

Minutes of Board of Directors Meeting
PEACE RIVER MANASOTA REGIONAL WATER SUPPLY AUTHORITY
Sarasota County Administration Center
Commission Chambers, First Floor
1660 Ringling Boulevard, Sarasota, Florida

July 25, 2018

Board Members Present:

Commissioner Alan Maio, Sarasota County, Chairman
Commissioner Ken Doherty, Charlotte County
Commissioner Priscilla Trace, Manatee County
Julian DeLeon, Utility Director, Desoto County (Alternate)

Staff Present:

Patrick Lehman, Executive Director
Doug Manson, General Counsel
Mike Coates, Deputy Director
Ann Lee, Finance & Administration Manager
Kevin Morris, Engineering & Projects Manager
Richard Anderson, System Operations Manager
Rachel Kersten, Agency Clerk

Others Present:

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

CALL TO ORDER

Commissioner Maio called meeting to order.

INVOCATION

Commissioner Doherty offered the invocation.

PLEDGE OF ALLEGIANCE

The Board led the Pledge of Allegiance of the Flag of the United Sates.

HOST COUNTY REMARKS

Sarasota County Administrator Jonathan Lewis provided the host county welcome and opening remarks.

CHANGES TO AGENDA

Commissioner Maio asked Mr. Lehman for any changes to the agenda. Mr. Lehman responded the agenda was amended July 23, 2018 and provided to the Board and posted on the Authority's website. Consent Item No. 9 has been deleted and Consent Item No. 8 motion has been revised.

PUBLIC COMMENTS

There were no public comments.

PUBLIC HEARING – BUDGET FOR FY 2019**1. Open Public Hearing**

Commissioner Maio opened the public hearing and introduced Mr. Lehman for the budget presentation.

2. Presentation of Budget for FY 2019

Mr. Lehman presented the proposed final Budget for FY 2019. The final budget includes all anticipated expenditures of the Authority for its projects and activities for the ensuing fiscal year, including, but not limited to, operating and maintenance costs, management and planning costs, and debt service.

The Tentative Budget for FY 2019 was approved by the Board on April 4, 2018 and subsequently posted on the Authority's website along with all supporting data for the public and any interested persons to review. The Board approved the '5-Year Capital Improvements Program and 20-Year Capital Needs Assessment' at the May 30, 2018 Board meeting. The final proposed Budget for FY 2019 is \$59,634,692 and contains no changes from the approved Tentative Budget.

Mr. Lehman gave a budget analysis. The FY 2019 budget contains an increase of roughly \$10.2 million over last year's budget. Key points from this analysis included:

- Costs consistent with increased water demand
- Staffing items including:
 - Personnel compensation increase budgeted at 4%
 - Health insurance increase budgeted at 5%
 - One new staff position - a Land Management/Environmental Monitoring position providing 49 full time employees
- Prioritization of R&R funding to maintain our infrastructure,
- Incorporates FY 2019 costs of adopted 5-Year Capital Improvement Program, and
- Reflects grant funds for CIP projects providing Customer savings.

Mr. Lehman went over the historical budget comparison for the past 5 years. Operating & Maintenance (O&M) costs have remained constant through the years with the slight up-tick this year being specifically related to projects. Mr. Lehman reviewed the key aspects of the budget with the breakdown of expenditures and available funds.

The water rate, member fee and planning assessment for FY 2019 were presented as contained in the budget. The base rate charge [fixed cost based on water allocation] is an increase of less than 1.6%, consistent with the projected increase in water demand. The water use charge [based on actual delivery of water] remains \$0.74 per thousand gallons for the sixth year in a row. The member fee and planning assessment has slightly increased.

Mr. Lehman recommended that the proposed budget of \$59,634,692 for FY 2019 be approved by the board.

Commissioner Maio asked the Board if there were any questions or comments.

Commissioner Doherty stated that with the numerous incoming revenue streams he would like to see a graphic or flow chart showing how these incoming revenues are filtered into each fund, and based on this flow set a policy if one did not already exist.

