

APPROVED

Minutes of Board of Directors Meeting
PEACE RIVER/MANASOTA REGIONAL WATER SUPPLY AUTHORITY
Charlotte County Environmental Campus
25550 Harborview Road, Port Charlotte, Florida

August 3, 2005

Board Members Present:

Commissioner Patricia Glass, Manatee County, Chairman
Commissioner Jerry Hill, DeSoto County, Vice Chairman
Commissioner Shannon Staub, Sarasota County
Commissioner Adam Cummings, Charlotte County

Staff Present:

Patrick J. Lehman, Executive Director
Douglas Manson, General Counsel
Kevin Morris, Chief Engineer
Susan Hochuli, Water Resource Planner
Ray Pilon, Governmental Affairs Coordinator
Sam Stone, Environmental Affairs Coordinator
Edward Yates, Fiscal Manager
Linda Stewart, Executive Secretary

Others Present:

A list of others present who signed the attendance roster for this meeting is filed with the permanent records of the Authority.

Call To Order:

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

Chairman Glass recognized the elected officials seated in the audience who included Commissioner Moore, Charlotte County; Commissioner Thaxton, Sarasota County; and Commissioners Berryman, Gross and Tower, City of North Port. Chairman Glass also recognized Gene Heath, Assistant Executive Director, Southwest Florida Water Management District.

RESOLUTION 2005-05 'Recognition of Florida Water, Wastewater and Systems Operators Week'

The Authority recognized August 15-19, 2005 as 'Florida Water, Wastewater and Systems Operators Week'.

Motion was made by Commissioner Hill, seconded by Commissioner Staub, to approve Resolution

2005-05 'Recognition of Florida Water, Wastewater and Systems Operators Week'. Motion was approved unanimously.

CONSENT AGENDA:

- Item 1. Meeting Minutes of July 6, 2005**
- Item 2. Check Register for Month of June 2005 (acceptance for further audit)**
- Item 3. Authorization for CH2M Hill for ASR Wellfield No. 2 Cycle Test 4 Report for an amount not-to-exceed \$23,940.**

Motion was made by Commissioner Staub, seconded by Commissioner Cummings, to approve the consent agenda for August 3, 2005. Motion was approved unanimously.

PUBLIC HEARING:

- Item 4. a. Open Public Hearing**
 - b. Presentation of Budget for FY06 by Patrick Lehman, Executive Director**
 - c. Public Comment**
 - d. Close Public Hearing**

Chairman Glass opened the Public Hearing for the FY06 Final Budget.

Mr. Lehman said the Tentative Budget was approved by the Board on May 4, 2005 and subsequently distributed to the member counties and the City of North Port for review and comment. Since approval of the Tentative Budget, the Board approved the 'Terms and Conditions' for the Regional Expansion Program. Based on the Terms and Conditions, page 14 of the Tentative Budget was revised to delete the reference to the 2005 revenue bonds repayment allocations as it is no longer relevant. There were no other changes from the approved Tentative Budget. Mr. Lehman presented an overview of the proposed Final Budget for FY06.

Commissioner Staub asked what comprised the monies brought forward in the amount of \$1,086,400 in the Enterprise Fund.

Mr. Lehman replied that part of the monies were from contingencies which were not spent in FY05 and others were derived from higher water sales than what were anticipated.

Referring to the reserve funds in the General Fund, Commissioner Staub asked if all the monies were committed or if some were for contingent expenses.

Mr. Lehman said \$50,000 is earmarked for the Water Planning Alliance and \$400,000 for Water Resource Development, Planning and Permitting. Ultimately, however, it is up to the Board's discretion before any expenditures are made.

Commissioner Staub said she has discussed with Mr. Lehman the potential need for another staff person or a contracted consultant to assist with strategic planning. She asked if the budget provided for that prospect.

Mr. Lehman responded in the affirmative.

There were no further questions by the Board.

There were no public comments.

Chairman Glass closed the public hearing.

The Final Budget and Mr. Lehman's power point presentation are filed with the permanent records of the Authority.

REGULAR AGENDA:

Item 5. *Budget for FY06 - Patrick Lehman, Executive Director*

The Board had no further discussion.

Motion was made by Commissioner Staub, seconded by Commissioner Hill, to approve the General Fund budget of the FY06 Budget in the amount of \$9,891,819. (Normal Vote) Motion was approved unanimously.

Motion was made by Commissioner Cummings, seconded by Commissioner Staub, to approve the Enterprise Fund O&M related budget of the FY06 Budget in the amount of \$9,038,204. (Weighted Vote). Motion was approved unanimously.

