



MINUTES
POLK REGIONAL WATER COOPERATIVE
August 15, 2017 - 2:00 p.m.
Lake Myrtle Sports Complex
2701 Lake Myrtle Park Road, Auburndale

Member Governments in Attendance:

City of Auburndale..... Commissioner Tim Pospichal, Primary (Vice-Chair)
City of Bartow..... Commissioner William Simpson, Primary
City of Davenport Commissioner Tom Fellows (Secretary/Treasurer), Primary
City of Eagle Lake Commissioner Michael Burdelak, Primary
City of Lake Alfred..... Mayor Charles Lake, Primary
Town of Lake Hamilton..... Vice Mayor Mike Kehoe, Alternate
City of Lake Wales Mayor Eugene Fultz, Primary
City of Lakeland Mayor Howard Wiggs, Primary
City of Mulberry Commissioner Rick Stradtman, Alternate
City of Polk City..... Mayor Joe LaCascia, Primary
Polk County..... Commissioner George Lindsey, Primary (Chairman)
City of Winter Haven Mayor Nathaniel Birdsong, Primary

Member Governments in Absence:

Town of Dundee
City of Fort Meade
City of Frostproof
City of Haines City

1. Call to Order

Chairman Lindsey called the meeting to order at 2:00 PM and asked all representatives to introduce themselves.

2. Recognition of new primary/alternate appointees of members

None

3. Agenda Revisions

None

4. Public Comments (Will be limited to 3 minutes per person or group)

Chairman Lindsey invited public comment from the audience, reminding those who would like to speak to provide their name and address for the record. There were no public comments presented.

5. Consent items:

- a. Approval of 5/17/2017 Board Meeting Minutes

Motion made and seconded to approve 5/17/2017 meeting minutes as presented. Motion approved unanimously.

- b. Approval of extending Accountant for one additional year (2018)

Motion made and seconded to approve extending Accountant for one additional year (2018). Motion approved unanimously.

- c. Approval of extending Auditor for one additional year (2018)

Motion made and seconded to approve extending Auditor for one additional year (2018). Motion approved unanimously.

6. Chairman Lindsey introduced Mike Brynjulfson, from Brynjulfson CPA, the external auditor for PRWC, who provided a brief description of results of the audit and all reports were clean with no adverse comments. There is also a separate report that is a Governance report and there are no adverse comments or recommendations on that report.

Motion made and seconded to accept the auditor's reports as presented. Motion approved unanimously.

7. Mr. Heath commented that he had been waiting on the audit to make sure the budget recommended for fiscal year 2018 was on track. Given that there were no surprises in the audit, the tentative 2018 administration budget provided to the Board of Directors at our May meeting is still intact. The bottom line is up \$5,000 from last year and that is the recommendation.

Motion made and seconded to adopt 2018 administrative budget as presented in May, 2017, with no changes. Motion approved unanimously.

RECESS REGULAR BOARD OF DIRECTORS / COMMENCE PROJECT BOARD OF DIRECTORS

8. Mr. Heath stated that the purpose of this budget item is three fold. First, we were asked by WMD what kind of drawdown by year there would be on their money. The bottom line of the budget is \$0.028M for 2017 and then for 2018 is \$2.385M multiplied by 2 since this only represents the members share (in the handout package). When we started, we had a cost sharing table in the agreement of \$23M. Second, in regard to short term liability, this can be looked to determine what your short term annual liability is. The third thing to discuss is if you want to pre-fund the money of your liability under the contract, how would you proceed? Would you use this mechanism or would you utilize the one in the implementation agreement? Before a motion is made on this item, we'll look at how the implementation agreement was structured.

Mr. de la Parte said that the implementation agreement was set up so that the cooperative had two (2) means to fund Phase I: (1) to go ahead and borrow the money and charge everyone based on borrowed funds; or (2) have each party pay as costs came due based on an invoice. Participants have the option of pre-paying full amount of the cost contribution. This was done for the benefit of the participants because you would avoid interest; and for the benefit of all other parties in that if several prepay and others borrow to pay the remainder, if those former participants aren't required to pay up front, then if there was some reason they didn't pay during the 5 years, then that might mean the other participants would have to pay more money or come up with other sources of money to pay for the projects. The way the agreement is set up, if someone delays in payment there is a process to collect, but doesn't happen automatically and it could create a liability on the other members. That is why the pre-payment option Gene was referring to is one that needs to be exercised by members before the loan agreements are entered into after and it requires that you have to prepay the entire amount.

