

June 16, 2008 Minutes

The Board of Directors of Tampa Bay Water met in their offices, 2575 Enterprise Road, Clearwater, Florida 33763.

BOARD MEMBERS PRESENT:

Present: Chairman – Commissioner Susan Latvala, Pinellas County
Council Member James Bennett, City of St. Petersburg
Commissioner Al Higginbotham, Hillsborough County
Commissioner Ann Hildebrand, Pasco County
Mayor Scott McPherson, City of New Port Richey
Councilman Charlie Miranda, City of Tampa
Commissioner Ted Schrader, Pasco County

Absent: Vice Chairman – Commissioner Mark Sharpe, Hillsborough County
Commissioner Ronnie Duncan, Pinellas County

Staff: Gerald J. Seeber, General Manager
Rick Lotspeich, General Counsel

A list of others present who signed the attendance roster was filed in the permanent files of Tampa Bay Water. Staff and Consultants presenting to the Board are listed below:

Staff/

Consultant: Dr. Marty Kelly, Southwest Florida Water Management District
Koni Cassini, Director, Finance & Administration
Paula Dye, Project Supervisor
Richard Harrison, Esq., Allen Dell Law Firm
Dr. Jack Kiefer, Hazen and Sawyer
Warren Hogg, Manager, Evaluation and Permitting
Jon Kennedy, Manager, Engineering and Projects

Chairman Latvala called the meeting to order at 9:00 a.m.

PUBLIC HEARING

FY 2008/2009 Budget Presentation, Public Hearing

Mr. Seeber presented proof of publication for the Public Hearing of the 2009 Budget. Chairman Latvala then called upon Koni Cassini, Director of Finance and Administration, to provide a brief budget update prior to the Public Hearing.

Ms. Cassini explained that although the budget did not become effective until October 1, 2008, staff is required to provide the Board with a final budget prior to August 1. This allows Member Governments to have the information during their budget development process.

Ms. Cassini advised the Board that two adjustments were made to the budget since the March publication.

- The first is a reduction in projected interest costs for new debt issued to support current construction of System Configuration II. The reduction of a little over \$252,000 is due to the actual debt service for the new 2008 debt being sold at a price slightly under projections. This produces a rate reduction from \$2.2488 to \$2.2451 and results in savings ranging from \$4,000 for our smallest customer to almost \$90,000 for our largest customer.
- The second reduction is a revision to the timing of grant funds from the District for desal and the subsequent paying of the variable rate debt. This principal payment has no actual rate impact because the repayment is scheduled based on the receipt of the funds. To demonstrate this further, Ms. Cassini used charts that showed changes in the Annual Debt Service category, as well as the grant funds to be received from the Southwest Florida Water Management District.

Ms. Cassini then advised the Board that the agency's budget process is dictated by three documents (the Amended and Restated Interlocal Agreement, the Master Water Supply Contract, and the Maser Bond Resolution), and that the agency is in compliance with the requirements of these documents.

Ms. Cassini noted that the 2009 Budget was developed to accomplish the following:

- Meet member government water supply needs every day
- Operate within permit and funding requirements
- Maintain Environmental Stewardship
- Safeguard the Public Investment of \$1.7 billion
- Long-term planning
- Recognition of member government budget constraints

Ms. Cassini stated that projections for demand and supply sources are provided by Dr. Adams and are as follows:

- 120.1 mgd of ground water (90 from the consolidated wellfields and the remainder from South-Central Hillsborough and other small wells)
- 52.05 mgd of surface water
- 15 mgd average of seawater desalination

The Seawater Desalination projection takes into account our anticipation of running the facility aggressively through the base line assessment period which would also facilitate the grant fund payment from the District.

Using a graphic, Ms Cassini highlighted the significant difference between supply costs, adding that staff carefully balances the Board's goals of environmental stewardship, reliability and costs to meet the needs for the coming year. The proposed FY 2009 Budget will utilize groundwater supplies at the current permitted capacity, surface water and desalinated water supplies, while maintaining our facilities and permits. We will also continue system improvements, the interconnection of isolated wellfields, and planning efforts to meet future needs.

Before concluding her presentation, Ms. Cassini pointed out that the largest portion of the budget (over 64 percent of the yearly cost of the agency) is the debt service and credits associated with

becoming Tampa Bay Water and with the construction of the alternative supplies that support today's water supply needs enabling wellfields to be rested. Although still having an impact, operating costs are a little less than 36% of the cost of the agency.

Chairman Latvala called for questions from the Board. Hearing none, she opened the Public Hearing on the 2009 Budget. Public Hearing comments were duly recorded and are filed in the permanent files of Tampa Bay Water.

Chairman Latvala closed the Public Hearing and called for a motion to approve the 2009 Budget.

Motion: Councilman Miranda moved approval. Commissioner Hildebrand seconded the motion. The motion carried by a vote of 7-0 (Commissioner Sharpe and Commissioner Duncan were absent.)

Chairman Latvala closed the Public Hearing.

PUBLIC COMMENT

Public comment was duly recorded and is filed in the permanent files of Tampa Bay Water.

PRESENTATION

Southwest Florida Water Management District MFL Project Implementation

Dr. Marty Kelly, Manager of the Ecologic Evaluation section with SWFWMD, gave the Board a brief update regarding the project status of implementation of the minimum flow and level for the lower Hillsborough River.