Motion was made by Commissioner Cummings, seconded by Commissioner Hill, to approve the Enterprise Fund non-O&M related budget of the FY06 Budget in the amount of \$9,355,234. (Normal Vote) Motion was approved unanimously.

Item 6. *Resolution 2005-06 'Resolution Setting Forth Schedules Fixing and Classifying Rates, Fees and Charges for Treated Water for FY06' - Patrick Lehman, Executive Director*

Mr. Lehman said Resolution 2005-06 formalizes the Board's adoption of the Budget for FY06 and establishes the charge for water produced by the Peace River Regional Water Supply Facility from October 1, 2005 through September 30, 2006.

Motion was made by Commissioner Staub, seconded by Commissioner Hill, to approve Resolution 2005-06 'Resolution Setting Forth Schedules Fixing and Classifying Rates, Fees and Charges for Treated Water for FY06'. Motion was approved unanimously.

Item 7. *Hydrologic Conditions/Water Supply Conditions Report - Sam Stone, Environmental Affairs Coordinator*

Mr. Stone reported the average rainfall for the month of July in the Peace River Basin was 9.4 inches. Mr. Stone noted the recorded monthly average rainfall was above the historical average for nine out of the last thirteen months. The average river flow recorded at the Arcadia gage station was 4,508 cubic feet per second (cfs). Again, the average river flow was above the historical average for nine out of the last thirteen months. As of the end of July, reserves in the wellfield system total approximately 2.6 billion gallons (35% of the wellfield system capacity) and the reservoir was 90% full. Combined reserves total 3.2 billion gallons which, based on current demand, is equivalent to approximately 225 days of supply. Customer average demand for July was 14.2 mgd. The 12-month moving annual average water demand was 15.8 mgd.

The Climate Prediction Center forecasts rainfall will be 10% above normal over the next three months.

Item 8. *Short-Term Water Supply Opportunities and Regional Strategies - Erin Hunt/Terri Holcomb, HDR Engineering, Inc.*

Mr. Lehman said at the Board meeting on July 6 a presentation was made by the Authority's continuing engineering consultant, HDR Engineering, Inc., regarding the "Gap" issue. Since that time, the Gap analysis has been refined to better identify timing, demands and supply development. This provides the opportunity to develop an overall regional operating plan for reliability and future source sustainability to meet all the Authority's customer needs. Mr. Lehman said HDR would provide an update on this planning effort.

Ms. Hunt said the presentation would focus on four key areas to outline a regional supply strategy. Those areas included 1) identification of incremental demands through 2009 for each of the Authority's customers, 2) review of initial inventory of proposed supply sources as offered by the utility representatives, 3) further detail of those proposed supply sources, and 4) a recommended action plan.

Ms. Hunt first presented a chart which showed the historical and projected demands of the Authority's four current customers. The chart illustrates that demands are met through 2006 by the existing Peace River Facility contracts. In 2007, however, a projected need of approximately 1.1 mgd will require an additional source of capacity to meet the demands. In 2008, the need increases to approximately 4 mgd and in 2009 to 5 mgd. As the chart illustrates, Ms. Hunt pointed out that the projected demands do not result in an immediate need of 5 mgd, but an incremental increase over the next four years.

As discussed last month, the utility representatives at the June 27 meeting collectively identified eight potential regional sources—four existing surface water sources including the Peace River Facility, Punta Gorda WTP (Shell Creek), North Port WTP (Myakkahatchee Creek) and City of Bradenton WTP (Braden River) and four existing ground water sources including Sarasota County Carlton WTP, DeSoto County G. Pierce Woods WTP, Charlotte County Burnt Store Wellfield and Manatee County Wellfield. Ms. Hunt said for the Authority's short term planning horizon, this group of eight potential regional sources was divided into two tiers.

The Tier II sources are considered as being either emergency supplies or longer term development supplies. To define longer term development supplies, Ms. Hunt said these projects focus on the Gap period only recognizing the Water Planning Alliance has a twenty year planning period and is working in conjunction with the Authority on long term sources. The emergency supplies include Manatee County WTP and the Peace River Facility. The longer term supplies include the City of Bradenton WTP, the Burnt Store WTP and the G. Pierce Woods WTP.

Commissioner Staub asked how much water Manatee County could provide in an emergency situation.

Ms. Hunt replied a potential of 2 mgd has been identified by Manatee County.

