

MINUTES
POLK REGIONAL WATER COOPERATIVE
March 20, 2024 – 2:00PM

Lake Myrtle Sports Complex
2701 Lake Myrtle Park Road
Auburndale, FL 33823

Join Zoom Meeting
<https://us02web.zoom.us/j/85303231955?pwd=eVNBOGRGQTZwcmJ5U3NFQkVhSVB1QT09>
Meeting ID: 853 0323 1955
Passcode: 306174
One tap mobile
+13052241968,,85303231955

Member Governments in Attendance:

| <u>Member Government</u> | <u>Representative</u> |
|--------------------------|---|
| City of Auburndale | Vice Mayor Keith Cowie, Primary |
| City of Bartow | Vice Mayor Trish Pfeiffer, Primary |
| City of Davenport | Commissioner Tom Fellows, Primary |
| City of Dundee | Commissioner Bert Goddard, Primary |
| City of Eagle Lake | In Absence Commissioner Randy Billings, Primary |
| City of Fort Meade | Mayor James Watts, Primary |
| City of Frostproof | In Absence Vice Mayor Austin Gravley, Primary |
| City of Haines City | Commissioner Morris West, Primary |
| City of Lake Alfred | Commissioner Charles Lake, Primary |
| Town of Lake Hamilton | Mayor Mike Kehoe, Primary |
| City of Lake Wales | In Absence Commissioner Keith Thompson, Primary |
| City of Lakeland | Mayor Bill Mutz, Primary (Vice Chair) |
| City of Mulberry | In Absence Commissioner Collins Smith, Primary |
| City of Polk City | Mayor Joe LaCascia, Primary |
| City of Winter Haven | Mayor Nathaniel Birdsong, Primary (Secretary/Treasurer) |
| Polk County | Commissioner George Lindsey, Primary (Chair) |

A. Call To Order - 2:00 p.m.

Chairman Lindsey called the meeting to order at 2:00PM.

B. Recognition of new primary/alternate appointees of members

Chairman Lindsey requested members to introduce themselves.

C. Agenda Revisions

Director DeHaven stated there were no changes to the agenda and no items to add to the agenda.

D. Public Comments (Limited to 3 minutes)

Chairman Lindsey was asked if there was anyone from the public that wanted to comment on any matters and there were none.

E. Consent Items

E.1. Approve January 2024 BOD Regular Meeting Minutes (Action) Page 4

Chairman Lindsey asked for a motion to approve the Consent Agenda

Motion to approve January 2024 BOD was made by **Commissioner Lake**, seconded by **Mayor Kehoe**. Motion was unanimously approved.

F. Regular BOD Items

F.1. Update on Business Plan Report, Budgeting Information, and Member Revenue Options (Information)

Mr. Robert Beltran (TeamOne) indicated this item was about finalizing the FY2024 business plan. Copies were distributed. The PRWC had numerous key financial developments in 2023., including closing the Southeast SRF Loan at \$21.9M, increasing the Wells Fargo Loan line of credit from \$5M to \$15M, closing the West Polk SRF Loan at \$14.3M, expanding the SRF Planning Loan to \$13.6M, closing the Truist Loan for over \$150M, closing the WIFIA Loan for \$222M, and receiving additional Heartland Grant funds.

The Business Plan assumptions include incorporating the 3rd party operator input on operational expenses, incorporating a 15% WIFIA loan contingency, and the District's plans to delay reimbursements. In addition, the PRWC has adopted a reserve policy which incorporates 1.25 debt service coverage and reserve funds.

The total funding summary in the current business plan is \$647,759,838. A table of member costs was presented

There are additional costs that have been added to the 2025 budget planning amounts and are captured in the summary tables presented:

- 1) Stuart Crossing - \$52,095,
- 2) Site Maintenance and Asset Protection for \$75,000, and
- 3) A Finance Manager position for \$85,000.

Director DeHaven stated that this position will be a contract position added to the Administrative Budget. It will be added as a part of the Budget process beginning in July and voted on for final approval in September.