CONSENT AGENDA

A. ADMINISTRATION

1. Board Minutes for April 21, 2008 Board Meeting - *Approve*

B. FINANCE & ADMINISTRATIVE SERVICES

1. General Manager's Travel - *Approve*

C. SCIENCE & ENGINEERING

1. Hydrogen Sulfide Treatment at South-Central Hillsborough Regional Wellfield - *Status Report*
2. Professional Services Contracts
 - a. Tampa Bay Seawater Desalination Facility Hydrobiological Monitoring - *Approve Consultant Selection*
 - b. Tampa Bypass Canal/Alafia River Water Supply Projects Hydrobiological Monitoring - *Approve Consultant Selection*
3. Water Use Permit Renewals – Application Development Process - *Status Report*
4. Real Property Acquisition – Northwest Hillsborough Pipeline Project – Easement Agreement with Hillsborough County at no cost - *Approve*
5. Real Property Acquisition – Tampa Bypass Canal/Harney Canal – Ingress and Egress Easement from Greater Tampa Real Estate Corporation at no cost - *Approve*

6. Real Property Acquisition – Morris Bridge Wellfield Property Redress – Renewal of License Agreement with City of Tampa - *Approve*
7. Medium Voltage Variable Frequency Drive Procurement Plan for System Configuration II - *Approve*
8. Water Shortage Mitigation Plan - *Status Report*
9. Regional Water Supply and Current Drought Status - *Status Report*
10. C.W. Bill Young Regional Reservoir – Investigation/Development of Management/Maintenance Practices for Flat-Plate Soil-Cement, Interim Report No. 5 - *Status Report*
11. System Configuration II – Environmental Resource Permit Application – Off-stream Reservoir Pump Station - *Approve Re-Submittal to FDEP*

D. OPERATIONS & FACILITIES

1. Replacement of Motor and Drive on Pump No. 6 at Cypress Creek Pump Station – Award Construction Contract to lowest responsive, responsible bidder in the amount of \$703,535 - *Approve*
2. Hurricane Contingency Response Plan - *Accept*
3. Water Treatment Chemicals
 - a. Hydrochloric Acid Supply Services Contract No. 2008-042 - *Reject sole bid submittal from Harcross Chemicals, Inc.*
 - b. Sodium Bisulfite Supply Services – Award contract to the lowest, responsive, responsible bidder, Southern Ionics, Inc., at the unit price of \$319.80 per wet ton - *Approve*
 - c. Sodium Chlorite Supply Services – Award contract to the lowest, responsive, responsible bidder, International Dioxide, Inc., at the unit price of \$856.00 per wet ton - *Approve*
 - d. Ferric Chloride Supply Services – Second year extension of PVS Technologies, Inc. contract through June 30, 2009 - *Approve*
 - e. Anionic Polymer Supply Services - Second year extension of Polydyne, Inc. contract through June 30, 2009 - *Approve*
4. Maintenance Service Contracts
 - a. As-Needed Painting Contractor Services – Second year extension of Gemini, Inc. contract in the amount of \$175,000 - *Approve*
 - b. As-Needed Contractor Services – Second year extension of Rowland, Inc. contract in the amount of \$400,000 - *Approve*
 - c. As-Needed Contractor Services – Second year extension of Kimmins Contracting, Inc. contract in the amount of \$400,000 - *Approve*
5. Hydrogen Sulfide Treatment Facility Maintenance Contract No. 2009-001 – Awards Goods and/or Services Contract to the lowest, responsive, responsible bidder Veolia Water North America-South, LLC in the amount of \$135,015 per fiscal year - *Approve*
6. As-Needed General Contractor, Contract No. 2005-079-02 Amendment No. Three to Kimmins Contracting Corporation Inc., in the total amount of \$100,000 - *Approve*
7. System Configuration II Construction Progress - *Status Report*
8. C.W. Bill Young Regional Reservoir – First one-year extension of Veolia Water North America South, LLC for Operation and Maintenance Services - *Approve*
9. Water Quality Update - *Status Report*
10. Withlacoochee River Electric Cooperative, Inc. – Renew Power Module Lease and Load Management Agreement - *Approve*

E. GENERAL COUNSEL

1. 2008 Legislative Session Summary Report - *Information Item*

Motion: Commissioner Hildebrand moved approval of the Consent Agenda. Councilman Miranda seconded the motion. The motion carried by a vote of 7-0 (Vice-Chairman Sharpe and Commissioner Duncan were absent).

REGULAR AGENDA

F1. Long-Term Water Supply Planning

Ms. Dye stated that she would be presenting on the Long-Term Supply Planning activities currently underway - Agenda Items F1a, b, c and d.

a. Long-Term Water Supply Plan Update

Ms. Dye noted that at the April meeting staff updated the Board with regard to the Long-Term Water Supply Plan and the Future Surface Water Expansion Study currently underway.

Ms. Dye stated that the Long-Term Water Supply Plan Update is on schedule. Black & Veatch, System Engineer, will complete the drafting of the Chapters over the summer, and their evaluation of the Concept Shortlist by the fall. This information will be provided to the Board in October 2008 in keeping with the requirements of the Interlocal Agreement for the updating of the Long-Term Plan and the Master Water Plan.

Ms. Dye stated that the Future Surface Water Expansion Study is on schedule with technical work on a potential second regional reservoir being conducted by Montgomery Watson Harza (MWH) and is scheduled for completion at the end of the year. The public outreach effort has occurred through public meetings, several targeted group meetings, website and newsletters and will continue through the summer with the website and newsletters.

b. City of Tampa Request

Ms. Dye stated that Agenda Item F1b contains a memo from Councilman Miranda requesting the exploration of the development of a Memorandum of Understanding (MOU) with the City. The City is compiling a Master Plan for use of the Howard F. Curren Reclaimed Water, and the implementation of two augmentation projects on our Concept Shortlist would require use of the Howard F. Curren reclaimed water. Ms. Dye stated that staff would recommend continued coordination with City staff in an effort to bring a MOU to the Board in August if it is found to be mutually beneficial to do so.

Tampa Bay Water, through the System Engineer's planning efforts, can look at the potable supply aspects of potential projects and bring those back within the context of their Long-Term Water Supply Plan and Master Water Plan recommendations. This work will compliment, and could build upon, other regional resource evaluations like those being undertaken by the Water Management District on reclaimed recharge.