The Tier I sources consist of two surface water sources including the Punta Gorda WTP and the North Port WTP and one ground water source being the Carlton WTP. Ms. Hunt said all of these have shorter proposed implementation periods and will be able to come on-line prior to 2009. Ms. Hunt turned the presentation over to Ms. Holcomb.

Ms. Holcomb said the utility staffs from Punta Gorda, North Port and Sarasota County were contacted to confirm the status for implementation of their additional sources respectively. She briefly reviewed the planning process being undertaken by each utility. Ultimately, it is anticipated the Punta Gorda WTP could provide 2 mgd by 2008; North Port's Coco Plum Waterway 0.5 mgd and another 0.5 mgd from their ASR well by 2008; and 1.1 mgd from the Carlton WTP in 2007, another 1.0 mgd in 2008 and 2.0 mgd by 2009.

Based on the incremental demands and utilizing the Tier I sources, Ms. Holcomb reviewed a recommended action plan to meet the needs of the region through 2009 as summarized below.

RECOMMENDED ACTION PLAN

§ Interconnect Punta Gorda/Modify Carlton WUP/Modify North Port WUP

This plan includes bringing the Carlton WTP on line in 2007 to provide 1.1 mgd of additional capacity to the region to meet the projected needs for that year. In 2008, the Punta Gorda WTP will provide 2 mgd to the regional system, the North Port WTP will provide 1 mgd and the Carlton WTP will provide 1 mgd to meet the projected demand of 4 mgd for that year. In 2009, the Punta Gorda WTP will provide 2 mgd of additional capacity, the North Port WTP 1 mgd and the Carlton WTP 2 mgd for a total additional capacity of 5 mgd. For 2009 the need for these additional sources is dependent on the implementation of the regional expansion program.

§ Develop Regional System Reliability Analysis to manage the sources as an integrated system

§ Coordinate with SWFWMD on Water Use Permits to demonstrate the regional need for these sources and how they are integrated into that regional system

§ Work jointly with City of Punta Gorda and Charlotte County on potential interconnects

Commissioner Staub said as she understands the discussion, the need to use the PRF for additional capacity is not being planned and the PRF would only be for emergency temporary use.

Ms. Holcomb replied Commissioner Staub was correct.

Regarding the Charlotte County/Punta Gorda interconnect, Commissioner Staub said her recollection of the last direction given was to incorporate that interconnect with the DeSoto County/ Punta Gorda interconnect. She asked Mr. Lehman if that was his understanding.

Mr. Lehman replied the direction of the Board was to move forward with discussions with Punta Gorda involving Charlotte County and other interested parties. Staff from the Authority, Charlotte County and Punta Gorda have met and are discussing multiple interconnect possibilities and how to move forward together. Mr. Lehman said he hoped to bring something forward to the Board as well as the county and city in the near future.

Commissioner Staub said as she looks at the regional loop, it seemed to her the interconnect from Charlotte County to Punta Gorda is more direct and a shorter term project to complete. She said both projects are equally important and she wanted to make sure the two projects are integrated.

Chairman Glass said I think that is what everyone's goal is.

Commissioner Cummings said his recollection of the direction given was that the two projects proceed concurrently. His understanding is that a three-way interlocal agreement is being developed which would show the Authority's support for both projects and would be submitted to the District as evidence that both interconnects are of regional benefit.

Commissioner Hill said his understanding is that both projects would move forward together.

To confirm that understanding, Commissioner Staub made a motion that the Authority reconfirm its commitment to having the Charlotte County/Punta Gorda interconnect and the Punta Gorda/ DeSoto County interconnect as one project moving in tandem and show support for both to the District.

Commissioner Cummings seconded the motion.

Chairman Glass asked Mr. Lehman if this changed anything being done at the present time.

Mr. Lehman said it did not. He said it solidifies what the Board's direction is.

Chairman Glass asked if there were any other questions regarding the report.

Commissioner Cummings said the regional supply strategy as presented is a strategy he could live with because it does not deal directly with Charlotte County's core concern. Their concern with the prior proposal was that it involuntarily took away capacity of existing customers. Commissioner Cummings said the four counties have paid for 100% of that capacity so whether the PRF produces 18 mgd or 22 mgd, the members collectively own a percentage of the PRF. He recalled the discussions were very explicit when changing from the old way of measuring the capacity of the PRF to the new way. It was said on the record that the Authority was going from a treatment plant that on its best day can treat 12 mgd to a system that can provide 18 mgd annual average during drought conditions. Because it does not happen to be drought conditions, does not mean the potential capacity is not the customer's. If the PRF can produce more during wet conditions, it still belongs to the same customer. It is not suddenly newly discovered capacity. Commissioner Cummings said no customer should have their capacity taken away against their will.

