

Minutes of Board of Directors Workshop
PEACE RIVER MANASOTA REGIONAL WATER SUPPLY AUTHORITY
Peace River Facility
Water Quality/Training Center
8998 SW County Road 769 (Kings Highway), Arcadia, Florida

January 31, 2020

Board Members Present:

Commissioner Ken Doherty, Charlotte County, Chairman
Commissioner Priscilla Trace, Manatee County, Vice-Chairman
Commissioner Alan Maio, Sarasota County Commissioner
Commissioner Elton Langford, DeSoto County Commissioner

Staff Present:

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

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

Commissioner Doherty called the workshop to order at 10:35 a.m.

AGENDA

1. Budget Discussion for FY 2021

Budget issues and priorities presented to the Board for discussions:

Budget Issues:

- ✓ Rate model to project revenue/expenditure needs
- ✓ Prioritize funding to maintain infrastructure – R&R Sufficiency Study
- ✓ SWFWMD Cooperative Initiative Funding Projects
- ✓ Emergency Disaster/Relief Reserve

Fiscal Sustainability:

- ✓ Maintain Bond Ratings at ‘aa’ category or higher
- ✓ Maintain reasonable water rates:
 - Next fiscal year FY 2021

- Near-term [2-5 years]
 - Long term [5-20 years]
- ✓ Plan for debt reallocations in FY 2022 and FY 2028

CIP Initiatives:

- ✓ Planning for long term water demands and resiliency
- ✓ Update and Adopt 5-Year CIP and 20-Year Needs Assessment for FY 2021
- ✓ Provide CIP funding for future projects

a. Board Calendar and Issues

The Authority has a budget process that takes staff, administrators and Board input throughout the process, and also seeks feedback from external agencies as well as the public. It is the intent to bring the Tentative Budget for FY 2021 back to the Board for approval on May 27th and the final budget hearing for approval on August 5th.

b. Rate Consultant Water Rate Model

Integrated Modeling System

- ✓ Real-time, dynamic control panel
- ✓ Side-by-side scenario comparisons
- ✓ Control key inputs & assumptions
- ✓ Capital funding optimization
- ✓ Alternative CIP/O&M evaluations

Andrew Burnham and Patrick Luce of Stantec provided an interactive overview of the Integrated Modeling System that is provided to and used by the Authority during the budget process.

The tools and models within this system allows the Authority to amplify and look at issues and priorities in real-time to better understand the consequences both near-term and long-term of the different alternatives and how they affect financial performance, reserves and debt coverage ratio targets, and also the active impact to the base charges and volumetric rates that each member's respective agencies, in turn, have to contribute to the Authority to meet those requirements.

Other key features of the modeling system are the ability to change capital projects as well as funding sources on the spot. Through interactive work sessions in this budget process, we explore those possibilities with the Board's staff to develop and evaluate the money consequences of different funding sources they might have.

c. R&R Sufficiency

Black & Veatch is currently evaluating levels of requirement with the R&R Sufficiency Study. The Integrated Modeling System will be updated consistently with R&R Study recommendations, as well as with all other FY 2021 budgetary requirements so that we can understand the implications of these items and what it would mean for the customer charges.

Commissioner Doherty commented that this is a great modeling system and it really looks like it is a tremendous tool. He continued that he appreciates R&R being brought up as it is a challenge for all of us having heard from the Secretary of DEP in Tallahassee this week on a bill that is going to pass and will require us to take and within a year report on the status of all of our existing facilities and what we think our R&R is going to be. It is going to have a major impact and R&R is a major challenge.

d. SWFWMD Cooperative Initiative Funding Projects

In preparation for the development of the FY 2021 budget the three regional projects that are currently being considered for SWFWMD co-funding, with one of those projects also having been submitted to the State of Florida for grant funding beginning July 2020, and the projected fund amounts needed from the Authority for these projects was presented to the Board for discussion and direction.

