Approval for both motions was made by Commissioner von Hahmann and seconded by Commissioner Hill.

Under discussion, Commissioner Cummings said he feels the Authority needs to proceed with the Study. However, the majority of the supplies under consideration are surface fresh water inflows and he is concerned for two reasons. One is surface waters are going to have a tendency to have similar problems at similar times and two is we are still looking at more demand on fresh water inflows to Charlotte Harbor.

Motion was made by Commissioner von Hahmann, seconded by Commissioner Hill, to approve and authorize Executive Director to sign 'Agreement for Professional Services' for Source Water Feasibility Study between the Authority and PBS&J. 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 'An Inventory of Existing Information, Identification of Potential Additional Data Requirements, and a Preliminary Analysis of Alternatives' to Agreement for Professional Services between the Authority and PBS&J for Source Water Feasibility Study for an amount not-to-exceed \$139,800 and transfer funds from the Resource/Supply Development Reserve account. Motion was approved unanimously.

*Item 25. Regional Reservoir Expansion (Consultant -- MWH Americas, Inc.)
Presented by Kevin Morris, Facilities Division Director and
Greg Tate, MWH Americas, Inc., Project Engineer*

Mr. Morris said bids were received on June 8, 2007 from the three contractors pre-qualified for the Regional Reservoir Expansion. The low bid was from Barnard Construction Company for \$64,910,510 which is considerably higher than the engineer's estimate of \$53.6M. Mr. Morris noted the two low bids were only \$250,000 apart which is a good indication the bids were very competitive. Barnard's headquarters are located in Montana with offices locally. Two gentlemen from Barnard's headquarters were in attendance and Mr. Morris pointed out both gentlemen were involved with the Tampa Bay Water reservoir project.

Mr. Morris said MWH was requested to review the bids to insure there were no errors or irregularities and they found none. MWH considered each of the individual bid items and compared the bids to the engineer's estimate and suggested several factors that likely influenced the higher costs that related to the volatile market for fuel, steel pipe, petroleum derivatives and cement; the massive rebuilding efforts following the aftermath of the recent hurricanes; and there are several much larger reservoir projects upcoming providing contractors with a number of other opportunities.

MWH met with the REP Oversight Committee and Authority staff to discuss the bid results and to help formulate the best course of action. MWH said bid items 39 and 40, which comprise the electrical and Automated Safety SCADA subsystems, seemed high for all three bidders and suggested the scope of the design of those specialized elements may not have been clear. Bid item 43 is a \$750,000 owner's allowance to be used to add aeration equipment; however, the Authority is not obligated to purchase this through the contractor. The bid documents give the Authority the discretion to eliminate any bid item(s) in making an award. The consensus of the Oversight Committee was that there did not appear to be an advantage to the Authority pursuing a major redesign or rebidding the project. It was also the consensus of the Oversight Committee to subtract bid items 39, 40 and 43 from all bids and recommend the Board award the contract to the low bidder. The removal of these items did not change the determination of the low bidder. Subtracting these three bid items reduces Barnard's bid to \$61,740,500.

Mr. Morris said Wachovia Bank is providing the Authority with a letter of commitment for commercial paper to provide short-term funds to cover construction costs in excess of the 2005 bonds. Collectively the reservoir and the water treatment plant expansions are \$25M over the engineer's estimated cost. The Authority's financial team is developing long term financing alternatives and will meet with the customers' financial staffs to develop the preferred option for long-term debt to present to the Board at a later date.

Commissioner von Hahmann said Manatee limits the number of sub-contractors on a project because it seems where most of the issues and the cost over-runs lie are with the sub-contractors. She asked how many sub-contractors there would be on the reservoir project.

Mr. Tate said in the pre-qualification process, the number of sub-contractors was limited however he could not recall the exact number. Mr. Tate pointed out there are certain highly specialized items that a reservoir contractor normally would sub out for instance the slurry wall, the pipeline work, the geomembrane, etc.

Commissioner von Hahmann said the Wachovia Bank letter of commitment is for \$20M and asked where the additional \$5M would come from.

Mr. Lehman said the Authority has a standing line of credit with Nations Bank for the additional amount.

Commissioner Cummings said he is frustrated staff did not explore the possibility of making up for some of the revenue shortfalls by selling some of the dirt. He has talked to others who have nearly paid for their reservoir with the dirt they are digging out.

Mr. Morris responded that the three million yards of fill material to be used in the embankment in essence the Authority is selling to themselves. It's being excavated on-site and used on-site. It's a zero balance cut and fill.

Commissioner Cummings said he understands the difference between having a raised reservoir that is half up and half down and changing that equation.