Mr. Lehman explained that the flow of funds is set by the Authority's bond covenants, and that per Commissioner Doherty's request, he will bring the information and requested graphics as an agenda item at the October meeting.

3. Public Comment

There were no public comments.

4. Close Public Hearing

Commissioner Maio closed the public hearing at 9:46 a.m.

BUDGET FOR FY 2019

1. Adoption of Budget for FY 2019

The proposed Budget for FY 2019 in the amount of \$59,634,692 was presented for Board consideration.

Motion was made by Commissioner Doherty, seconded by Commissioner Trace, to approve the Budget for FY 2019 in the amount of \$59,634,692. Motion was approved unanimously.

2. Resolution 2018-09 'Resolution Setting Forth Rates, Fees and Charges for FY 2019'

Resolution 2018-09 formalizes the Board adoption of the Budget for FY 2019 and establishes the rates, fees and charges by the Authority for FY 2019 in accordance with the 'Second Amended Interlocal Agreement Creating the Peace River Manasota Regional Water Supply Authority' and the 'Master Water Supply Contract'.

Motion was made by Commissioner Doherty, seconded by Commissioner Trace, to approve Resolution 2018-09 'Resolution Setting Forth Rates, Fees and Charges for FY 2019'. Motion was approved unanimously.

CONSENT AGENDA

- 1. Minutes of May 30, 2018 Board of Directors Meeting**
- 2. U.S. Geological Survey Joint Funding Agreement #19ESFL000000107**
- 3. Resolution 2018-10 'Florida Water Professionals Month'**
- 4. Professional Services Contract, Scope and Fee for 'Integrated Regional Water Supply Plan 2020'**
- 5. Policy for Development of SWFWMD Cooperative Funding Initiative Application**

6. Annual Regulatory Plan 2018-2019
7. Special District Public Facilities Report – 2017 [Reaffirmation with no changes]
8. Maintenance Office and Warehouse Construction – Transfer Funds from General Fund to CIP Fund and Approve Bid and Award Contract for Construction to L. Cobb Construction, Inc. for an amount not-to-exceed \$2,544,280.24 [AMENDED; 7/23/2018]
- ~~9. Transfer Funds from General Fund to CIP Fund in the Amount of \$500,000 [REMOVED; 7/23/2018]~~
10. Declaration of Surplus
11. Authorization for Regional Integrated Loop System Phase 1 Interconnect [U.S. 17 to Punta Gorda] Property Purchase
12. Ratify Authorization for Emergency Replacement of Plant 3&4 Transfer Pump Header Piping

Motion was made by Commissioner Doherty, seconded by Commissioner Trace, to approve the Consent Agenda. Motion was approved unanimously.

REGULAR AGENDA

1. Water Supply Conditions - Staff Presentation

Richard Anderson presented Water Supply Conditions at the Peace River Facility as of July 10, 2018.

- Water Supply Quantity: Excellent
- Treated Water Quality: Excellent

May Water Demand	19.23 MGD
May River Withdrawals	59.04 MGD
<u>Storage Volume:</u>	
Reservoirs	5.96 BG
ASR	<u>6.85 BG</u>
Total	12.81 BG

Rainfall in the Peace River basin averaged around 11-inches during the month of May. In the month of June, we got another almost 9-inches. As of July 10th, the basin had averaged about 6-inches total rainfall.

Mr. Anderson reviewed the historical monthly Peace River flows and said that because of the tremendous amount of rain received in May & June river flow averaged about 3,800 CFS during this last reporting period. River withdrawals were suspended through May because the water quality was deteriorated. We re-initiated pumping June 10th and averaged about 45 MGD for the month. Through July, the average withdrawal was approximately 60 MGD.

Reservoir storage as of yesterday is right at 6.5 BG. Mr. Anderson stated that the ASR system is still in storage mode with over 6.8 BG in storage.