Chairman Lindsey asked if that is the entire amount for the 5 years or for that installment.

Mr. de la Parte stated that it is the entire amount for the 5 years.

Chairman Lindsey asked if the members have to decide collectively or does each member have a choice?

Mr. de la Parte stated that each member has a choice and that Gene will get into that. The choice must be made before loan agreements are entered into. The time table is approximately another 30 days.

Mr. Heath stated we need to be thinking about three (3) things: 1) It has been resolved as to what WMD is going to do; 2) The State Revolving Fund is still out there and Tom will give you a little bit of input as to what the effect of that is on this item, and 3) the line of credit.

Mr. Mattiacci stated that we are working on a State Revolving Fund, and when you borrow their money, there is a one-time two percent (2%) loan service fee to be paid. Anybody pre-paying would reduce the State Revolving Fund by that amount so that way we don't have to pay the fee on funds we don't need. We are apprehensive about a

multi-year payment plan for anybody pre-paying and thereby releasing the State Revolving Funds in case we need them to pay the obligations to our consultants and well drillers. That is the concern.

Mr. Heath stated it is still in the hands of the Board as to how you proceed, but this budget I'm asking you to approve today is not necessarily to invoice on an annual basis, but basically to give an idea of how fast the monies are going to be drawn out of the WMD and SRF and how the line of credit would be needed.

Chairman Lindsey stated that each member will have to consult with their senior manager in order to determine what suits that member as to whether they go the pre-paid route or participate in the SRF.

Mr. Heath further stated that the 30 day time window is what's driving that decision and then we have to firm up what we're going to be requesting from the State Revolving Fund.

Chairman Lindsey asked if we are meeting in a month or two.

Mr. Heath stated that we can meet in a month if that's the decision that we make. We have a September Board meeting available to us. I wasn't anticipating utilizing it unless there was a need.

Chairman Lindsey wanted to know if this a proxy thing?

Mr. de la Parte stated that each of the members who decide to prepay would decide to do that over the next 30 days. That would then alert the staff as to how much money we need from the State Revolving Fund. That SRF decision doesn't have to be within 30 days; that can even be done in October. They just need to know how much to borrow.

Mr. Fields stated that if a city does not prepay the entire amount of their share of the \$11M, they're then responsible for re-paying over 5 years whatever is borrowed from the SRF, not in accordance with this schedule, but in accordance with whatever debt service schedule is set up with the SRF. He wants to make sure it's understood, that's just an expected outlay schedule. Just making sure that the re-payment schedule is not what's in the exhibit.

Mr. Heath said that we may take the SRF, whatever is left in the pot at the end of the five (5) year period and roll it into a bond issue so the repayment of that may roll over into a 30 year time frame. To give you more insight, we need these numbers because we need to show what kind of cash flow will be required from us based on the work that's done and the timing and, secondly, the drawing down of funds from the WMD.

Mr. Pospichal asked if a member is going to pre-pay, when is that amount due?

Mr. Heath replied that he was anticipating it would be sometime in October. At the next Board Meeting we can make a determination to make it on or about the date of the October Board meeting.

Mayor LaCascia said that there could be a very efficient 2 step process. One, would be to get Board to get the information as to the intentions of the members, and, in conjunction with that, say that Polk City elects to pre-pay and it is our intention to pay before October 15th, that would solve both your issues. You would get your number earlier than you need, backed up by the promise that you would be receiving a check by October 15th.

Chairman Lindsey took a straw poll – “Are there members that would be more inclined to pre-pay the entire amount or is the inclination to go the revolving amount?” The County Manager wants to go with the easy pay plan.

Councilman Kehoe stated that they have their budget meeting tonight and he believes they have budgeted to pay the entire amount.

Mr. Long stated that the concept of, in essence, penalizing a number of local governments for the sake of protecting the cooperative from one who doesn't pay when there is legal recourse in the agreement, doesn't make sense to him. I don't think local governments should be penalized in that way. In the agreement, there is no time period specified for repayment. The disadvantage for the local government that pays up front is they do avoid the interest on borrowed money but they also forego the return on the same amount of dollars. To me that is not fair to that local government. They incur costs that they shouldn't have to incur.