After referring to the significance of a Memorandum of Understanding (MOU), Councilman Miranda stated that it was incumbent upon all the Member Governments including the City of Tampa to do what is best for the region. He stated that the Howard F. Curren plant has a capacity of 90 mgd and is currently producing about 55 mgd. The City of Tampa is working on a 20-year

Master Plan for reclaimed water that would be beneficial to the whole region. He added that during the past year the City of Tampa purchased approximately \$10 million of water from Tampa Bay Water. During watering days when less water is available, the City's daily average consumptive use usually goes up between 10-12 mgd. However, during wet periods, it goes up only by 4-6 mgd. The City's plan will be to use reclaimed water for both commercial and residential customers. The City has approximately 5500 individuals signed up for reclaimed water, of which approximately 3000 are on the system now, or about a 55 percent ratio of those that apply. That means that the City is using less potable and more reclaimed.

Councilman Miranda stated that the City has received commitments from the International Mall, Westshore Mall, Tampa International Airport, and the Rocky Point Golf Course. Many new businesses along the Boy Scout Corridor are in need of this commodity, as well as major league sports complexes, St. Joseph's Hospital and other big water users in the City, off which the City can branch out into other areas of high consumptive daily use.

Councilman Miranda stated that in preparing its Master Water Supply Update and Long-Term Plan, Tampa Bay Water has identified potential projects, including a recharge project, utilizing the City's reclaimed water. He noted that there may be other opportunities for the City of Tampa and Tampa Bay Water to explore which would incorporate the City's reclaimed water that can be discussed at a later date. He stated that other goals of the MOU would be to coordinate the planning process and identify potential projects to be recommended for further development. The City is trying, as much possible, to reduce consumption of potable water through the use of reclaimed water which will then reduce the amount of money spent and allow Tampa Bay Water to use that water somewhere else. The budget process shows that during a normal year the City uses 3.2 mgd from Tampa Bay Water at a cost of \$3 million. But since nature doesn't treat us normally every year, the City would like to pursue this MOU. Councilman Miranda indicated that City staff was present to answer any questions.

Chairman Latvala thanked Councilman Miranda and called for questions.

Commissioner Schrader recalled that during Mr. Seeber's initial visits to all the Board Members to introduce himself, Mr. Seeber asked about some of the big issues of the future. Commissioner Schrader stated that the one he emphasized to the General Manager was the use of reclaimed to help offset potable water. He noted that he was encouraged to see that Tampa Bay Water was going to make better use of reuse water, stressing that it has to be part of the formula as we continue to cut back on the potable water and ground water and other alternative supply sources. He supported and encouraged this and thanked Councilman Miranda for bringing it up.

Chairman Latvala agreed with Commissioner Schrader adding that while some governments have been more proactive in using their reclaimed, there was a time a few years ago when the Board could not have mentioned reclaimed at this dais. It wasn't under our purview, but it is now. Every gallon of water that we have to produce is so costly that it needs to be a part of our common goals to help member governments find ways to get their reclaimed used to the highest potential as possible. She voiced thanks to the City of Tampa's Mayor and City Council adding that what they are doing will serve all of us in the long run.

c. Hillsborough County – Water Partners, Inc., Reclaimed Water Project

Ms. Dye stated that Agenda Item F1-c covers our knowledge of a potential \$187 million dollar project proposed by a private entity called Water Partners Inc. Hillsborough County, Tampa Electric Company, and Mosaic have entered into a Memorandum of Understanding to explore the project. Water Partners has submitted a cooperative funding request to the Southwest Florida Water Management District to fund 50 percent of the capital costs of the project. The District is reviewing the proposal. Due to its size and complexity, the District's Executive Director is conducting twice-monthly meetings and subcommittee meetings to better understand all of the potential components of the project. The Executive Director has invited others to participate in the meetings and requested that Tampa Bay Water attend, adding that our staff will do so. As Tampa Bay Water is precluded by the Interlocal Agreement from participating in straight reclaimed water projects, the only interest that Tampa Bay Water would have in this project is if there would be a recharge component that could produce a groundwater credit for use by public supply.

d. Intergovernmental Coordination – Florida 2030 Water Summit and Polk County Coordination

Ms. Dye stated that in December 2007, the Board approved the Concept Shortlist and directed staff to pursue dialogue with state agencies and other groups on interregional coordination opportunities. Understanding interconnectivity and cooperative opportunities may be beneficial to Tampa Bay Water in the future since much of the current surface water supply can be affected by drought and long-term climate changes.

Ms. Dye stated that following Board direction, staff has become involved in two interregional type efforts, including working on the Florida Chapter's AWWA Florida 2030 efforts. This effort includes staff technical support for a Water Summit in September of 2008 in Orlando that is being hosted by the Governor's Century Commission. Former Tampa Bay Water Board Member and City of St. Petersburg Mayor Rick Baker is the Chair of the Century Commission. Former Tampa Bay Water Board Member Steve Seibert is the Executive Director.

At the suggestion of Dave Moore, Executive Director of the Southwest Florida Water Management District, Ms. Dye stated that staff met with Polk County representatives who are conducting a Planning Study of available options to meet their long-term water supply needs. Due to the size of the County (as large as the tri-county area), and dispersed nature of their population centers, Polk's water service areas are not connected and are widely dispersed. Many of the growth areas are on the borders of the County – e.g. Kissimmee to the east and Lakeland and Bartow to the west. Polk is exploring interregional opportunities with several entities such as Orange County and Disney, and working on ideas with the South Florida Water Management District.

Ms. Dye stated that Tampa Bay Water staff offered to share planning data and information with Polk County planning engineers since this information is being compiled by Tampa Bay Water anyway. Current planning efforts are underway to understand things such as flow and water quality of the Alafia River. The review of cost versus size of a second regional reservoir are already funded and underway by MWH and understanding if there might be an economy of scale in sharing a potential future project such as a second regional reservoir does not take additional consultant funding.