Mr. Anderson said the Authority and its customers have about 105 MGD in average day production capacity. In the month of June, 22.91 MGD was delivered by the Authority and 46.49 MGD was produced by Authority customers for a total regional production of 69.40 MGD. Of that amount, about

3.48 MGD was exported to non-Authority customers. This makes the total water demand for Authority Customers approximately 65.92 MGD for the month.

Mr. Anderson reviewed the current demand and supply conditions for each of the members/customers for the month of June and the cumulative historical annual average usage of the region. Authority members account for just over 66% of the region's demand.

2. On-Going Projects Overview/Status – Staff Presentation

Kevin Morris gave a presentation detailing status on four of the Authority's currently on-going CIP projects:

1. Regional Integrated Loop System Phase 1 Interconnect Project
2. Regional Integrated Loop System Phase 3B Interconnect Project

Commissioner Doherty asked about the clearance of the aerial crossing at Cow Pen Slough. Mr. Morris responded the design is approximately 4-feet.

3. Peace River Facility Storm Water Management System Improvements
4. Filter Cell Structural Cover Project

Commissioner Maio suggested that the Board stop and discuss the Filter Cell Structural Cover Project and whether or not we should move forward in getting bids on the project.

Commissioner Doherty stated that he felt moving forward and bidding the project was the right way to go because we need to know costs. He asked Mr. Lehman if this project would be an example of the smaller common benefit CIP type project.

Mr. Lehman said yes, because this project would be beneficial to all customers across the board.

Commissioner Doherty suggested using this as an example to aid the authority in framing a common benefit project definition and policy.

Commissioner Maio asked if the consensus of the Board would be to ask for 180-day guarantee on any bids received. The Board members agreed that this would be appropriate.

3. Partially Treated Water ASR Pilot Test Results and Next Steps – Staff Presentation

Mike Coates presented the Board with update on the Partially Treated Water ASR Pilot to review testing results and discuss next steps.

The Authority's Aquifer Storage and Recovery (ASR) System includes 21 ASR production wells with a design storage capacity of 6.3 BG. While this system is a critical storage component for the Peace River Facility, it is operationally expensive. Water in ASR is treated twice to drinking water standards; first on injection in accordance with our existing operations permit for ASR; and again upon recovery. Operationally this makes water from ASR twice as expensive as water from the raw water reservoir system.

Converting to a partially treated ASR system (minimal filtration and possibly disinfection prior to injection) has the potential to offer cost savings, improve ASR recovery efficiency, and may provide

opportunities to obtain groundwater credit for over-recharging the Floridan Aquifer in the Southern Water Use Caution Area.

Mr. Coates stated that cycle testing began in February 2017 and was completed in January 2018. Data collection associated with the test was completed in early February and the evaluation of test data then began. The reported water quality summary results from this pilot testing are in and what we have seen is a gradual increase of arsenic in storage zone wells in the area of influence of the test wells. We've also seen an increase of coliform bacteria in some monitoring wells in the area of influence, specifically high in M-12, M-14 & M-15, and E-coli in some of the samples, but at low levels.

As for the well performance summary results, Mr. Coates said that the testing showed that the filter bags removed large particulates, but there was a small loss of capacity associated with algae and fine sediment. However, it was found that brief recovery periods from well and pump-surge was effective in restoring this capacity.

Mr. Coates explained that overall what we've learned is that Partially Treated Water ASR is feasible here. It will require permit modification and ZOD (zone of discharge) or WQCE (water quality criteria exemption) and the implementation plan would require more details such as: a new pump station at Reservoir 1, then possible addition of filtration and disinfection, additional property control and monitoring wells, and possible reconfiguration of the production wells. Mr. Coates stated that it may be in the Authority's best interest to consider incremental implementation to get a better handle on probable costs. This would involve conversion of ASR wellfield 2 first.

The next steps in this process will occur over the next 12 – 15 months and include finalizing the draft report from testing, obtaining permitting that authorizes use of partially treated water ASR, contracting for design services and then reviewing project needs and costs at the end of preliminary design.