Chairman Lindsey stated that the actual language in the contract is under 8.5.5. Each combined project participant shall have the option to prepay its cost share of the TEC.

Mr. Long still doesn't think that's sufficiently clear to include payment on a schedule that's consistent with the projected actual expenditure of those dollars. There's also language in that agreement that in the event that financing is not acquired, there is a description there about how the costs associated with the Phase 1 work will be paid and that is that payment will be made along the way as costs are incurred within certain parameters. Again, it makes no sense to me that if financing isn't secured, that that's the method that would be used, but if financing is secured, then that method is precluded, it doesn't make any sense.

Chairman Lindsey asked Mr. Long if he was advocating that if the member system is to be paid over a 5 year period, they can make annual cash contributions each of the 5 years?

Mr. Long answered yes.

Chairman Lindsey stated that is within the discretion of the Board to make that determination.

Mr. de la Parte stated that the agreement indicates that each government has an option to pre-pay the entire amount and if they elect not to prepay the entire amount, then the cooperative would have the option of determining how to invoice the members at that point. So the option lies with the member to prepay the entire amount, not with this

Board, and if they elect not to prepay the entire amount, then the Board can decide on a payment schedule for those members.

Chairman Lindsey said yes, you can prepay, meeting your annual obligations without paying all of it on day one. He also asked if he was saying that discretion is not allowed.

Mr. de la Parte responded that no, what I'm saying is that if a member does not want to prepay the entire amount, all five years at once, then they would be subject to paying their amount on invoice by the Board of Directors according to a schedule developed by the Board of Directors.

Chairman Lindsey stated that schedule could be in five annual payments

Mr. de la Parte said it could be five annual payments, but what I'm saying is that those members who want to prepay, they have to prepay the entire amount. If they don't prepay, then we are back to the invoicing over a period of time.

Chairman Lindsey asked if you can still invoice annually five times within our discretion.

Mr. de la Parte indicated that you can do that, but that's not prepayment.

Mr. Long agreed with that. Those are the two options. Either participate in the financing and pay over a period of time as invoiced or prepay the entire amount up front.

Joe LaCasia stated that the idea of being invoiced over a period of time almost seems to be somewhat arbitrary. There are no terms and conditions to define. In other words, would it be just the amount and if you'd be doing it over a five year period of time would it be 20% a year, would it include fees, interest? Is that defined anywhere in the billing process as to how that amount would be determined or is it more arbitrary than that?

Mr. de la Parte thinks Mr. LaCasia is correct when he said it's either prepayment of the obligation because that's where I believe the authority of the cooperative is going, it's going the obligation route. And then that payment schedule will be determined by the agreements that are entered into with the SRF in terms of how the debt is going to be paid back over time. That will then be the schedule for invoicing to the membership. What I was describing in this paragraph is if the authority decides not to issue obligations and was just going to collect money from its membership, then it can do it by invoicing and then this board would have discretion as to how it would invoice as long as it had enough money to construct a project. That's not the scenario before us. The scenario before us is either you prepay the entire amount or there's going to be an obligation which is a series of loans that will have a payback schedule and then based on the schedule and the cost table, it will be determined what each person's amount is that will be required to be paid back.

Chairman Lindsey asked if he knew whether the installment payment will be monthly, quarterly or annually for the SRF?

Mr. Mattiacci stated that the SRF requires semi-annual payments. The cooperative is going to have a contract with an engineering consultant who will be billing on a monthly

basis. If we do an annual prepayment, we may actually be at a point where toward the end of the year when it's time for the prepayments or before, we may not have enough money to make those annual payments to the consultant. With the SRF, what we may want to do is go ahead and reduce the SRF in the amount of the prepayment and if we did that and draws from the engineer exceeded the amount of funds that we take in, we may have a little bit of a problem as we go on. There is a 2% one-time loan service fee and capitalized interest will be about 1%. Something that can be done, if somebody wants to prepay before the obligation began to make loan repayments, we could make a balloon payment to the SRF at that point and the cost of money would be the 2% loan service fee plus whatever capitalized interest there may be.

Chairman Lindsey asked if there are two annual payments to the member system, then can we make both payments at one time?

Mr. Mattiacci stated that what the two semi-annual payments are is once the loan becomes due, principal and interest are required to be paid twice a year. Also, as Gene was saying, Phase 2 of this project would be kicking in toward the end of this and there will be bond issues and this loan may be rolled into a bond issue and that will be staved off another 20 or so years.