Chair Staub asked if there was a business plan in place that shows the impact on the rates.

Mr. Lehman said the Authority's financial team, Stifel, Nicolaus & Company, is developing long-term financing strategy alternatives. They will be meeting with all the member staffs to see how to finance long term. The hope is, however, it will not be necessary to use the short-term financing.

Mr. Akers with Stifel, Nicolaus & Company said this commercial paper program is a program that is used throughout the state by local governments. In fact, Sarasota, Charlotte and Manatee counties have used it. Basically, the Authority does not need the financing for another 18 months. If the Authority does need to use it, the Authority's obligation is to pay interest at the variable rate which is approximately 4.5% which would be incorporated into the budget at that time. It would be a part of the rate making budget process with the expectation the Authority would either re-pay it from grants or from a future bond issue.

Chair Staub asked Mr. Lehman if he had approached the District with regard to additional funding.

Mr. Lehman said 'yes' those discussions have begun. The District is already looking at next year's budget for availability of money and how they might allocate those funds.

Motion was made by Commissioner Hill, seconded by Commissioner von Hahmann, to accept letter of commitment with Wachovia Bank for commercial paper. Motion was approved unanimously.

Motion was made by Commissioner Hill, seconded by Commissioner von Hahmann, to award 'Contract 4 – Peace River Reservoir #2' to Barnard Construction Company, Inc. in the amount of \$61,740,500 and authorize the Executive Director to approval additional work on behalf of the Authority, as may be needed, up to \$100,000. Motion was approved unanimously.

*Item 26. Peace River Facility Expansion (Consultant – Boyle Engineering Corporation)
Presented by Kevin Morris, Facilities Division Director*

Mr. Morris said Encore Construction Company has been able to make great progress because of the lack of rainfall. There is construction activity happening in all areas of the PRF. One of the major activities is the pouring of concrete for the new filters, solid contact units and PAC facilities. Mr. Morris said tours are becoming a concern because of all the construction activity however staff recognizes the importance of public outreach and tours will continue as long as it is safe. All of the utilities staffs have been invited to visit the site and see the construction first-hand. Mr. Morris said this is one of the largest water supply projects this region has ever seen and a wonderful opportunity to be a part of.

*Item 27. Governmental Affairs Staff Report
Presented by Ray Pilon, Governmental/Community Affairs Director*

Mr. Pilon provided the Board with a synopsis of the legislative items staff feels is going to be the major issues in Tallahassee for the upcoming session. Mr. Pilon said everything on the list is critical to the success of water resource development and funding from both a state level and the District.

Chair Staub asked how the tax rollback affected the District.

Mr. Pilon said staff will be attending the upcoming Basin Board meetings and Governing Board meeting and will find out at that time. Their tentative budget suggests a 3% required rollback.

Mr. Pilon added that staff is working with the District on a strategy for a new appropriations request titled 'West Central Florida Water Restoration Action Plan' or WRAP. They are also proposing it be included in the

Governor's budget.

Mr. Pilon noted there is a special legislative session that has been called for September.

*Item 28. Dry Season Planning for Water Supply and Water Quality
Presented by Mike Coates, Water Resources Division Director*

Mr. Coates said drought conditions remain severe in the region but NOAA predicts over the next three months the dry conditions are likely to improve. Rainfall for June was 4.6 inches below normal and the twelve-month deficit is approaching 17 inches. Peace River flow has been 70% to 80% below normal for the past twelve months. For June, it was more than 90% below normal. There were only four days of withdrawal from the Peace River during June. Most demand was met from stored reserves. June demand averaged 14 mgd and for the past twelve months averaged 16 mgd. The reduction in demand is due to receiving an offset from water from the Carlton Water Treatment Facility, increased production from North Port and conservation efforts. Total water in storage at the end of June was 213 MG. This is the lowest storage level since the spring of 2002. The ASR storage is exhausted. Based on the current river flow and assuming the rest of the year will see average conditions; Mr. Coates projected approximately 1.3 BG in storage by the end of the wet season.

Mr. Coates said conservation measures by members and customers, a water shortage declaration by the District in January, a declaration of temporary water shortage emergency by the Authority and Sarasota in April and again in June continues to aid dry-season demand management and facilitate the analysis of opportunities to bolster regional supplies. Work on the development of the Water Supply and Water Quality Management Plan identified in the Authority's emergency declaration continues. This report will provide options to improve supply and water quality conditions during at least the next two to three dry seasons while the PRF expansion and reservoir are completed. The draft report will be distributed on August 15 for discussion at the September board meeting. Some of the things that are being started immediately are modifications to some of the ASR wells to improve water quality and discussions with North Port and Charlotte County about opening the emergency interconnects. Mr. Coates said the long term improvement to supply conditions needs to continue i.e. the regional expansion program, the feasibility studies and pursuit of alternative environmentally sustainable supplies and the development a regional coordinated conservation effort.