Mr. Coates then requested a motion from the Board to move forward with permitting for the use of fully treated drinking water and/or partially treated surface water (at the Authority's option) for ASR Wellfields at the Peace River Facility.

Commissioner Maio asked if it would make sense to add a section on investigating the cost of purchasing additional land shown by Mr. Coates adjacent to the RV Griffin Reserve and ASR wellfield to the list of next steps for the project.

Mr. Coates stated that yes, that can be added to the list.

Commissioner Doherty agreed and said that with \$1.5 million dollars per ASR well, it makes sense to see what kind of costs would be involved with property acquisition and the feasibility of these purchases.

Commissioner Trace stated that she is not opposed with acquiring more property, but she is concerned that enough testing has not yet been done related to this project and putting bacteria down into the aquifer. She continued to say that she fully supports moving forward with additional testing, but feels it is too soon to move forward with putting water down into the aquifer at this point.

Commissioner Maio asked if he understood correctly that to move forward with permitting we would have to perform quite a bit more testing.

Mr. Coates stated that he believes we have enough information to move forward to submit for permit of the project, but not enough information to build it. The first step in the process would be to get a permit for this project. If we can't get a permit there is no need to do anything else. The staff recommendation is

to go ahead and investigate purchasing the property so that we may then attempt to obtain the permitting. Once that permitting is done, with board approval we can begin the preliminary design work and any additional testing.

Commissioner Trace asked if the Authority obtains the permit, would we go ahead and proceed regardless? She again stressed her concerns for additional testing and stated that it's the verbiage of the motion that causes the concern.

Mr. Manson clarified that the motion requested is to just move forwarding with permitting at this point. The Authority is not requesting a motion to grant the ability to actually move forward with injecting at this time. He stated that the concept is to perform future testing before going any further, the current goal and request is to gain consensus on moving forward with permitting the project.

Commissioner Doherty stated that permitting is the first domino that has to fall in this process to see if this all is even possible, and supports moving forward with that aspect.

Motion to move forward with investigating the cost of property acquisition and permitting for the use of fully treated drinking water and/or partially treated surface water (at the Authority's option) for ASR Wellfields at the Peace River Facility was made by Commissioner Trace, seconded by Commissioner Doherty. Motion was approved unanimously.

4. Board Meeting Video Procedure

Mr. Coates presented the Board with an update to the request made by Mr. Lehman at the last meeting to look into options to video Board meetings that are currently in the dark; primarily the DeSoto County and Peace River Facility venues. Staff has retained a firm in the past to video at these locations but they were not particularly reliable post production. Staff obtained a proposal for video with a new vendor and if the Board would like we can move forward with contracting these services. The quote currently is for approximately \$1,400 per meeting for the recording and post production work involved, including embedding the slideshows.

Commissioner Doherty said he appreciated Mr. Coates bringing this forward again and feels that it is important to be consistent and have the video of each of these meetings.

Commissioner Maio stated that of all the things we are currently in the mix of, \$1400 is a nominal expense to do this.

The Board gave consensus that this is something they approve and would like staff to move forward with securing video of meetings.

5. Lakewood Ranch Office Acquisition Study

Ann Lee gave a presentation to the Board on the Authority's Administrative office located in Lakewood Ranch, which was listed for sale in October 2017.

The Authority's current lease term on the building is 3 years with 2% annual escalation (ending April 31, 2020) and the option to renew at same terms for an additional 3 years. The current lease payment is

\$13.60 per ft² (\$102,448.80 annually) with Common Area Maintenance (CAM) costs of \$6.40 per ft² (\$48,211.20 annually).

The property is not currently under contract and the owners are giving the Authority the first right of purchase. Ms. Lee stated that when we learned that the building was on the market, we asked Susan Goldstein to update the sales market study that she performed last year in conjunction with our lease renewal. Ms. Goldstein reviewed both the current properties on the market and recently sold properties that were the most similar to the Lakewood Ranch office and within a 5-mile radius. Her report indicates that the market value of the property is between \$1.5 million and \$2 million.