Ms. Dye stated that Polk County staff asked if a Memorandum of Understanding would be beneficial to document the sharing of planning and engineering information. An MOU could also document

what the effort is not. Tampa Bay Water staff advised Polk County that our existing legal use of supply on the Alafia River and our existing infrastructure investment of several hundred million dollars is not on the table. Tampa Bay Water has developed sufficient supply sources to serve Member Governments' current residents and to meet their concurrency and comprehensive plan requirements. Anything that would impact that would not be acceptable. However, if planning efforts show that there would be a mutually-beneficial economy of scale in a future long-term project concept that might be worth looking at further. The MOU would not commit the Board to a future project, but could lay out the benefits of planning coordination at this point. This would be especially helpful to have memorialized for regional and state leaders who might think that something else is possible simply because they are unaware of what limitations exist versus what areas are possible for exploration now. Staff could work with Polk Co staff over the summer on a general MOU and bring that back to the Board in August. That would make our endeavors more formalized and document that Tampa Bay Water's existing facilities and water use permits are not available for others. The MOU could show the cooperative avenues that are feasible to pursue, such as data and information sharing, and the exploration of future needs that could be met more successfully for each entity through a joint approach.

G1. Saddlewood Estates v. Tampa Bay Water, Case No. 99-1776-CA, Div. B (Pasco County Circuit Court)

Mr. Lotspeich advised that an agreement has been reached with the plaintiffs in the Saddlewood litigation in the terms of a settlement and referred the Board to a copy of the settlement agreement signed by the lawyers. He stated that this settlement agreement needs Board approval and Richard Harrison, of the Allen Dell Law Firm who has been acting as lead counsel in the case, was present to explain the terms of the settlement agreement to the Board.

Mr. Richard Harrison introduced himself stating that his firm, Allen Dell, was the Board's special litigation counsel in the case of Saddlewood Estates v. Tampa Bay Water. This is a long-standing surface water dispute that involves Tampa Bay Water's Cypress Creek Wellfield and an adjoining residential subdivision in Pasco County known as Saddlewood Estates. The dispute began during the last big El Niño in 1997 into the spring of 1998 and has carried on since that time. The litigation itself actually began in January of 1999, so it is close to ten years old.

Mr. Harrison stated that he would not spend much time on the background of the case since it was covered in some detail at the Attorney/Client Briefing meeting held in April and a summary memorandum was provided in the agenda materials, along with the complete settlement agreement and all the related settlement documents. He stated that he would talk about the key points of the settlement so the Board would fully understand the recommendation.

- Saddlewood is going to grant Tampa Bay Water a perpetual drainage easement over the one remaining undeveloped phase of its subdivision, Phase III, and then deed Phase III to the Saddlewood Homeowners' Association which will keep it and use it as a common element for the benefit of the homeowners. It will not be developed but may be used for things like the storage of recreational vehicles. Since Phase III will not be developed, there will be no future risk of flooding issues and the developer will be completely out of the picture because that property will be deeded to the Homeowners' Association.
- Tampa Bay Water will be prepared to conduct emergency pumping in the event flooding conditions occur in the future by insuring that there is electrical service available to the

vicinity of the wellfield known as Dye's Crossing (staff has indicated that that is already the case), and by identifying and preparing a location in the general vicinity of Dye's Crossing that will be suitable to install emergency pumps in the future if that becomes necessary. He emphasized that nothing will be constructed on the wellfield at this time pursuant to this settlement agreement.

- If flooding conditions occur in the future at Saddlewood, the Homeowners' Association will be entitled to ask the Water Management District to authorize emergency pumping. Throughout the course of this litigation, the District has authorized Tampa Bay Water to pump water over the road at Dye's Crossing from the north to the south. This has occurred on several occasions, strictly under the terms and conditions authorized by the District. The Homeowners' Association will be entitled to request this in the future and if emergency pumping is authorized by the District, that pumping will be conducted by Tampa Bay Water and it will be strictly limited to the terms, conditions and restrictions authorized by the District.
- Tampa Bay Water will pay, as full settlement amount to Saddlewood, the sum of \$2 million. That includes all of their claims for damages, compensation, attorney's fees, expert costs and everything else involved in this litigation. There is no separate compensation being paid to the Homeowners' Association.
- Saddlewood and the Homeowners' Association will provide Tampa Bay Water General Releases.
- The lawsuit will be dismissed and, other than the settlement payment, all parties will pay their own attorney's fees and costs.

Mr. Harrison stated that was the essence of the settlement agreement, the essential terms and it is recommended for Board approval as a way to bring this very lengthy litigation to a reasonable conclusion.

Chairman Latvala called for questions.

With regard to Phase III, the undeveloped property over which Tampa Bay Water will be granted a drainage easement, Councilman Bennett asked if there was any chance for future liability for us if they park vehicles there or make it a sports field.

Mr. Harrison replied that there should not be since Tampa Bay Water will have a blanket easement across that entire property and obviously anything they do at this point they do fully aware of the fact that we have that easement. Phase III is about 70 to 75 acres in total with an existing borrow pit in the middle. There is a ridge of higher ground and a piece of that may be cleared to store boats, trailers and recreational vehicles. Mr. Harrison did not think Tampa Bay Water would face any exposure since they are aware of past problems, and we have a drainage easement over that area. Tampa Bay Water has no duty under this agreement to maintain or construct anything upon Phase III, so if they choose to park vehicles in what essentially is a vacant piece of property subject to a drainage easement with knowledge that it is prone to high water, we are confident that won't be a liability to us.

Councilman Bennett asked Mr. Harrison if he was confident that Tampa Bay Water will never see them coming back. Mr. Harrison replied he did not say that and further responded that he was confident that Tampa Bay Water will not have liability.