Chairman Glass asked Commissioner Cummings if he wished to change the report as presented.

Commissioner Cummings said he was not trying to change the report. His point is that it needs to be stated in writing that the capacity of the PRF is owned by the existing customers.

Commissioner Staub moved approval of the recommended action plan.

Commissioner Cummings seconded the motion.

As a side note to the current discussion, Commissioner Staub said she wanted to go on record as saying the members are not precluded from exploring other potential ideas for increasing water supply. Sarasota County staff is having conversations with other entities at this time and, if an agreement is reached, it may make Sarasota County's demand change for the next few years which would lessen the stress that is in the gap plan at this point.

Mr. Lehman pointed out that the Authority is also not limiting themselves and is following up on other

potential sources such as Englewood Water District and the City of Sarasota.

Motion was made by Commissioner Staub, seconded by Commissioner Cummings, to reconfirm the Authority's commitment to moving forward with the Charlotte County/Punta Gorda Interconnect and the Punta Gorda/DeSoto County interconnect as one project and to show support of that effort to the District. Motion was approved unanimously.

Motion was made by Commissioner Staub, seconded by Commissioner Cummings, to approve the Recommended Action Plan as presented for Short-Term Water Supply Opportunities and Regional Strategies. Motion was approved unanimously.

Item 9. Regional Expansion Program Water Supply Contract - Douglas Manson, General Counsel

Authority staff and the administrative staffs have been meeting to discuss the draft Amended Interlocal Agreement and the Master Water Supply Contract. Both documents are needed to implement the provisions of the 'Terms and Conditions' previously approved by the Board. Policy issues regarding these documents have arisen and require Board direction in order to move forward. Consequently, the documents were not finalized as anticipated for the special board meeting scheduled for July 15 which was subsequently cancelled. Mr. Manson reviewed the policy issues for Board discussion and direction as summarized below. Another draft of the documents will be prepared for discussion at a Board workshop tentatively scheduled for August 29. Immediately following the workshop, the Board will convene to take action as appropriate. If there are issues that still need to be re-addressed following the August 29 workshop, a revised draft will be presented at the September 7 Board meeting. Chairman Glass said if the Board does not approve the documents on September 7, the Board will meet again the following week as the goal is to have the documents approved and signed by all of the member governments and the City of North Port by the Authority's October Board meeting.

Mr. Manson said for today's discussion he was not looking for a vote or consensus from the Board but input or a 'read' for what their positions are. Because the interlocal agreement is being rewritten which requires all member governments to sign and a master water supply contract which requires all of the customers to sign, he is looking for the 'lowest common denominator' to be able to work toward resolution. And, it may mean the Authority will not necessarily be where they ultimately want to be. Mr. Manson said there was a range of options in the comments he received from the member staffs regarding these issues and he created an issues list which is what he would discuss with the Board.

Mr. Manson distributed a memorandum on water supply policy options identifying the following issues and alternative policies to address the issues. A copy of the memorandum is filed with the permanent records of the Authority.

Veto Provision

Mr. Manson said the veto provision is in the original governance documents of the Authority and included in the most recent Amended Interlocal Agreement. The veto provision provides that the Authority cannot develop, construct or operate a water supply facility without the express written consent of the member county in which the project is to be located. 'Water Supply Facility' could be considered to be water sources or any type of project the Authority would build whether it is a pipeline or well house construction or even if the Authority were to buy a piece of property. Further, the same holds true for each member government. The Interlocal Agreement says the Authority is required to notify member

counties whose territory the water supply facility is to be located thirty (30) days prior to submitting a permit application. Once member counties receive notice, they have thirty (30) days to notify the Authority of any objection to developing the new water supply facility. If the Authority receives an objection, it must immediately withdraw its application for the project. The veto power allows each member government to unilaterally stop a water project from being developed within their jurisdiction. There is no procedure for an appeal or dispute resolution process of the decision by the member government nor any standards that set out the basis for the project to be rejected. This provision as currently written could significantly reduce the Authority's ability to develop the most economical, or most efficient or least environmentally adverse new water sources for the region.