Mrs. Lee explained that if the Authority were to purchase the currently leased property, there could be substantial cost savings as the Authority would not be subject to property taxes and would not need a property manager. Additional benefits include a short-term revenue stream from the other building tenant, as well as having the ability to easily expand into the tenant's space the future as may be needed.

Ms. Lee then asked for the Board's direction to move forward with negotiations for the potential purchase of the Lakewood Ranch Administrative Office.

Commissioner Doherty stated that he is in favor of owning something versus leasing something, and with the Authority planning on being around forever, it makes sense. However, he stated that he would not only like to look at this option, but also investigate the option and feasibility of relocating the administrative staff to the facility in DeSoto County.

Ms. Lee stated that we could explore the idea and feasibility of the facility for an administrative office.

Commissioner Trace said that her only question would be where is the money for the acquisition going to come from, and stated that as far as potentially building an administrative office down south as an alternative – we need to ask the staff where most of their work is done. Relocating them to DeSoto County may not be the most efficient manner of business.

Commissioner Maio stated that he would also like to add that the potential savings of relocating those staff members is not worth losing them because of distance. He also stated that it would be important to let the tenant know during this process that we are in no rush to have them vacate. Part of the attraction of potential acquisition is their monthly rent payment.

Motion to move forward with negotiating a purchase price and conducting a feasibility study on the most cost-efficient location for the administrative staff was made by Commissioner Trace, seconded by Commissioner Doherty. Motion was approved unanimously.

BOARD DISCUSSION AGENDA

- 1. Authority Business Plan for CIP**
 - a. Current Business Model/Members' Investment and Methodology**
 - b. Future Business Plan/Next Steps**

Mr. Lehman presented the Board with a review of the Authority history, the current business model and Member's investment & methodology, and then opened the discussion on the Authority's future business plan and next steps.

Commissioner Maio thanked Mr. Lehman for bringing all of these items up for discussion and stated that he would like to hear from his fellow commissioners as to their thoughts on creating time to address these things and he would personally would like to see an expanded workshop on the issues.

Commissioner Trace stated that she felt it would be best to have just a workshop, separate from the regularly planned Board meeting to sit down and discuss these items. We are not reinventing the wheel, there are a lot of people out there doing what we are in different ways, and we should be able to come up with a business model. She again stated that she agreed with Commissioner Maio that a less formal and separated workshop setting would be beneficial to cover this stuff.

Mr. DeLeon gave an example of pipeline relocations and asked Mr. Lehman how things of that nature would be funded.

Mr. Lehman stated that we are just starting to run into that sort of situation, specifically in Charlotte County where Kings Highway may be widened eventually, and it is a question that needs to be discussed and answered by the Board.

Commissioner Doherty thanked Commissioner Maio for coming right out and saying that we need more workshops, and commended Mr. Lehman on his presentation and framing the major elements that need discussion. He stated that we sort of hit on some of these during the very first workshop in Lakewood Ranch when we talked about doing an inventory of everything that's out in the region and discussed the members and the customers that will undoubtedly be facing expansion issues in the future. Are they going to expand their supplies in their facilities on their own nickel etcetera, but right now they are interconnected with us and that might be an option for these municipalities down the road as opposed to expanding their facilities.

Commissioner Doherty continued and said again, we need to spend a lot more time on the four major categories Mr. Lehman outlined in his presentation and that we try to tackle all this as a process. He stated that he would recommend putting together a bullet list of the policy gaps needed, a list that we can add to as time goes on, and one that the Authority staff can then take and really engage with our staffs, administrators, managers, and directors to work over some of the details around these policies. Commissioner Doherty said he thought it would be wise for us to get their staff involved with this early on before the Board sits down and gets too deep into the policy making process itself. This approach is going to take more coordination and time to accomplish – getting all these staff members in the same room at the same time will be a challenge – he reiterated that he thinks this will be the best and most efficient way for us to do this.