Mayor McPherson stated that he was in favor of the settlement and understood the exposure to this agency and the reason why the case was being settled. He did feel the agency was paying a little more money than he would have liked to have seen, but based upon the exposure and the time frame, he was in favor of it. Mayor McPherson was concerned with the length of the litigation, adding that he understood that this case involved extraordinarily complex legal issues and would require numerous depositions, extensive motion practice, and many hearings but questioned nine years. He felt that was past the point where the issues should have been resolved and the only one benefiting after that point is the attorneys. He was concerned that in the future we get to the merits of the case a little quicker and contain our own attorney's fees.

Mr. Harrison acknowledged that this was an unusual case and had an unusual set of facts that also came up during a difficult time in the history of this agency. In 1997 and 1998 there were a lot of other things going on here that were much more important than this case. Part of the litigation decision at the front end was that this was not the more important thing that we were dealing with and we were not in a big hurry to move it forward. The flooding issues that arose during the El Niño initially were viewed by us, our experts and our scientific staff as really attributable to that very unusual weather occurrence, and this was not the only piece of property in Central Pasco County that had flooding. The initial assessment, from a scientific standpoint, was that this appeared to be a weather driven event. We then went into a period of several years where there was no recurrence of the flooding, which we thought was very helpful to our cause. The case was set for trial several times by the plaintiffs, and then the plaintiffs backed off and asked for continuances. In part the delay was strategic, in part it was the result of the plaintiffs setting the case and then requesting delays to pursue what they thought were other avenues of relief. A second instance of flooding occurred in Saddlewood around 2002-2003, which caused us to take a harder look at what the causes were because the flooding was not related to an El Niño event. Mr. Harrison summarized that the delay is due in part to the history of the agency, other weather and historical events, and to the plaintiffs setting the case and then changing their minds several times. He did acknowledge that nine years was a long time for any civil case, but added that the case was not being actively billed every month for nine years; there were long periods of inactivity in this case.

Mayor McPherson clarified that he was not trying to accuse Mr. Harrison or his firm of stringing the case along, he understood the delays that can be involved. However, if the plaintiff set the case for trial three times, and then withdrew their motion for trial, it seemed that Tampa Bay Water might have filed a motion for trial or oppose their attempts to withdraw a trial date. As far as long periods of inactivity, the court favors keeping the case moving forward and if it drags on too long you will be the recipient of an order to appear before the court and answer questions as to why it is not moving along. He did not know whether that happened in this case, but he wanted to clarify that he was sure that the counsel received in this case was very competent, and he knew that it was extraordinarily complex. Mayor McPherson stated that he just wanted to make the point in the future that we get these things to issue at some point, and nine years was a very long time in his opinion.

Mr. Lotspeich advised the Board that they had a very frugal general counsel and he would do everything in his power to minimize expenditure of funds for outside legal counsel. He added that in the future the Board could be assured that he would move these things as rapidly as possible.

Chairman Latvala noted that having served on the Board most of the time of that lawsuit, this Board was always frugal as well. It just wasn't a high priority, we had more important things on our plate and long periods of time would go when nothing took place, nothing was being billed. It wasn't the ideal situation and no one wanted it to go to trial or to have to pay a settlement. Chairman Latvala stated that she thought one of the hardest things for elected officials is to use the rate payers' or tax payers' money to settle a lawsuit when we feel we do not have any liability.

Commissioner Schrader asked Mr. Harrison if the drainage easement had the same effects as a conservation easement which would then prohibit the Homeowners' Association from ever seeking future development.

Mr. Harrison replied that as a practical matter it probably does. However, there is no binding commitment on the part of the HOA that says they would never build anything there so it may not be restrictive in the pure legal sense as a conservation easement. He stated that it would be difficult to conceive of any kind of permanent structure that they (a) could get permitted, or (b) would want to build since we have a drainage easement across that entire parcel. Mr. Harrison stated that he thought the practical effect was close in terms of pure legal effect, but did not think it went quite as far as a conservation easement.

Commissioner Schrader suggested that he and Commissioner Hildebrand could direct the Pasco County staff to vacate the plat, if that is the appropriate step to take. Commissioner Hildebrand agreed that this would be an appropriate action.

Mayor McPherson also agreed that action could be helpful.

Chairman Latvala thanked Mr. Harrison for his perseverance on this issue and bringing the Board a settlement.

Motion: Commissioner Hildebrand moved approval of the settlement and thanked Mr. Harrison for his efforts. With regard to the length of the litigation, she stated that at the time this happened El Niño was playing havoc in Central Pasco County. She concurred with Chairman Latvala that in 1998 when Tampa Bay Water was created the Board had a lot of things to do as well as coming together and looking for new alternative water sources.

Commissioner Schrader seconded the motion. The motion carried by a vote of 7-0 (Vice Chairman Sharpe and Commissioner Duncan were absent.)

H1. Tampa Bay Water Utility System Revenue Bonds Series 2008 & Rating Upgrades

Ms. Cassini stated that she had a brief presentation for the Board with no action required. She stated that Tampa Bay Water successfully sold \$100 million of bonds to raise money for construction at an interest rate under 5 percent and at a time when the market is seeing unprecedented down grades and bond issues being offered that are not receiving enough bids to sell. Tampa Bay Water's bonds were actually sold in less than 10 minutes.

Ms. Cassini stated that she, along with Chuck Carden, Director of Operations and Paula Dye, Chief Environmental Planner, accompanied the General Manager to New York City in preparation for this bond sale, where they sang the Board's praises. Praises for the daring changes they were willing to

make to the region's water supply, seeing those changes come to fruition and also committing to make changes and improvements in their own utilities. She stated that due to these accomplishments Tampa Bay Water actually received two rating upgrades. A Fitch upgraded from AA- to AA flat, and the most difficult rating agency, Standard & Poor's, took us from AA- right past AA flat to AA+, which is really remarkable.