Mr. Beltran then provided a table of member costs to budget for FY2025. This table and presentation has been provided to the Funding Workgroup, the Technical Advisory Committee, and the City Managers meeting.

Vice Mayor Pfeiffer asked to clarify the \$52,000 for Stuart Crossing. **Mr. Beltran** confirmed the amount showing at the bottom total was \$52,000 which could also be found in the handout.

Chairman Lindsey asked for confirmation that this information was shared with the City Managers group. **Mr. Beltran** confirmed.

Mr. Beltran finished the first portion of the presentation by focusing on options to reduce project costs and enhance grant funding.

Mr. Murray Hamilton then reviewed member revenue options. He discussed member special assessments, capital connection fees, AWS surcharges, and monthly user fees. Capital connection fees are one of the best options to collect revenue for projects. AWS surcharges have been utilized by members as well and the fallback is to collect revenue via monthly fees. Most members have done or are working on rate studies which is an important step in understanding costs that need to be recovered.

Mr. Beltran concluded the presentation by thanking members for working on the PRWC Funding Work Group and then went over the FY2025 Business Plan process that we are beginning. Some of the key assumptions we are including are a 10% contingency to the Southeast Project in anticipation of a 90%

Design estimate prepared by the Contractor, grant funding updates, and any funding changes proposed by the SWFWMD.

Mayor Mutz asked what are the nuances to think about for a just and equitable application of costs that get tripped over? **Mr. Hamilton** replied that a formula is used which takes revenues for each class within the system and divides it by the cost or sales. This can provide insight into how each class of water user pays for their share of costs. **Chairman Lindsey** indicated the analogy is impact fees and a rational nexus.

Mayor LaCascia asked if you can characterize the PRWC Grants received and where they are coming from. **Mr. Beltran** replied that the State provides most of our newer grant funds. The PRWC works with SWFWMD to obtain grants for water projects. The state recognizes that water is becoming a more critical state-wide issue. **Mayor LaCascia** asked if the state provides funds directly to the PRWC and **Mr. Beltran** indicated yes, through the Heartland Grant process. There will be more presentations on this topic at the future meetings. **Mayor LaCascia** asked if we have a grant writer and **Mr. Beltran** indicated we do as a part of TeamOne. **Chairman Lindsey** indicated in years past others paid for these type of rate studies to get us to where we are today and we need to continue to pay it forward.

Commissioner Lindsey introduced **Governing Member John Hall**, and requested him to say a few words on behalf of Southwest Florida Water Management District. **Mr. Hall** indicated he was happy to attend and stated the SWFWMD Governing Board is in favor of continuing to move forward with alternative water projects and there will be continued support to the PRWC. **Chairman Lindsey** indicated Polk County has two seats on the SWFWMD Board and thanked Mr. Hall and Ms. Bell-Barnett for their service.

F.2. Accept Independent Auditors Report for Fiscal Year 2023 (Action)

Mr. Mike Brynjulfson reviewed the results of the Independent Audit from 2023. He defined an audit as the verification of historical financial information. He also reviewed and explained the audits that were ordered and required.

The first report is the AICPA required report which provides the PRWC an Unmodified Opinion Issued or Clean Opinion which is a fair representation of what happened during the year. This report shows that the financial statements presented conform with generally accepted accounting principles. **Mr. Brynjulfson** encouraged reading the section on auditor's responsibility.

The next report **Mr. Brynjulfson** described is the Report on Internal Control and Compliance which reports significant deficiencies that were found or any significant non-compliance. One material weakness was found on page 29 regarding the internal control structure because of six material audit adjustments; however, no issues of noncompliance were reported. This was a finding in 2022 as well and the recommendation is for the PRWC to obtain additional expertise in financial statement preparation.

The next report was the Report on Compliance with Section 218.415, Florida Statute which contains 16 provisions involving the investment of public funds. There were no issues found of non-compliance.

The next report is the Report on Federal & State Grant/Loan Compliance & Internal Control over Compliance. One instance of noncompliance was identified associated with the Heartland Grant Funds for the purchase of land. The PRWC is required under the Heartland grant agreements with the state to record deeds for easements with a restrictive covenant. The recommendation is to work with the PRWC General Counsel to correct the issue.