Commissioner Maio stated that he knows Mr. Lehman does get together with all the members staff from time to time, and that he personally is sensitive to the fact that he does not want to get ahead of the rest of his Board of County Commissioners, nor does he want to get too far out to field without talking to staff.

Commissioner Maio said that with that in mind he likes the idea of the bullet list and laying out a number of workshops. But before these workshops, having the Authority staff meet with their staff for review of the bullet items to be discussed.

Commissioner Maio then posed the question to the Board on how often and what length of time is everyone willing to meet on the bulleted items? He stated that personally he feels that if we are going to do a workshop in a setting that's more comfortable then he is not opposed to a 3 or 4-hour workshop with a break in the middle, but would like to hear from everyone else on how frequent if we want to do this and still maintain our regular schedule of every other month.

Commissioner Trace stated that she has no problem with the workshops as long as there is a day that everyone can all meet, and that she would recommend keeping the meeting schedule as is and plan workshops in addition to this as needed. She said that she is not opposed to working through lunch and getting in 5 or 6 good hours to cover what is needed if necessary.

Commissioner Doherty stated that he feels as if we really need to increase the frequency of our meetings, and that he will defer and let Mr. Lehman lead the way on working with all of the staff on making that happen. The challenge will be at the beginning of the process, getting that bulleted list together, and then meeting to get the Boards agreement on the list of policies that we need so that the staff meetings can begin.

Commissioner Maio addressed Mr. Lehman and stated that a good path may be to take the time between now and the next meeting to compile a bullet list of issues and then review it in October with the Board to get the greenlight on the items and go from there.

Mr. Lehman said that he believes it is reasonable to come back to the October Board meeting with that list and asked for confirmation that the Board is comfortable with waiting until this time rather than attempting to schedule another additional meeting between now and then for this.

Commissioner Maio confirmed that yes, that he thinks that this is a great plan.

GENERAL COUNSEL'S REPORT

Mr. Manson provided a brief litigation update on the seven petitions filed. A hearing has been set on the matter for between January 28, 2019 – February 15, 2019. A motion to dismiss based on speculative claims were filed last week on all seven of the petitions by both the Water Management District and The Authority. The hope is that within the next 30 – 45 days we will have a response on these motions.

Mr. Manson also stated that he was approached by the Counsel for the City of Lakeland with an indication that they would be interested in mediation for settlement. He stated that he has always been of the mind that if there is a chance to reach settlement without litigation, then that is the way to go. Mediation is nonbinding and he has not received any settlement offers up to this point. Mr. Manson stated that because there is the potential for these offers, he would like to request a closed-door session to discuss the litigation and mediation strategies with the Board as it relates to the filed petitions.

Commissioner Doherty stated that he appreciates Mr. Manson requesting the Closed-Door Session and said that he feels like mediation seems like a good approach given it is non-binding.

EXECUTIVE DIRECTOR’S REPORT

Mr. Lehman reminded the Board that the annual Water Forum is scheduled in Orlando for October 4th & 5th, and said that he would be sending out an email with additional information to Board Members shortly.

ROUTINE STATUS REPORTS

There were no Board comments on routine status reports.

BOARD MEMBER COMMENTS

Commissioner Doherty asked that the Authority staff insure that they are keeping on top of the conversations surrounding the Mosaic watershed situation and commenting as appropriate

Mr. Manson confirmed that we are monitoring and staying abreast of all conversations and participate as needed.

PUBLIC COMMENTS

There were no public comments.

ANNOUNCEMENTS

Next Authority Board Meeting
Wednesday, October 3, 2018 @ 9:30a.m.
DeSoto County Administration Building
Commission Chambers, First Floor
201 East Oak Street, Arcadia, Florida

Future Authority Board Meetings
December 5, 2018 @ 9:30 a.m. – Charlotte County Administration Center, Port Charlotte, Florida

ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 11:38 a.m.

BOARD APPROVED

OCT - 3 2018

**Peace River Manasota
Regional Water Supply Authority**



Commissioner Alan Maio
Chairman