

**MINUTES OF MEETING
BOARD OF COUNTY COMMISSIONERS
ST. JOHNS COUNTY, FLORIDA
AUGUST 15, 2000
(6:30 P.M.)**

Proceedings of a special meeting of the Board of County Commissioners of St. Johns County, Florida, began and held in the auditorium at Rawlings Elementary School, 610 A1A North, Ponte Vedra Beach, FL 32082.

Present were: James Bryant, District 5, Chair
Mary Kohnke, District 4, Vice Chair
Pal Howell, District 1
John Reardon, District 2
Marc Jacalone, District 3
Ben W. Adams, Jr., County Administrator
James G. Sisco, County Attorney
Lenora Newsome, Deputy Clerk

Also present were: Cheryl Strickland, Clerk of Court; Bill Young, Utility Director; Joe Vonasek, Budget Analyst; Lavon Wisher, County's Chief Financial Advisor; Brian Armstrong, Nabors, Giblin, Nickerson, Attorney; Bob Nabors, Nabors, Giblin, Nickerson, Special Council for the County; Dan Anderson, Camp, Dresser, McKee, Rate Consultant; Don Mauer, Camp, Dresser, McKee, Engineer

(08/15/00 - 1 - 1.000)
CALL TO ORDER

The meeting was called to order by Bryant.

(08/15/00 - 1 - 1.0011)
ADDITIONS/DELETIONS TO SPECIAL MEETING AGENDA

There were no additions nor deletions to the Special Meeting Agenda.

(08/15/00 - 1 - 1.0015)
APPROVAL OF SPECIAL MEETING AGENDA

Motion by Jacalone, seconded by Howell, carried 5/0, to approve the Special Meeting Agenda as submitted.

(08/15/00 - 1 - 1.0023)
PUBLIC HEARING – ACQUISITION OF INTERCOASTAL UTILITIES, INC. – AT THEIR MEETING OF MAY 2, 2000, THE BOARD OF COUNTY COMMISSIONERS AUTHORIZED ST. JOHNS COUNTY UTILITY DEPARTMENT TO INVESTIGATE THE FEASIBILITY OF ACQUIRING INTERCOASTAL UTILITIES, INC. (IUI). ON THAT BASIS, AN ACQUISITION TEAM WAS FORMED, DATA REVIEWED AND AN ESTIMATE MADE OF THE VALUE OF THE IUI SYSTEM. DISCUSSIONS HAVE BEEN HELD WITH IUI'S PRINCIPALS AND REPRESENTATIVES. AN AGREEMENT HAS BEEN REACHED WITH IUI THAT CAN BE COMMERCIALY FINANCED.

Proof of publication of notice of public hearing on the purchase, sale, and privatization of water and wastewater utilities, was received having been published in The St. Augustine

Record on August 3, and 10, 2000. Also published in The Ponte Vedra Recorder on August 11, 2000.

Bill Young, Utility Director, reviewed this item, stating that the Board authorized him in May of this year, to form a team to explore the feasibility of St. Johns County Utility Department acquiring private water and sewer utilities to currently serve County residents in various unincorporated areas of the County. This authorization is consistent with the County's stated goal to strengthen its role as a regional utility provider. He introduced the County's Acquisition Team and stated the three guiding principles used by the Acquisition Team and the four statutory requirements that had to be met, to prove the acquisition is in the public interest. Young reviewed Section 125.3401, Considerations.

(1.0281) Lavon Wisher, County's Chief Financial Advisor, stated with the Acquisition Team and based upon the negotiations with Intercoastal, they have developed the acquisition plan as well as the financial plan. The plan calls for \$20.3 million to come from cash proceeds of the proposed bond issue. She mentioned based upon that cash flow, they were able to derive the revenue less the operation and maintenance to give the revenues which would be available to flow the bond issue that would not have any impact on any other customer within the system. Also to come from that cash flow and not to have any impact on the existing customers of St. Johns County, were the improvements in the amount of \$1,150,000, which will upgrade the odor control system and do some digestive improvements. As a part of the negotiations, they also negotiated the fact that in the future for every connection that came on to the system, that came from that capacity, would be paid to the seller, \$1400 for each ERC. She reviewed the four different ways to pay for capacity to the system and the financial plan. The bond issue will be a parity to all existing bond issues of the water and sewer system of St. Johns County and they have a master resolution in place, which provides for a one ten coverage that they had done their numbers on. This means that this system will become a part of the consolidated St. Johns County Water and Sewer System. She stated that they had listed and itemized for the County what is considered to be the par amount of bonds and how the money will be spent. (1.0596) Young relayed that he thinks they have a lot of good news and stated them.

(1.0695) Kohnke briefly reminded everyone that the County is not buying the utility, the customers are. She stated that she supported the buying of this utility only under two circumstances, the price is right and the resulting rates are right. She personally doesn't think the price is right and mentioned giving them \$13 million or maybe \$14 million. She stated in her opinion, there is no way this plant is worth \$20 million. She voiced being concerned about cost and rates and she would like to buy it, but not at this price or current rate. Young mentioned that he thinks it is worth the price and the rate is hard to compare. Discussion followed on getting a return on your money, a private utility not paying this kind of money for a utility, a rate rollback and reduction, and growth rate reduction.