Project	SWFWMD Funding Request	State Funding Request	Authority Funds	Total Project Cost
Peace River Reservoir No. 3 (PR ³) Siting and Feasibility Study	\$625,000	\$1,500,000	875,000	\$3,000,000
Southern Regional Loop (Segment 2B & 2C) Routing and Feasibility Study	\$200,000	—	\$200,000	\$400,000
Regional Loop Phase 3C Routing and Feasibility Study	\$300,000	—	\$300,000	\$600,000
TOTAL	\$1,125,000	\$1,500,000	\$1,375,000	\$4,000,000

Authority staff received notice this week that all 3 projects have been ranked high by SWFWMD staff so SWFWMD funding of these projects looks promising as long as we can demonstrate an Authority funding match in our budget. Of the \$1.375M in Authority funds required, \$250K is already included and available in the planning assessment for FY 2020, so additional funding needed from the Authority in FY 2021 and FY 2022 is projected at \$1.125M.

The discussion and direction being sought are how these and other similar early-stage regional projects are incorporated in the Authority’s annual budget. The transmission main projects are evaluating details for extension of the regional transmission system which improves system reliability and service to all customers and the reservoir project contemplates siting, design, operational and costs details for expansion at the Peace River Facility to meet future supply needs in the region. With that in mind, in the feasibility study stages, these and other similar projects could potentially be handled in the annual planning assessment portion of the budget. Planning assessment costs are collected proportionally to the population of each member and customer.

Commissioner Maio stated that he believes that as a board we need to be careful that we do not get lulled into thinking that this is seemingly so easy to consistently get the SWFWMD monies. It is an immense amount of effort on the part of our staff to get them in a position where they believe in us, agree with us, and are always there. He would not want to do anything to jeopardize that in this year's, next year's, and future year's budgets if they are requesting, especially ranking us so high consistently, our match and that it be demonstrated easily to them by it being included in our budget.

Commissioner Trace commented that she understands these are siting and feasibility studies and unless she is incorrect, to increase the Authority's capacity one of the members needs to request it seven years out. Has one of us requested a capacity increase?

Mr. Manson replied that the Authority can also add capacity under our contract.

Commissioner Trace asked that if we are paying \$3M just for a study what is the plan afterward? Are we planning on moving forward or are we going to wait for one of our members to ask for capacity, is a member that close to asking for capacity? What is our endgame?

Mr. Lehman stated that by our contract every January all the members give us their water use demand projections, and it looks like 2030 - 2035 is the sweet spot, it is a moving target every year, but it is coming. The question is, if the member wants to sign on the dotted line saying they want this much capacity, we need to be able to say this is the cost and this is the plan to do it.

Mr. Manson commented that he is hesitant to say so, but there is more certainty that we will receive the additional funding from both SWFWMD and the state now sooner rather than later.

Commissioner Maio commented that the obvious point is that we voted repeatedly full speed ahead on the third reservoir and I think these kinds of thoughts and actions on our part do exactly what you're suggesting and just there's a certainty in the part of our grant partners that yes, they are moving on this project.

Mr. Manson added that and unlike some of our other projects, this one will take a little more than the typical seven years to be able to build because of the size of the reservoir, the location and some complications with mitigation banking type credits and things like that. If we had just started the year that someone made the demand and had to be online in seven years, we could not make it with a project of this size.

Mr. Lehman stated that staff will present the financial options at the next Board meeting: (1) what we need to have in the budget? (2) how do we collect those monies? (3) through rates and/or assessments? (4) do we have some carry forward funds? We will also have a clearer picture of those funding column totals at that time.

Commissioner Doherty stated to Mr. Lehman that getting those options and his recommendations on each one to the individual one on ones with the Board Members before the next meeting will be helpful.

e. Budget Policies

In 2019 the Board reviewed and revised or accepted the Authority's current budget policies. The proposal for an emergency/disaster relief reserve is a new policy staff would like the Board to consider.

Insurance just approved named windstorm damage coverage up to \$60M with a 3% deductible or \$1.8M if severe damage was incurred. Most of the Authority's customers have such a reserve to cover insurance deductibles or lag in FEMA funds after a disaster. Staff proposed a discussion on the creation of and funding for a new Authority reserve for disaster relief.