The next report is the Management Letter and no adverse findings or recommendations were recommended.

The final report is the Governance Letter used to report non-quantitative items. There were no disagreements with management or difficulties in performing the audit. There were no adjustments recommended.

In 2023, the revenue was about \$14,255,153, and expenses were \$29,297,989. **Mr. Brynjulfson** noted how much the revenue and expenses have increased from 2022 to 2023 as well as how much the finances changed in 2023 as pointed out by **Mr. Beltran** in the earlier presentation.

Mayor LaCascia asked regarding the cash flow on page 29, is the money that was used based on what we invested on a regular basis be considered excess over operated? Mr. Brynjulfson indicated that is what you received in cash in interest. You received \$2.1 million in interest income in total. Mr. LaCascia asked where is the money we used to invest? Mr. Brynjulfson indicated it is on page 8 on the line that says restricted cash which is about \$148 million.

Chairman Lindsey followed up on the audit findings and indicated the PRWC is proposing to hire additional financial expertise and that Mr. de la Parte will provide a remedy to the Heartland Grant requirements. It is important to have this audit completed to look over PRWC finances as the PRWC grows. Commissioner Charlie Lake complimented Mr. Brynjulfson on his report.

Motion to approve Independent Auditors Report for Fiscal Year 2023 made by **Commissioner Lake**, seconded by **Mayor Kehoe**. Motion was unanimously approved.

F.3. Approve PRWC Conservation Project Implementation Agreement (Action)

Director DeHaven mentioned that in September 2023 there was a new budget approved for the PRWC for the implementation of conservation projects. The budget represents \$75,000 from members and \$75,000 from Heartland Grants. The board needs to approve an implementation agreement to execute this program as we have done for the Southeast and West Polk Implementation Agreements. Each member's commission will need to approve this agreement to perform these conservation services. Following that the next step is for the PRWC to procure a third-party provider to implement the conservation program

Chairman Lindsey reviewed the steps to confirm the process. Member governments and IFAS are eligible to become the third-party provider, as well as private companies.

Motion to approve *PRWC Conservation Project Implementation Agreement* made by **Mayor Mutz**, seconded by **Commissioner Goddard**. Motion was unanimously approved.

F.4. Authorize Staff to Advertise for Well Construction Services for West Polk Test Production Well (TPW) #2 and Southeast Production Wells 9, 10, 11 and 14 (Action)

Mr. Tom Mattiacci reviewed the Southeast Wellfield and West Polk Wellfield test production well projects. The Southeast Wellfield test production well cost was approximately \$3.7 million to complete, and it is estimated the cost for the West Polk test production well will be \$5 million because of drilling conditions and inflation. The PRWC also has four production wells that need to be constructed at approximately \$2.6 million each. A new well driller procurement is necessary to drill these wells and Lakeland has volunteered to lead the procurement. A staff recommendation for driller selection will be brought before the PRWC Board for review and approval.

Motion to authorize *Staff in coordination with the City of Lakeland to Advertise for Well Construction Services for West Polk Test Production Well #2 and Southeast Production Wells #9, 10, 11, 14* made by **Commissioner West** seconded by **Commissioner Lake**. Motion was unanimously approved.

G. Recess Regular BOD/Commence Combined Projects BOD

Chairman Lindsey began the Combined Projects Board meeting and then recessed the meeting as there were no agenda items for this Board.

H. Recess Combined Projects BOD/Commence Southeast Wellfield BOD

Chairman Lindsey turned the meeting over to **Chairman Birdsong** for the Southeast Wellfield BOD agenda. **Chairman Birdsong** welcomed the SE Board members.