Commissioner von Hahmann asked what the back up plan is should these things not come to fruition.

Mr. Coates said there are a number of options outlined in the Water Supply and Water Quality Management Plan from developing emergency supplies with shallow ground water, tapping existing supplies from agriculture, opening up all of the interconnects, anything that can be done to help the situation. The Authority is not going to run out of water however the water quality will be impacted.

Chair Staub asked if the cities have been approached as possible sources.

Mr. Coates said yes.

Chair Staub said we really are all in this together and somehow we have to remove ourselves from the concerns everyone expresses at different times about their county or their city and put on our regional hats. We are all either going to sink or swim together.

Commissioner Blucher agreed regionalism is what is needed. He reiterated North Port has excess water from the Myakkahatchee Creek. If they don't sell it to the Authority, they will need to shut down their WTP. It is very hard for him to understand why the Authority would not be taking the water for the regional system.

Chair Staub said North Port could start supplying the water without a written agreement like Sarasota did. She said if you can meet with Mr. Lehman and get the water flowing that would be great. It is one of those ‘trust’ issues.

Mr. Manson said we have done it in the past with North Port by crediting them against their water.

Chair Staub said lets move on that as quickly as we can. If you can turn the valve on now, that would be great. Just keep track of it.

Commissioner Blucher said Cindi Mick informed him that for a credit North Port will gladly do that.

STATUS REPORTS:

- Item 29. Hydrologic/Water Supply Conditions*
- Item 30. Horse Creek Stewardship Program*
- Item 31. Peace River Management Plan*
- Item 32. Integrated Regional Water Supply Master Plan*
- Item 33. Regional Integrated Loop System Phase 1 Interconnect*
- Item 34. Regional Integrated Loop System Phase 1A Interconnect*

These reports are presented for the Board’s information. The Board had no questions.

Item 35. General Counsel’s Report

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

South Fort Meade Expansion – Mr. Manson said on May 29, 2007 the Army Corps of Engineers issued a Public Notice indicating Mosaic Fertilizer has submitted an application. Mosaic is requesting a twenty-one year permit to mine phosphate on a 10,885 property located in wetlands associated with the Peace River. The Corps is currently accepting public comments. Mr. Manson requested the Board’s authorization to send a public comment letter.

Motion was made by Commissioner von Hahmann, seconded by Commissioner Cummings, to direct general counsel to submit a public comment letter regarding the South Meade Mine. Motion was approved unanimously.

Item 36. Executive Director’s Report

For the benefit of the news media present, Mr. Lehman pointed out how historic this day has been. He said by the actions the Board took today, they approved award of the construction of a six-billion gallon reservoir, approved the feasibility study for up to three new sources, and approved moving forward with new transmission mains. He said I hope everyone understands what a giant step forward the Board took in making an investment for the future for this region.

Chair Staub concurred with Mr. Lehman’s remarks. She said this is a once-in-a-lifetime opportunity and suggested inviting all of the county commissioners and the City of North Port commissioners for a site tour.

Commissioner Cummings said for all the talk about regionalism, Charlotte is the one paying the bulk of the cost for those credits. We are absolutely the ones participating in regionalism. We are the ones paying the lion’s share of those costs of that cooperation and have been for years.

Chair Staub responded. She said we appreciate that and Sarasota will be able to take over that speech after the next expansion.

MEMBER COMMENTS

None.

PUBLIC COMMENTS

Jono Miller, citizen, said as Commissioner Cummings stated the cheapest supply is conservation and yet when looking at the Source Water Feasibility Study there are three strategies none of which involve conservation. It would seem each of these three strategies should be evaluated with what the cost would be of comparable benefit for supply through payment to people to permanently reduce their water use. Hopefully eventually you can get to the point where that would be a standard against which future supply strategies are compared.

Chair Staub said the retirement of permanent supply with high water users is worth considering and requested staff put that on a future agenda as a discussion item.

ANNOUNCEMENTS

Next Authority Board Meeting
9:30 a.m., Wednesday, September 5, 2007
County Commissioner Chambers
Sarasota County Administration Center
1660 Ringling Boulevard, Sarasota, Florida

Adjournment

There being no further business to come before the Board, the meeting adjourned at 11:25 a.m. for a ten minute break before beginning the workshop session.

The Honorable Shannon Staub, Chair