Ms. Cassini stated that staff believes the AA+ category puts Tampa Bay Water in an elite group. Currently in Florida there are only 5-8 other AA+ utilities. This confirms the fact that three independent agencies recognize the importance of your accomplishments. They see the Board can accomplish what it says it is going to and they have faith that the new General Manager selected by the Board will continue this good work. For the agency this means we were able to lock in 30-year debt under five percent which is a huge win for us. The improved credit ratings also insure that in the future when you need to borrow money you will have ready access to capital and can get that capital at very cost effective interest rates.

Ms. Cassini stated that basically this region got a "thumbs up" and it is being seen and acknowledged across the country. This is based on the Board's choice to make a change, along with 124 employees here who worked very hard, and every consultant, engineering firm, contractor, and operator across the country who helped build these facilities and get them on line. She stated that the Board has done a remarkable thing, thank you very much.

Chairman Latvala thanked Ms. Cassini and told the Board how proud she was to sit at the bond closing. It was awesome to hear the comments made about our staff, Koni, Paula, Chuck and of course Jerry, who went to New York. She stated that it made her very proud adding that she hoped all Board Members shared in that pride as well. She stated that staff has done an incredible job and it made her very proud to be a member of this Board and this fabulous staff.

Mr. Seeber conveyed his thanks to the team, picked by Koni Cassini, who worked on the presentation: Chuck Carden and Paula Dye who did a great job presenting in New York; Michelle Rapp who prepared the presentation which became the script and the sales pitch; Jon Kennedy who worked to make sure the numbers were correct; Helen Bennett from Black & Veatch who helped prepare the engineers' report; Coleman Cordell and Dominique Piccolo, with UBS at the time, who helped in the presentations and preparing us for that work; and Matt Sansberry and John Forney, with Raymond James Associates, who also did a great job for us. He reiterated Ms. Cassini's comment that a lot of the credit goes to the Board and their colleagues back at the courthouse and city council chambers, because an immense help in this endeavor was their efforts in building their own good credit ratings along with this agency's performance.

Mr. Seeber pointed out that one of the reasons that this is important is that we didn't have to buy bond insurance which will save the Board money in the annual payment. We saved about \$475,000 in present value savings as a result of that. Coupled with the rating upgrade, we will save in the neighborhood of \$720,000 in present value savings by virtue of that upgrade. He stated that these are big numbers, between half and three quarters of a million and is important for us going forward, along with the cost of capital at less than five percent. This is good for this agency in terms of its long-term security and support. This debt has been structured to be a wrap-around debt so that our debt service isn't subject to any cataclysmic changes in the future and the Board will not experience major rate disruptions as a result of the debt service.

I1. Long-term Demand Forecast Model Re-development

Dr. Adams stated that Dr. Jack Kiefer from Hazen and Sawyer would present the results of the re-developed Long-term Demand Forecast Model. Although no action is required by the Board today, the presentation will show our point forecast out to the year 2035. She added that the re-development model has been a joint effort between Member Government staff and the consultant Hazen and Sawyer.

Dr. Kiefer stated that he would give the Board an overview of the most recent demand forecast for the Tampa Bay Water service area which is comprised of the six Member Governments. For analytical purposes, an extra geographical area was split out establishing seven water demand planning areas, and the forecast covers the current assumptions regarding the service areas of the region.

Dr. Kiefer displayed a diagram extending from 2007 to 2035. The forecast was inclusive of residential, single family, multi-family, non-residential water use, as well as other wholesale uses under normal weather conditions. He explained that the forecast is anchored in Water Year 2007 at approximately 275 mgd, and under the point forecast assumptions it is expected to grow to 349 mgd by the end of the planning horizon. These numbers include the City of Tampa, so this is total demand. That is about a 32 percent total increase in demand or about a 1 percent per year annual rate of growth over the time horizon. The graph shows a small dip and recovery at the beginning of the forecast but essentially the forecast is dictated by our assumptions for demographic growth and economics.

Dr. Kiefer's next slide broke down the forecast into Member Government levels stating that in terms of water demands, the high growth areas are expected to be in Pasco, Hillsborough counties and the City of Tampa. Specifically, he stated:

- Pasco County is expected to almost double its demands over the next 28 years
- Hillsborough County is expected to grow about 62 percent
- The City of Tampa is forecast to grow about 38 percent
- New Port Richey is expect to about 34 percent but it still remains the smallest member in terms of demand
- Pinellas County and the City of St. Petersburg are expected to remain relatively flat with the possibility of a small increase toward the end of the forecast horizon

Dr. Kiefer stated that behind these figures is a set of predictive equations that were developed using members' water billing information in conjunction with projections of socioeconomic factors such as population, housing, employment, income, price of water and other factors known to influence water demand over time. This set of equations is calibrated to Water Year 2007 to anchor our forecast over time. These demographic and economic growth factor assumptions are turned into equations that embody the forecasting system to produce the long-term water demand forecast.

Dr. Kiefer referred the Board to the impacts and consequences of the decline in the housing market, being experienced locally. The current conditions, as well as uncertainty of the future in terms of the economy, make it especially challenging to forecast demand over time because it is the economic and demographic factors that actually drive the forecast. The next few slides were meant to give the Board more information regarding what is behind the current numbers.

Dr. Kiefer stated the source of the next slide was Moody's economy.com forecasting service which showed single family housing starts, essentially permits, historically and projected out to 2035 for the three-county region. This diagram showed the tremendous rate of growth in new single housing permits starting in the mid 90's and booming in the 2001-2005 timeframe with a visible decline downward in 2006-2007. He noted there was good news because numbers in it appears Moody's expects the area is either at or near the bottom of the housing crisis, and by the 2010-2011 time frame, new housing starts should adjust to a more stable and steady pace. He stated these housing figures underlie the housing model, adding total housing is very important for the residential demand forecast.

Dr. Kiefer noted the forecast for total dwelling units shows about 1.3 million dwelling units by 2035, starting at about 850,000 in 2007, adding about 400,000 new housing units in the forecast. This amounts to a 1.5 percent per year increase in housing over the 2035 timeframe. Again, these are based on Moody's economy.com forecast of new permits.