H.1. Approve the Guaranteed Maximum Price for Transmission System Early Construction Package 2A

Mr. Mark Addison reviewed the need for an early pipeline bid package for the Lake Hamilton/Dundee area. Four bids were submitted ranging from \$3.82 million - \$5.87 million for the 7,250 feet of pipe needed. After considering bid pricing and proposed schedule, the CMAR recommended award to Garney companies at \$5,138,830. **Mr. Addison** noted that the unit pricing for this bid was significantly lower than the CMAR 60% construction estimate. The bid award is based on both cost and schedule. He noted that the contract will include \$3,250 per day in liquidated damages so if they aren't finished on time the liquidated damages will apply. Also, if Garney were to exceed their schedule, they will not be entitled to any further payments.

Commissioner Lindsey asked if Killebrew was offered the opportunity to meet the shorter time frame, and would that increase costs? **Mr. Addison** replied yes, Killebrew mentioned that they may have to add a second construction crew which would increase price. Further, in talking with CMAR, if we were to select Killebrew, a contingency is recommended to be included in the CMAR price, further increasing overall costs. The best value in this case is Garney companies. **Chairman Birdsong** requested a motion.

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| Motion to approve the Guaranteed Maximum Price for Transmission System Early Construction Package 2A made by Commissioner Lindsey , seconded by Mayor Kehoe . Motion was unanimously approved. |
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H.2. Update on Southeast Wellfield Project (Information)

Mr. Mark Addison highlighted the construction of the test well TPW3 that was completed on December 12, 2023. The aquifer performance test was completed, the transmissivity value (and therefore expected capacity) is within expected range, and the water quality was similar to the other test wells. The site acquisition is completed for Well Nos. 10 and 11, and in progress for Nos. 9 and 14. Construction of the injection well continues, and a pilot hole has been constructed to 3700'. Testing is scheduled for November of this year. Ninety percent design completion for the water production facility is scheduled for June 2024 and the Guaranteed Maximum Price will be brought before the board in November 2024. Ninety percent design progresses on the transmission line and six construction packages will be brought to the Board with Guaranteed Maximum Prices. **Mr. Addison** provided a schedule of when the GMP's will be brought to the Board.

Director DeHaven paused to point out the importance of the schedule of the Guaranteed Maximum Price's. He stated the GMP for the water production facility is currently scheduled for November 2024. On the other hand, when looking at the transmission system, the Board is going to get the GMP's beginning with what was approved today through March of 2025. To emphasize, transmission packages will be approved at different times.

Mayor LaCascia asked if the sum is not the total of the parts? **Director DeHaven** answered stating the sum will be the total of the GMP for the Water Production facility and the transmission construction packages 1,2,4,5, and 6. GMP 3 will stand on its own.

Mr. Addison continued and indicated land acquisition continues. For design segments 5, 6, 7 and 10 there are 117 parcels affected. 77 offers have been made with 37 closed and 21 pending. A summary of the parcels closed or settled to date has been provided in a handout.

As a reminder, the current water use permit issued in 2014 with a finished water allocation of 30 million gallons per day. It was originally issued for Polk County, and last year transferred to the Polk Regional Water Cooperative and expires April 2054. A modification of this permit is in production. The project team continues to move forward with ERP and DOH permitting.

H.3. Adopt Resolution 2024-07 Parcel Resolution of Necessity to Acquire Specified Parcels (Land Acquisition Package #11A) to Implement the Southeast Lower Floridan Aquifer Water Production Facility and Southeast Transmission Line Projects (Action)

Chairman Birdsong indicated that we will take items H3. – H.6 together in one presentation and in one motion. He introduced Mr. Addison again to review the resolutions and staff request. .

Mr. Addison reviewed the resolutions through 2024-10 that authorize the cooperative to acquire permanent easements and temporary construction easements. The parcels affected in these resolutions are in the Lake Hamilton, Dundee, Haines City and Old Bartow Lake Wales Road areas, and in the Mountain Lake Cut-off Road areas. To date, settlements have been reached on 42 parcels, totaling over \$2.6 Million.

Motion to adopt items H.3 through H.6, Resolutions 2024-07, 2024-08, 2024-09, and 2024-10 Parcel Resolutions of Necessity to Acquire Specified Parcels to Implement the Southeast Lower Floridan Aquifer Water Production Facility and Transmission Line Projects made by **Commissioner Lake**, seconded by **Mayor Kehoe**. Motion was unanimously approved.