The Authority recently received a check from the State of Florida from a class action settlement with the Alum manufacturers for about \$550K. That money could, should the Board choose to do so, be allocated to begin a disaster relief fund.

The Board members all agreed and gave their consensus that yes, this is something that we need to look at and determine how much and where the monies would come from.

Commissioner Maio asked if at the next Board meeting Authority staff would be making their recommendation on what they think the size of that reserve should be.

Mr. Coates confirmed that yes, that is the intent of staff.

2. Project Prairie Acquisition

Regional acquisition of the Project Prairie Pumping and Storage facilities owned by DeSoto County. These facilities were completed in early 2005. The Authority already owns some of the facilities at this site. These were acquired from the County by the Authority in 2005.

DeSoto Ownership

- Storage Tank and
- High Service Pump Building
- Chemical Feed System
- Emergency Generator

Authority Ownership [2005]

- RO Building
- Aerator System & Clearwell
- Emergency Supply Well

This pump station is strategically located within the regional system for boosting water either north from Punta Gorda or south from the Peace River Facility. It supports the back-up supply function to DeSoto County from the Phase 1 Interconnect pipeline facilities – blending, disinfecting and pumping water from Shell Creek to DeSoto, and it has the potential to serve future supplies identified in the Master Plan: brackish wellfield in DeSoto and future surface water supply development on Shell Creek.

With this in mind – the Authority staff discussed the regional acquisition of these facilities with the county and they agreed to explore this. Stantec has conducted a condition assessment of the facilities, reviewed the as-builts and operational and maintenance records, and determined the facilities are in good condition and have been well maintained. The original costs for the equipment and facilities were provided by the County. Some of the electrical components – in particular, the Variable Frequency Drives for the pump motors have recently been replaced due to a lightning strike.

All County 2005 costs were adjusted to today's dollars using the Engineering News Record Construction cost index ((1.512). Then they were depreciated based on the National Association of Regulatory Utility (NARUC) equipment life-span tables. The recent costs for the VFD's were included, and future costs of recommended improvements identified to bring facilities up to Authority's standards such as storage tank painting, flow meter upgrades and alike were deducted and a recommended acquisition price of \$748,700 was identified.

The Board gave their consensus that proceeding with the purchase looks logical from not only a financial standpoint but from a system-wide benefit one as well.

3. Peace River Regional Reservoir No. 3 (PR3) – Mitigation model

Wade Waltmyer and Amber Halstead of EarthBalance presented a wetland impact models & potential footprint review of the Peace River Regional Reservoir 3 (PR3) project.

Overview

- Scope of work
 - Estimated Wetland Boundaries
 - Scored Wetlands
 - Developed Impact Model

- Future applications
 - Quantify Wetland Impacts
 - Estimate Mitigation Costs

- “Uniform Mitigation Assessment Method” (UMAM)
 - Location and Landscape Support
 - Water Environment
 - Community Structure
 - UMAM Score × Acres Impacted = Debits
 - Example: 0.70 UMAM x 1.0 Acre Impacted = 0.7 Debits

Summary

- Physical Constraints
 - Reservoirs and ASR Well Fields
 - 42- Inch Pipeline
 - Property Boundaries

- Cost Drivers
 - Wetland Quality/Type
 - Land Acquisition Costs (Boran Ranch)
 - Impact Basin
 - On-Site Mitigation Area

BOARD MEMBER COMMENTS

There were no additional Board comments.

PUBLIC COMMENTS

There were no public comments.

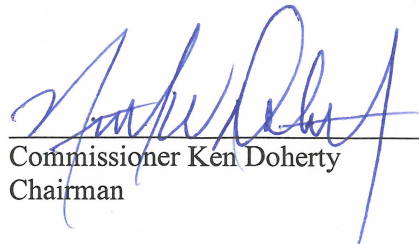
ADJOURNMENT

There being no further business to come before the Board, the workshop adjourned at 11:46 a.m.

BOARD APPROVED

MAY 27 2020

Peace River Manasota
Regional Water Supply Authority



Commissioner Ken Doherty
Chairman