Mr. Long wanted to clarify that the two payments are at the end of the five year time frame?

Mr. Mattiacci stated that would be either on a 10 or 20 year term, whatever the SRF would offer us.

Chairman Lindsey said that he understands and was trying to accommodate Mr. Long's concern about the lack of the option to pay all of this entire obligation annually as opposed to all up front. He was facilitating Mr. Long's desire. All of this is going to be paid back with revenue dollars from the utility and the customers who pay the fees 2, 5, or 10 years from now, are going to be the ones enjoying the benefits so that moves the cost of the benefit for the services to the customers in place at that time.

Mr. Wiggs said that if you have to tweak your rate, you tweak your rate along the way to take care of the obligation.

Chairman Lindsey said that he thinks the only compromise from the point George raises is the ability of them to make two payments at one time to give you the annual but you're still going to incur the costs of the borrowing.

Mr. Long stated that the choice is that you either choose to pay the interest or you choose to forego the return on the money that you're going to have to spend even though the money you're going to have to spend isn't going to have to be spent up front, it will be spent over a period of time.

Chairman Lindsey asked if there was any further discussion with regard to the options in front of them and asked if there were any other questions on the presentation by Mr. Heath regarding the budget itself.

Motion made and seconded to adopt fiscal year 2017 and 2018 budget as presented.
Motion approved unanimously.

9. Jacqueline Hollister with Polk County Utilities discussed what the conservation team has been doing. The conservation team's mission statement is our municipalities are working together to develop the strategies to promote water conservation within the PRWC. What we want to do is present the same information to everyone so that someone in a small municipality can go online and get the same information that someone with a larger utility. Jacqueline gave a short description of the three main projects. The next step is to put together an individual and unified advertising campaign. We are also working on getting a customer application page so that customers can go to one site and that site will be on the PRWC site. After that, the next step is to start working on the rest of the conservation website, indoor and outdoor, and have all the information in one place. Then, we will be working on a public communication outreach program, advertising on social media and talking to people and HOA's. The idea is to re-educate the customers.

Chairman Lindsey told Jacqueline that he encourages and challenges her to do the measureables and tell us how we are doing, make sure where the dollars went to achieve the desired results.

Motion seconded to appoint Jacqueline Hollister as the conservation project manager.
Motion approved unanimously.

10.a. Mr. de la Parte discussed Item 10 about several sources of obligations for the authority to pay its local share – one you've already heard is the SRF; another one is going to be a line of credit that Mr. Heath is going to talk about. We've had one or two conference calls and I think we've satisfied all of their questions except for a section 6.3.5. in the agreement which allows the parties to the implementation agreement by written agreement signed by all the parties to terminate the agreement. If the agreement is terminated, there is no mechanism to pay back any money that has been borrowed. My suggestion to them was that we approach this in two steps. The first step would be for this Board, because you are a party to this agreement along with all the government members, by Motion indicate that they will not participate in any written agreement to terminate the implementation agreement until such time as all of the obligated funds are paid back and then I'm sure that we will see that provision appear in the loan agreements that will be presented to you in the next few months.

Chairman Lindsey asked why it's necessary to take action in advance of that?

Mr. de la Parte stated that they wanted to see that this Board is supportive of that concept.

Chairman Lindsey asked if Mr. de la Parte would draft the wording and Mr. de la Parte agreed to do that.

Chairman Lindsey reiterated the motion which was moved and seconded that the project Board of the PRWC will commit to not participate in any written agreement to terminate the combined projects implementation agreement until all of the obligated funds are paid back.

Howard Wiggs asked if a city could receive funds and then after they received the funds, petition the Board to get out.

Mr. de la Parte stated that that scenario is covered. This agreement already provides for that. The only out in the agreement is if everybody got together and terminated the agreement.

Motion to preclude the project Board of the PRWC from participating in any written agreement to terminate the combined projects implementation agreement until all of the obligated funds are paid back unanimously approved.

10.b. Jason Mickel, SWFWMD discussed the Cooperative Funding Initiative Contracts for \$11.5 M for the three projects and requested Board approval. Total project cost is \$23M.

Chairman Lindsey stated that this is the final formal action for this funding.

Motion was made and seconded to approve the Cooperative Funding Agreements and authorize the Chairman to sign such. Motion unanimously approved.