H.7. Adopt Resolution 2024-11 to Confirm PRWC's Intentions to Use State Lands for the Southeast Wellfield Project (Action)

Director DeHaven mentioned that this is a resolution to confirm PRWC's intentions to use state lands for the SE Wellfield Project. The PRWC must complete two steps to request use of state lands for the pipeline project. First, the PRWC must get approval from the State agency involved, in this case it is Fish and Wildlife Service, which we have received, and second is the board needs to approve a resolution to request a proposed easement.

Motion to approve Resolution 2024-11 to use State Lands for the Southeast Wellfield Project made by made by **Mayor Mutz**, seconded by **Commissioner Lake**. Motion was unanimously approved.

H.8. Adopt Resolution 2024-12 to Amend Resolutions 2022-12 and 2023-05 Authorizing the Executive Director to Approve Declarations of Restrictive Covenant Pursuant to FDEP Grant Agreements and to Ratify Declarations of Restrictive Covenants Executed Prior to the Amended Resolutions (Action)

Chairman Birdsong introduced **Mr. de la Parte**, PRWC General Counsel to review this item. **Mr. de la Parte** stated that this amendment is to address the non-compliance issue that was identified by the auditor, **Mr. Brynjulfson**, in his presentation earlier today. This resolution amends two prior resolutions,

2022-12 and 2023-05, that authorize the land acquisition process the PRWC follows to approve costs associated with easement acquisition. The state grant that the PRWC uses to pay for easements requires that the PRWC file a declaration of covenant for the easements. This updated resolution authorizes the executive director to sign a declaration of covenant and submit it for recording.

Motion to approve Resolution 2024-12 made by made by **Commissioner Lindsey**, seconded by **Mayor Kehoe**. Motion was unanimously approved.

I. Recess Southeast Wellfield BOD/Commence West Polk BOD

Chairman Birdsong recessed the Southeast Board of Directors and turned the meeting over to **Mayor Mutz** who commenced the West Polk Board of Directors. **Chairman Mutz** welcomed the West Polk BOD members and indicated there were two items of business.

I.1. Elect Officers for the PRWC West Polk Board of Directors for Remainder of FY2024 (Action)

Director DeHaven indicated that due to the resignation of Commissioner Githens from the Bartow City Commission it was necessary for the PRWC to elect new officers as Commissioner Githens was serving as the Chairman for the West Polk BOD.

Chairman Mutz asked for a motion for a slate of officers for the West Polk Project Board.

Commissioner Cowie made a motion to elect Mayor Mutz as Chairman, Commissioner Lindsey as Vice-Chairman, and Commissioner Pfeiffer as Secretary/Treasurer. Mayor Birdsong seconded the motion.

Motion to approve **Mayor Mutz** as Chairman, **Commissioner Lindsey** as Vice-Chairman, and **Commissioner Pfeiffer** as Secretary/Treasurer for the West Polk BOD made by **Commissioner Cowie**, seconded by **Mayor Birdsong**. Motion was unanimously approved.

I.2. Update on West Polk Wellfield Project (Information)

Mr. Tom Mattiacci provided the status of the West Polk Project. The 60% design kick-off is planned for late 2024 for West Polk Wellfield. Acquisition is ongoing for Test Production # 2. The West Polk Injection well procurement with the current driller is underway.

Chairman Mutz adjourned the West Polk Board and turned the meeting over to **Chairman Lindsey**.

J. Recess West Polk BOD/Commence Regular BOD

Chairman Lindsey opened the meeting for discussion by members.

K. Open Discussion

Commissioner Lake noted that he had visited the SE Polk Wellfield area and provided pictures of his visit. **Director DeHaven** offered to accommodate anyone interested in a tour.

L. Chair / Executive Director Report

There were no reports provided.

M. Adjournment

The Board meeting was adjourned by **Chairman Lindsey** at 3:33 P.M.