Dr. Kiefer explained total employment is a driver of the non-residential demand forecast. Starting out at about 1.36 million employees in the business sectors in the Tampa Bay Region, according to Moody's economy.com, we are expected to grow to 2 million employees in the service area by 2035. This is an annual growth rate of 1.3 percent per year. He pointed out the employment forecast is relatively flat from 2007 to about 2009/2010 before employment growth starts to rebound.

Household income and general economic activity is important for residential demands. Higher incomes in the region result in higher water demands and vice versa, and are good indicators of general economic activity. He used a diagram to show an index of projections (Moody's.com projections) of household income over the 2007-2035 time frame, that did not account for inflation and the effects of inflation on purchasing power. Based on this diagram you would expect that incomes in 2035 to be about 2.5 times higher than today. But making a conservative judgment of 3 percent annual rates of inflation, the real and adjusted terms suggest income growth in the region is going to be about 1.5 percent over the forecast period. That together with assumptions about the cost of water and the future pricing practices for water has a dampening effect on the demand forecast and is another reason for the dip early on in the forecast. Assuming 3 percent inflation the purchasing power of incomes is actually going to decline in the short term and this is very important for our forecast.

To summarize, Dr. Kiefer stated expectations of economic activity, especially housing and employment affect the forecast. The forecast accounts for the current, more stagnant conditions as well as the recovery out to 2035. There is a considerable amount of uncertainty still in these numbers, and so our next efforts will focus on any uncertainty we have about these figures and what kind of scenarios might actually come true.

Dr. Kiefer noted a good analogy for forecasting water demand comes from hurricane predictions. Seldom are these predictions just one single line, like the forecast of demand they are an interval of potential outcomes. The reason for this is simply due to uncertainty and variability in the factors that drive the path of a hurricane, like the uncertainty in factors that drive the demand forecast, such as housing, employment, incomes, weather and other factors. He stated the focus now is going to be developing a range, or an interval forecast, in the context of water demand.

Dr. Kiefer displayed a graphic showing an example of a range, or probabilistic forecast that was performed for Tampa Bay Water around 2002, at the beginning or in the midst of the housing boom. The graphic has the characteristic widening over time in terms of the possibilities that may occur in the future. Looking at demands in this way we are more confident in forecasting a range of possibilities than we are in a single point line. This is where the emphasis is going so the next step will be to finalize this probabilistic forecast of water demand and couple this with the future needs analysis. For the future needs analysis the variable is water supply reliability, not just demand or supply, but the balance of demand and supply. For that effort we will be coupling a redeveloped surface water model with the demand model to give a prediction of future need. The Future Need Analysis should be completed in 2010 and we anticipate it will provide a basis of support for decisions on System Configuration III projects that will be selected in the 2011 timeframe to meet expected and potential demands in the 2017 to 2019 timeframe.

Chairman Latvala called for questions.

Commissioner Schrader referred to a need to get reuse up and running.

Mayor McPherson commented that it was encouraging to see Moody's projections as far as new housing permits, because that chart demonstrates they believe we are at the bottom. Noting there seems to be a barrage of bad economic news and since the future is unpredictable, he questioned why Moody's was being used, asking how accurate they have been in the past, and if they were gold standard for these kinds of projections.

Dr. Kiefer replied that there are not many forecasting services available that down-scale to a specific region. Moody's has a good name in the industry and their forecasting service has been around for a while. He explained that data can be purchased for a geographic area adding that this forecast has focused on that access to local information. Dr. Kiefer stated that he could not speak regarding their track record and accuracy.

Referring to Dr. Kiefer's overview for the demand forecast and the set of equations relating to water use by sector to variables affecting water demand, Councilman Bennett asked if water conservation was a part of the demand projections.

Dr. Kiefer replied that in the existing conditions, the current level of conservation is embedded, therefore he would call this a without conservation forecast. Based on the information provided, Councilman Bennett felt conservation needed to be considered since a lot of water is needed for the future.

Dr. Kiefer acknowledged the need for 349 mgd by the end of the forecast horizon. He added that the model does incorporate a variable for the fraction of connections that have reclaimed service. In terms of how many people or customers have access to the reclaimed water, Dr. Kiefer stated that is variable that could be used for the sensitivity analysis since a significant decline in potable use is shown from access to reclaim service.

Council Member Bennett noted that the number of houses being built would also mean the replacement of a lot of agricultural usage.

Hearing no further comments Chairman Latvala called upon Warren Hogg to present the Hydrologic Conditions Report.

I2. Hydrologic Conditions Report

Mr. Hogg stated that he would give the Board a brief, more optimistic, update on the hydrologic conditions for the Tampa Bay area.

Mr. Hogg stated that for the past three years, the region has been in a long-term rainfall deficit with the worst conditions recorded within the Hillsborough River Basin. For the past 12 months, most of the wellfields have shown a continued rainfall deficit with a couple of exceptions. With regard to current conditions, Mr. Hogg stated that the Tampa-Bay area received above-average rainfall in the spring wet season which had been forecasted to be dry. It was fairly wet from mid-January through the first week of April but it has been very dry since. For the month of May, we averaged about a half an inch of rain which is well below normal and as a result, the lakes and wetlands in the area have been fairly dry. He noted that the Tampa Bay area is still classified as abnormally dry, and although we are not in a Level 1 Drought Condition, we are still recording low water levels in lakes and wetlands.