Mr. Manson presented six options to revise the veto provision for the Board's consideration. Mr. Manson said some of the options were proposed by the member staffs and were very good suggestions however from the discussions with the member staffs, Option No. 1 presents what they feel is the lowest common denominator and would be acceptable to everyone. This would extend the time period from 30 days to 60 days for both the Authority's written notification and the member county's response. Mr. Manson said however nothing precludes the Authority from notifying the member counties earlier. Further, if the project is denied, an explanation must be provided. After the denial, there would be a non-binding dispute resolution process pursuant to Chapter 164, Florida Statutes. This option leaves the veto power in tact but provides for more process.

The Board posed no objections to moving forward with Option No. 1 at this time. Commissioner Hill reserved final comment however until he had an opportunity to discuss all of the issues being presented with his staff. Chairman Glass said following Mr. Manson's discussion, she would take a break so that all of the board members would have an opportunity to talk with their staff. She also said all of these issues would be further discussed at the workshop.

Pipeline Transmission

Mr. Manson said currently, each customer has paid for or is paying for the pipeline connecting their distribution system to the PRF. In the future, as the loop system is developed creating multiple interconnects, customers may be using the same transmission pipelines or a pipeline may change from delivering water to supplying water. In Option No. 1, the Authority would determine the pipeline allocations based on system hydraulics and customer needs and then adjust the payments for the capacity of those pipelines going forward. In Option No. 2, the Authority would individually negotiate each of the pipeline contracts with the existing pipeline customer and the new pipeline customer to determine an agreed upon payment of cost and usage on a case-by-case basis.

Commissioner Staub asked why the pipeline allocations were not based on both system hydraulics and percentage of capacity rather than only system hydraulics.

Mr. Manson responded that inherently percentage is part of the equation.

Commissioner Staub said once the determination is made, does the contract address what happens if the new customer draws more than the capacity they have purchased because that can affect the customer at the end of the line.

Mr. Manson said that is a technical process and not contractual. The system will be controlled by the Authority and will be technically set up so that a customer cannot take more than the amount allocated so there cannot be reduced capacity at the end of the line.

Commissioner Staub requested these issues be discussed in more detail at the workshop.

Commissioner Cummings said as he understands the discussion, Option No. 2 is what is currently being done and if nothing changes it will prevail. Under both scenarios, there is going to be the same technical analysis. The difference between the two options is Option No. 1 creates a somewhat more expedient framework that says the Authority will make the decision and then set up the payments with a majority vote of the Board. With Option No. 2 there has to be unanimous consent.

Mr. Manson said that is a reasonable summary of the difference between the two options. But to make it clear, Mr. Manson said this is not a Sarasota County/ North Port issue. This is the first of many pipelines as the loop system is constructed. There is a flawed concept from a legal standpoint the Authority will need to deal with having each member own percentages of allocation and a transmission pipeline reason being it assumes the water is always going to be used for one customer and the water flow will never change in the pipe. For now this can be resolved on a case by case analysis, but in the future as the loop is constructed something different will need to be considered. Mr. Manson said in his opinion the Authority will need to determine some way to purchase back all of the interests that are in transmission pipelines now owned by members when the loop system is created because then it is going to become a system just like the PRF that is used for the benefit of all the members. Mr. Manson said for now, the resolution lies in working with Sarasota County and North Port. Mr. Manson said this discussion is a 'heads up' to the Board for what lies ahead in the next three to five years.

Commissioner Cummings said for purposes of moving the contract discussion forward suggested staying with Option No. 2 and then do a re-evaluation when going forward with the regional loop system projects.

Commissioner Staub said she was agreeable with Option No. 2 at this point. She reiterated the issue of the percentage.

Mr. Manson said he would work with the Sarasota County staff on that issue but ultimately it is going to have to be a determination of how much money is paid back because Sarasota County has already paid for the pipeline for almost three years.

Commissioner Hill refrained from comments on this issue.

Chairman Glass said for the good of today's meeting suggested moving forward with Option No. 2 but this issue can be discussed further at the workshop.

Weighted Vote

Mr. Manson said the weighted vote is a provision in the Interlocal Agreement to allow Charlotte County, as the major user of water, to ensure that the operation and maintenance budget was sufficient to maintain water production. With the regional expansion program and the new water supply demands, the weighted vote method will become archaic. Each of the members will ultimately be supplied water from the Authority. Charlotte County will no longer command the majority of the weighted votes upon usage of the full buildout of the regional expansion program. Mr. Manson said the options are to retain the weighted vote for that portion of the budget regarding the regional water system or use only a normal vote requiring a simple majority for all Authority decisions.

Commissioner Cummings said from his perspective he could not think of a reason to keep the weighted vote. The other board members said they would support Commissioner Cummings' position on this issue.