10.c. Mr. Mattiacci discussed the selection committee's selection of engineers on August 8th and the final ranking after oral presentations was:

Southeast Well Field and West Polk LFA

1. Team 1
2. Tetra Tech
3. Atkins

For the Peace Creek Project

1. Team 1
2. Atkins
3. Tetra Tech

Chairman Lindsey asked for a motion and it was moved and seconded to approve the selection committee rankings of consultants as recited by Mr. Mattiacci. Motion unanimously approved.

Mr. Mattiacci discussed the Consultant's Competitive Negotiations act and phase that the PRWC will be going into.

Chairman Lindsey asked what the parameters are for an acceptable negotiation.

Mr. Mattiacci stated that an acceptable negotiation would be to reach a fair price for a fair scope of work with the consultant by a team of Gene Heath, Tom Mattiacci, Ryan Leavengood and Ryan Taylor.

Motion was made and seconded to appoint the team of Gene Heath, Tom Mattiacci, Ryan Leavengood and Ryan Taylor and to authorize them to negotiate and bring back a favorable recommendation. Motion unanimously approved.

10.d. Mr. Mattiacci discussed the State Revolving Loan resolution. We have a verbal notice that on August 9th the FDEP SRF conducted a public hearing; the cooperative was listed for a loan amount of \$11.5M. The interest rate would be between 1% and 2%. The package information was discussed.

Mr. de la Parte stated he has reviewed the resolution and supports it from a legal perspective.

Motion was made and seconded to complete and file the application, passage of the resolution 17-1, and solicit legal opinion from the legal staff to make out the application, and to designate the Chairman to act as representative to authorize and execute all documents pertaining to the State Revolving Fund. Motion unanimously approved.

10.e.i. Mr. Heath discussed that the line of credit has not been advertised yet. Now that the funds are available from the District, the advertising is to begin on August 16th for \$6M. The results are due to come in on September 6th. We must pay the bills and then the water district will repay PRWC usually in approximately 45 days so a line of credit will be needed to fill the gap. Based on their work with other members, Mr. Heath recommended Holland & Knight as bond counsel and RBC Capital Markets as financial advisors.

Motion was made and seconded to authorize solicitation for a line of credit, authorize Holland & Knight as bond counsel and RBC Capital Markets as financial advisors. Motion unanimously approved.

10.e.ii. Mr. Heath discussed the finance resolution 17-2, a resolution expressing the intent of the PRWC to finance costs of the Phase 1 requirements of the combined projects as described in section 8.2 of the Combined Projects Implementation Agreement expressing the intent for purposes of compliance with the United States Treasury regulation 1.150-2 to reimburse with the proceed of revenue bonds, capital expenditures made with respect to such combined projects provided for the issuance by PRWC of notes, bonds or other obligations in one or more series in an aggregate

principal amount not exceeding \$22,900,000 to pay the costs of such projects providing effective date. When we go for a bond issue in Phase 2, any monies that we have spent from Phase 1, if we decide to roll them over into Phase 2, we have the option to do that.

Chairman Lindsey asked if this includes our obligation as well as that reimbursed from the district.

Mr. Heath advised it would only be outstanding obligations, the District's monies are grant funding.

Motion was made and seconded to approve Resolution 17-2 as outlined by Mr. Heath. Motion unanimously approved.

RECESS AS BOD/COMMENCE REGULAR BOARD

11. Heartland Headwaters Protection & Sustainability Act

Mr. Taylor discussed the approval by the State on July 1st of Heartland Headwaters Protection & Sustainability Act. The projects we are looking for information on are any projects expected to encumber funds from state dollars. Please submit to PRWC by September 1, 2017. Once approved, these are due to the State on December 1, 2017, with only those projects that you will use State funds between the dates of July 1, 2018 and June 30, 2019.

12. Open Discussion

Chairman Lindsey announced, for those who did not already know, that Marjorie Craig recently resigned as utility director to take another job in South Florida and thanking her for her three years of service with Polk County and her integral part in the PRWC. In the meantime, Ryan Taylor will be acting as the Interim Utilities Director.

Mayor LaCasia discussed an email he had authored in response to public comments from Mr. Gore provided at previous Board meetings. The email was provided to the Board of Directors. Mr. Heath indicated that additional resource information would be on the next Board of Directors meeting agenda.

Meeting adjourned at 3:39 p.m.