Mr. Hogg noted that there are some signs of recovery in the aquifer system, stating that he would look briefly at hydrologic conditions of three wellfields and give the Board some good news. The first wellfield was the Starkey Wellfield, which in recent years has been producing around 12 mgd. He stated that in the middle of December, the West Pasco service area was incorporated into our regional system with the completion of the West Pasco Infrastructure Project and pumpage from this wellfield was reduced to about 2.5 mgd, with a slight increase during the month of May. As a result, water levels in the Floridan Aquifer increased about four to five feet in a time period of about average rainfall followed by a dry period during most of April and May. With regard to the surface environment, Mr. Hogg stated that lakes and wetlands are filled by rainfall; reducing pumpage does not refill lakes and wetlands. As normal or above-normal summer rainfall returns, those systems will refill and with the higher water levels in the aquifer underneath, less water will leak through the bottom. He noted that this condition will allow environmental recovery in the lakes and wetlands. Although the Cypress Creek Wellfield has historically produced about 30 mgd, it averaged about 15 mgd for Water Year 2008 to-date and water levels are relatively high when compared to the past. Mr. Hogg stated that water levels are about 5 feet higher than they were during past periods of higher pumpage and low rainfall.

Mr. Hogg stated that the third wellfield, the Section 21 Wellfield, used to produce in excess of 12 mgd and has averaged about 5 mgd over the Water Year to-date. A similar increase in water levels in the Floridan Aquifer has been recorded. Mr. Hogg stated that comparing this time period to the last five to six years, water levels are as much as ten feet higher than they were in the past.

Showing a picture of Starvation Lake which is located directly on the Section 21 Wellfield, Mr. Hogg stated that water levels in this lake were extremely low during the previous rainfall deficit, but the lake is now in relatively good condition considering the recent rainfall deficit. Although the water level has receded somewhat during the past three years, it is still holding water which is a very good sign. With the onset of the summer rains, the lake is expected to fill up relatively quickly. Mr. Hogg stated that he hoped to have photographs showing wet lakes and wetlands throughout the wellfields at future meetings.

Mr. Hogg's final graphs pertained to the production from the Consolidated Permit Wellfields and the South-Central Hillsborough wellfield. He stated that before the end of calendar year (2008), the 12-month running average must be reduced to 90 mgd from the Consolidated Permit Wellfields. With the rainfall that we have received and with our alternative water supply sources, we have been able to use our surface water sources and the desalination facility to reduce production from the groundwater system. Noting that the month of May is the hottest, driest month of the year, Mr. Hogg stated that prior to developing alternative sources, pumpage from these 11 wellfields during May ranged from 180 mgd to 210 mgd, while this year we pumped just under 90 mgd from these 11 wellfields. This reduction is solely driven by our ability to use alternative water supply sources. Mr. Hogg concluded his presentation stating that the South Central Hillsborough Wellfield is under the 24.1 mgd compliance limit for this wellfield.

J1. System Engineer Construction Support Services for Configuration II Projects

Mr. Kennedy advised the Board that Configuration II has 10 projects with construction already underway on two, South-Central Hillsborough Infrastructure Phase II and the Surface Water Treatment Plant Expansion. Construction on the remaining 8 will commence later this year and the first half of 2009. All projects are scheduled to be complete before the end of 2010 and must be on line by 2012 to meet co-funding requirements and our need for increased water supply.

Mr. Kennedy stated that staff's recommendation is for Board approval to use Bond funds to support construction management of Configuration II. He then reviewed with the Board the advantages and disadvantages of three options studied by staff prior to making their recommendation.

Option 1 - Reassign current Tampa Bay Water staff to construction.

Option 2 - Directly hire additional staff.

Option 3 - Employ a third party contractor to provide specialized construction services.

Mr. Kennedy stated that staff recommends Option 3 be employed through an existing contract with the System Engineer Black and Veatch. The system engineer contract was competitively selected in 2005 for services that included construction management support.

During Configuration I, the cost for support services was 14.1 percent of the construction costs and included:

1. Engineering services were provided by each design engineer during construction.
2. Construction management services were provided by two firms along with two other firms providing program scheduling and system engineering support.

Mr. Kennedy stated that this approach was successful for Configuration I and staff believes it can be improved upon for Configuration II by reducing the number of outside parties and taking advantage of the experience of existing staff.

During Configuration II, staff proposes the continued use of the project's design engineer for engineering services during construction with construction management provided by our System Engineer. The cost of this recommendation is 9.8 percent of Configuration II's estimated construction costs. Two firms were engaged to provide Construction Management Support for

Configuration I, while one firm, our System Engineer, Black & Veatch, is proposed for Configuration II.

Mr. Kennedy noted that the two focus points for Configuration II construction support activity will be:

1. SWTP Expansion - There are more than 4 dozen sub-agreements to be tracked, multiple shutdowns during the expansion and a robust acceptance test scheduled for 2010. Black and Veatch was on the negotiating team for the SWTP Expansion and is the best choice to support the implementation of this project. This work effort will be based at the SWTP/Facilities Site in Brandon.
2. General Program Support - This includes system scheduling and coordination to ensure the 10 new projects, which are being laid onto the existing system to expand its capacity, are completed in a coordinated manner and communicated effectively within the agency and to the Member Governments, SWFWMD and FDEP. This work effort will be based at the Cypress Creek facility in Central Pasco County.

Mr. Kennedy stated that staff recommends Board authorization of the use of Bond funds for the engagement of the System Engineer, Black & Veatch Corporation, to provide management services during construction of the Configuration II projects in the amount of \$7,907,000. The Board's approval will allow staff access to budgeted bond funds and the System Engineer contract, two resources that have been established for this purpose.

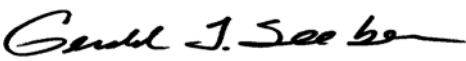
Motion: Commissioner Schrader moved approval of staff recommendation. Commissioner Hildebrand seconded the motion. The motion carried by a vote of 7-0 (Vice-Chairman Sharpe and Commissioner Duncan were absent).

L. Receive & File

Motion: Councilman Miranda moved approval of Receive & File. Commissioner Schrader seconded the motion. The motion carried by a vote of 7-0 (Vice-Chairman Sharpe and Commissioner Duncan were absent).

Adjournment:

The meeting adjourned at 10:40 a.m.

Attest: 

Gerald J. Seeber, Secretary

Date: 8/18/08