Redistribution Pool of Water

Mr. Manson said this issue is one of the unexpected things that has arisen out of the contract negotiations and is actually a water system issue. Creating a pool of water supply to transfer among customers has been discussed as a method to unify the customer water transfer contracts. It has been proposed that the Authority create a pool of available water for transfer to those customers who have water needs. The process would have the Authority review the projected demand figures supplied by each of the customers and determine the difference between their existing water allocation and projected demands for up to ten (10) years. The Authority would then send a notice of available water to each customer, providing them with the quantities of water available above projected demands within their water allocation. This available water could be placed into a redistribution pool to be resold to other Authority customers. The reason why this is timely for the Authority is because as the regional expansion program moves forward with the common debt service cost and every time a new project is added, potentially the new project is more expensive and everybody's costs go up somewhat. You don't want to bring in new water supplies before they are actually needed and the pool would create a resource where the Authority could look at all the joint demands of all the customers and look at the available additional allocations and then redistribute those allocations. The money generated from the redistributed water is distributed pro rata to all the customers contributing to the pool. This process allows for the voluntary availability of water and could potentially allow the Authority to more efficiently utilize existing allocations. In a second option, the customers would provide their projected demands and the Authority would redistribute to those customers in need. This process would provide more certainty of available water for a more efficient method for utilizing all of the existing water allocations prior to the construction of new water supplies. In the first option it would be voluntary by the customers and in the second option the Authority would make the decision.

Chairman Glass asked how this process fits in with permitting.

Mr. Manson said it works within the permitting process in that the Authority could increase up to 32.7 mgd without having to modify the permit. If the water is shifted around as such that one member was taking substantially a higher amount than initially authorized by the permit, a letter modification or a modification of the permit may be required by the District.

Chairman Glass said in this process a customer can ask but there is no guarantee they will get the additional water. She asked if her understanding was correct?

Mr. Manson said that is an interesting question and one he has not considered rephrasing the question to say what if there is more demand than supply. Mr. Manson said his initial thought would be pro-rata based on customer demands as determined by the Authority. The reason he said as determined by the Authority is because it has to be permittable demand.

Commissioner Cummings said he was in favor of Option No. 1 where the existing customers could decide whether they were going to opt in the pool or retain it because as he previously said in his opinion each member owns a certain percentage of the PRF. For a later discussion, Commissioner Cummings posed the question of how to deal with Sarasota County and Charlotte County in that they have contributed quite a bit of additional funds toward replacing ASRs that presumably will go away. And, if those ASRs don't go away, does that become capacity to Sarasota and Charlotte counties. Presumably there is language in the contract dealing with excess capacity that would take into consideration that scenario.

Mr. Manson said there is a provision in the contract that mandates the Authority maintain 5% additional capacity beyond that allocated to the customers. The idea being to create Authority freeboard. The 5% would be paid for on a pro-rata basis by the amount of allocation. In other words, if a customer owns 30% they are going to pay 30% of that cost for that year. In the next year, the percentage shifts because

more customers are coming on-line, and then the percentages are reduced. The idea is the Authority would actually own additional capacity above what is allocated or sold to each of its customers.

Further, Mr. Manson said there is a re-rating provision in the contract that goes to this issue. If any component of the Authority was re-rated and regulatorily was able to generate more water, the cost and allocations would be done on a pro-rata basis. There is the opportunity in the provision to opt in or opt out.

Commissioner Staub said she was in favor of Option No. 1. She said it is simple and it works.

Commissioner Hill said he appreciated the opportunity to discuss this with his staff at the recess but at this point he was in favor of Option No. 2.

Chairman Glass called for a 5 minute recess at this time.

When the Board re-convened, Commissioner Hill asked for the floor. He requested Fred Busack, DeSoto County's legal counsel, address the Board regarding DeSoto County's position on the issues being discussed.

Mr. Busack said the veto provision is very important to DeSoto County. He explained DeSoto County has a small portion of the regional expansion program so in order to deal with even modest growth, they are going to have to be looking at new water sources. They need some assurance there is going to actually be new water sources developed. It also poses a problem for DeSoto County with the regional expansion program as it stands now. Option No. 1 does not provide DeSoto County assurance for future needs.

Chairman Glass said it goes both ways. The philosophy has been that we're going to work hard toward this regional water supply authority. It has not been designed to say that anyone will be kept out. We are all here to help each member government and not be competitive. We all want to make sure that the people we serve are going to have water. Chairman Glass said to Mr. Busack that the Board is very zealous that they will be able to work this out on August 29. We are not closing the door today.