(1.1024) Jacalone commented on appreciating the work done by Young, any business entity that wants to be healthy has to look toward growing, not being comfortable with payments from the new utility provider of St. Johns County to the old owner of the system, future payments, and the rate of payments.

(1.1145) Brian Armstrong, Nabors, Giblin, Nickerson, Attorney, spoke on comments about growth and expected growth, the methods used to acquire utilities being done for a long time, the terms of methodology used, knowing what it will cost to run the facilities, the methodology producing a fair price, being requested to come back with a feasible acquisition and they believe it is feasible, and being able to offer reduced rates now.

(1.1486) Donald Flurry, President, Sawgrass Homeowners' Association, spoke on having a great concern on what the future of this plant holds.

(1.1539) Michael Twomey, on behalf of the Sawgrass Association, stated Sawgrass is opposed to the purchase of this utility under some of the conditions announced in the acquisition. He briefly reviewed Section 125.3401, F.S. Responsibilities. Revenues are overstated because the income is overstated because of the unwarranted sewer rate increase of 40% some months ago. Twomey stated that he didn't approve of using the methodology. The current rate is too high, the revenues are too high and the purchase price is too high. He spoke on being faced with the possibility of rates going up to meet the debts; considering what the alternatives are; looking at what the actual rate base was; the physical condition of the utility facilities being purchased or sold; and the reasonableness of the purchase, sales or wastewater facility privatization contract price and terms. He remarked that there is a need to look at futures concept as additional monies that are being given to the utilities in addition to the purchase price. He voiced concern about the wrap-around scenario. He stated that he was not there to promote purchasing this utility, nor was he opposed to the purchase of the utility.

(1.2417) Michael Korn, representing the Sawgrass Association, commended Bill Young and his team on the work they have done on the proposal of buying the utility. He stated that the County would be buying one of the most valuable assets, the utility service agreement. He spoke on the utility being under litigation and the County having to take over that litigation, the reason for the litigation, the odor overburdening Sawgrass, the concern on operating the plant according to the contract and there still being issues that need to be resolved.

(1.2847) Armstrong responded to comments by Twomey and Korn. He mentioned the provisions that would allow the County to back out of the contract. He spoke on the rate audit and reduction. Korn responded.

(1.3171) Bill Webster, 177 Elmwood Drive, Chairman of the St. Johns County Water and Sewer Authority, spoke on the cost of the utility being high. He spoke on maintaining local control of utility services in St. Johns County, JEA buying the utility, and water supply in Florida dwindling.

(1.3442) Diane Mills, 3455 Lewis Speedway, spoke on established ERCs. Discussion followed on ERCs.

(2.0099) Tina McGough, 120 South Bend Drive, Ponte Vedra, representing a study group that got together to look at this proposal, stated that they looked at this proposal to see if it was a good business decision from the customer's perspective. She shared some of the conclusions they came up with on behalf of the group: concern about the existing debt structure, major concerns about expenses, and speculation of what might happen in the future.

(2.0175) Daniel MacDonald, 24501 Deer Trace Drive, Ponte Vedra, spoke on the St. Johns County Civic Round Table encouraging the County to deter purchase of this plant until it is checked out further.

(2.0195) Jay Langfelder, 129 Plantation Circle South, Ponte Vedra, spoke on rates and the best interest of the customer.

(2.0246) Heather Michael, 981 Irma Way, spoke on free enterprise being hindered if the County purchases the utility, and waiting until the legal suit is cleared up before purchasing the utility.

(2.0299) Victor Martinelli, 24 Carriage Lane, stated the County can't look at increasing the customer base for the utility and charging customers at a higher rate.

(2.0334) Bob Sandla, 30 Northgate Drive, Ponte Vedra, questioned if the initial offering price of \$20 million included a futures cost. Armstrong responded.

(2.0351) Bryant stated that Staff was given a charge to do something and they did it. Can they make the numbers work with the price they came up with, yes they can make the numbers work, but it isn't the price Bryant would pay for the facility. Jacalone stated that he wasn't equipped to make a decision tonight, but it should be made soon. He suggested people keeping in mind that if JEA purchases Intercoastal, and something goes wrong, they don't have any access to the Jacksonville City Council. He thinks the deal is possible, and there may be some developments occurring in the near future. He recommended to defer making a decision until the next regular meeting. Reardon suggested reevaluating some of the concerns that Twomey had presented, looking at and renegotiating some of the proposed futures, and stated that the water situation will only get worse in St. Johns County. Jacalone stated that the futures payment was unattractive to him, the purchase price represents too much of a risk of operation, being self sufficient, the operations cost projected do not have enough cushion to be comfortable and the pending lawsuit against the utility presents too much of a risk to the County. Kohnke remarked that this does not close the doors for purchasing the utility. **(2.0584) Motion by Kohnke, seconded by Reardon, carried 5/0, to move that the Board refuse the proposed offer and the conditions of the negotiating team.**

There being no further business to come before the Board, the meeting adjourned at 8:36 p.m.

Approved _____ September 12 _____, 2000

BOARD OF COUNTY COMMISSIONERS
OF ST. JOHNS COUNTY, FLORIDA

By: _____
James E. Bryant, Chair

ATTEST: CHERYL STRICKLAND, CLERK

By: _____
Deputy Clerk