Mr. Manson said what he sees is that everybody is willing to come to Option No. 1 and does not feel anyone is saying they are precluding anything else. If other options are available, they can be discussed at the August 29 workshop. What we are saying for right now in order to get the contract done, work toward Option No. 1.

Commissioner Cummings said he believed there is a provision in the contract that says any individual member can unilaterally cause an increase in system capacity. So, if one project were to get vetoed which he does not recall that has ever actually occurred, the possibility has been posed on two occasions once by Charlotte County and once by DeSoto County, but that would not remove the Authority from its legal obligation to create some source to meet the needs regardless of what the veto was.

Mr. Busack said he understood Commissioner Cummings' comments. The problem remains if everybody had a veto, the Authority would have no place to develop the source. That is a fundamental problem in the way the Authority is structured right now if they are truly going to be a regional authority. You also have to look at the way the District is looking at projects as well. The District is looking for the Authority to develop regional solutions so getting something permitted to solve Desoto County's problem is not going to be easy.

Commissioner Cummings said as Chairman Glass pointed out, it goes both directions. I view this as sort of an enforced cooperation. It means the region has to address the concerns of the locality from which the

resource is being extracted and that is what cooperation is about. It means that everybody has to sit down at the table and find a mutually acceptable agreement and one district can't be run over by the region.

Commissioner Staub said she appreciated Mr. Busack's comments although feels there are other members that are going to need substantially more water than DeSoto County and feels they can be assured there are going to be new water supply sources. Already the Authority is considering a myriad of potential projects. On another issues regarding DeSoto County she would like to discuss at the workshop the role the Authority will have with Desoto County as being the exclusive provider. That puts DeSoto County at a different classification or level as an entity. There needs to be some discussion of that relationship and how that fits into all of the needs of the members. The members and the customers need to understand that if the Authority is an exclusive provider, does that customer have a priority and gets the water they need first, or is there a mix of equity.

Mr. Manson said the veto provision and the Authority being DeSoto county's exclusive provider are tied together. If Desoto County is going to make the move to having the Authority be their exclusive provider, they need to have assurance that the Authority is going to be able to develop new supplies. That is the reason why that discussion will come up at the workshop.

Commissioner Staub said another item she would like to discuss at the workshop is design build operate and referred to an article written by the general manager of Tampa Bay Water about their creative design build operation options which can provide value technology and accountability and actually save money. This goes to making sure as an authority we are able to consider alternative delivery methods for our projects. She asked Mr. Lehman to distribute the article to the members. She said she would like to discuss having some language in the contract that talks about the ability to look at alternative methods of financing projects in order to maintain the schedules that are established.

Mr. Manson said there are provisions in the contract regarding financing and is not limited to the bonds. Mr. Manson said he was very familiar with Tampa Bay Water's contracting process. There is nothing that would preclude the Authority from doing what Tampa Bay Water has done in the past. This would be something to discuss in the future.

Regarding the August 29 workshop, Commissioner Staub said she believed it would be beneficial for the City of North Port to be represented at the table as they must be a signer of the contract. They do have a lawsuit against the Authority which makes it uncomfortable but would hope those discussions would be outside of the lawsuit implications to enable some free wheeling discussion. They need to be able to put forth their concerns and their suggestions.

Mr. Manson said there are risks and benefits to having North Port at the table but felt the benefits outweighed the risks. The contract in itself contains the guarantee provision of water supply that North Port is requesting and is the key component to settle the lawsuit. To have North Port at the table would be very helpful in being able to resolve the contract issues and subsequently the lawsuit.

Motion was made by Commissioner Staub, seconded by Commissioner Cummings, to invite the City of North Port to participate in the Board Workshop scheduled for August 29, 2005. Motion was approved unanimously.

- Item 10. Regional Expansion Program Status Report - Kevin Morris, Chief Engineer*
- a. Peace River Facility Expansion (Consultant - Boyle Engineering Corporation "Boyle")*
 - b. Regional Reservoir Expansion (Consultant - MWH Americas, Inc. "MWH")*

Mr. Morris said the Authority hosted a workshop for the member and customer staffs on July 21 to provide the opportunity for the consultants to present the ongoing engineering work for the Regional Expansion Program and to gain input from the staffs prior to finalizing the work. Detailed presentations were made by both Boyle Engineering Corporation and MWH Americas, Inc. Most of the members/customers were in attendance. Both consultants were scheduled to provide an update to the Board at today's meeting, however due to time constraints, the presentations were not given. Mr. Morris distributed a summary of the presentations to the Board for review at their perusal.

Commissioner Cummings said it would be helpful if he could receive these types of reports before the meeting. He also suggested agenda items could be posted on the Authority's website.

c. DeSoto County Regional Pipeline Extension (Consultant - PBS&J)

As previously reported, the contractor exceeded the allowable time to complete the project. Liquidated damages in the amount of \$2,500 per day are being applied. In addition to the contractor taking one week of vacation in July, the DOT shut down the contractor because they were behind in restoration efforts and sodding. Mr. Morris said once the contractor returned from vacation, it took one week to complete the sodding effort so DOT would let the contractor resume installing pipe. According to the current schedule, the last of the pipe should be laid by August 5. It will then take two days for the contractor to re-mobilize across the road to make the final tie-ins. That work should be completed the week of August 15 with the next week devoted to pressure testing, flushing and chlorinating. It is anticipated water will be moving through the pipeline by the week of August 22. Staff has started discussions with DeSoto County to coordinate the final tie-in activities. Mr. Morris said liquidated damages for this project exceed \$200,000 and currently \$250,000 is being withheld.

Item 11. Enhanced ASR Groundwater Monitoring Program Status Report - Kevin Morris, Chief Engineer

Mr. Morris said this project is complete. The team of CH2M Hill and Rowe Drilling met the ambitious schedule of constructing 13 monitoring wells in 85 days. Weekly sampling has started and will continue over the next three years. This project was accomplished through cooperative funding from SWFWMD. The Authority's goal is to develop additional data to allow EPA to better interpret the new lower arsenic standards.

Commissioner Cummings asked if staff had established any data on the water quality in the ASRs for the Everglades restoration project. Commissioner Cummings said he raised that question because he had spoke with someone about this issue who seemed to be astonished there may be any water quality issue at all. Commissioner Cummings said if everybody is held to the same standard as the Authority, it may create such a huge political problem for the state that the state is going to have to get serious about fixing it.

Mr. Lehman said staff would look into the available data.

Item 12. Governmental Affairs Staff Report - Ray Pilon, Governmental Affairs Coordinator

Due to time constraints, this report was not presented.

Item 13. Routine Status Reports

- a. Regional Integrated Loop System Feasibility/Routing Study**
- b. Alternative New Source Development Projects**
- c. Horse Creek Stewardship Program**

These reports are presented for the Board's information.

Item 14. General Counsel's Report

Mr. Manson said the only change over the last month on phosphate matters regarded the Phosphate Reclamation Rules. Mr. Manson said on July 8, 2005 revised proposed rules and a notice scheduling an adoption hearing for August 4, 2005 at DEP's office in Tallahassee were published. Comments and proposed amendments were submitted to DEP by the parties. These comments and amendments will be discussed on August 4. Ms. Jacobs will be attending the meeting.

Mr. Manson's written report is filed with the permanent records of the Authority.

Item 15. Executive Director's Report

Mr. Lehman said the Annual Water Management Conference is scheduled for September 7 thru 9 at the Sanibel Resort. The opening event is scheduled for the evening on September 7 and should not interfere with the Authority's board meeting on September 7 which is scheduled for DeSoto County.

Mr. Lehman thanked the Charlotte County staff, and in particular Terry Briggs, for taking care of the arrangements for today's meeting which had been relocated due to the renovation of Charlotte County's board room.

Mr. Lehman said the workshop on August 29, 2005 will be held at the Holiday Inn Lakewood Ranch in Sarasota.

Chairman Glass asked if a motion was required.

Motion was made by Commissioner Staub, seconded by Commissioner Cummings, to have the Board Workshop and Special Board Meeting on August 29 for the purposes of discussing the Amended Interlocal Agreement and Master Water Supply Contract. Motion was approved unanimously.

MEMBER COMMENTS

None.

PUBLIC COMMENTS

None.

ANNOUNCEMENTS

Work Shop and Meeting:

10:00 a.m., Monday, August 29, 2005
Holiday Inn Lakewood Ranch
6231 Lake Osprey Drive
Sarasota, Florida

Next Authority Meeting:

10:00 a.m., Wednesday, September 7, 2005
Board of County Commission Chambers
DeSoto County Administration Building
201 East Oak Street, Arcadia, Florida

Adjournment

There being no further business to come before the Board, the meeting adjourned at 12:30 p.m.

The Honorable Patricia M. Glass, Chairman