

**MINUTES OF MEETING
ST. JOHNS COUNTY SPECIAL MEETING/WORKSHOP
OF THE BOARD OF COUNTY COMMISSIONERS
ST. JOHNS COUNTY, FLORIDA
NOVEMBER 30, 2004
(9:00 A.M.)**

Proceedings of a Special Meeting/Workshop of the St. Johns County Board of County Commissioners, held in the Auditorium at the County Administration Building, 4020 Lewis Speedway (County Road 16-A) and U.S. 1 North, St. Augustine, Florida.

Present were: Bruce Maguire, Chairman, District 4
 James Bryant, Vice Chair, District 5
 Ben Rich, District 3
 Karen Stern, District 2
 Cyndi Stevenson, District 1
 Ben W. Adams Jr., County Administrator
 Michael Hunt, Deputy County Attorney
 Diane Gorski, Deputy Clerk

Also present: Bill Young, Utility Department Director
 John Schwab, Project Director
 Doug Timms, Interim Budget Director

(11/30/04 - 1 - 9:07 a.m.)
Maguire called the meeting to order.

(11/30/04 - 1 - 9:07 a.m.)
ROLL CALL
Maguire announced that all five Commissioners and County Administrator Adams were present.

(11/30/04 - 1 - 9:08 a.m.)
ADDITIONS/DELETIONS TO THE AGENDA

There were none.

(11/30/04 - 1 - 9:08 a.m.)
APPROVAL OF THE WORKSHOP MEETING AGENDA

Motion by Rich, seconded by Stevenson, carried 5/0, to approve the agenda.

(11/30/04 - 1 - 9:08 a.m.)
1. A WORKSHOP TO DISCUSS THE MERITS OF A POSSIBLE ACQUISITION OF ST. JOHNS SERVICE COMPANY, A UTILITY PROVIDING WATER AND WASTEWATER SERVICES IN THE PONTE VEDRA AREA OF ST. JOHNS COUNTY. BOARD REVIEW OF THE ECONOMIC FEASIBILITY, CUSTOMER BASE, SERVICE AREA LIMITATIONS, THE PBS&J EVALUATION OF THE UTILITY, AND THE METHODOLOGY USED TO PROPOSE POTENTIAL RATES.

Ben Adams, County Administrator, stated that the St. Johns County Utility system had approximately 50,000 customers and the system was adding nearly 200 customers per month. He explained that the County Utility was Enterprise funded. He said that if the

customer base was expanded, the County would be able to lower their rates. He introduced Marc Walsh, Consultant, PBS&J Consulting Firm Staff, who had been involved in thirty utility evaluations, John Schwab, St. Johns County Project Director and other County Staff.

(11/30/04 - 2 - 9:12 a.m.)

SUMMARY OF THE COUNTY'S INVESTIGATION OF THE UTILITY

John Schwab, Project Director, reviewed the processes involved in investigating the possible acquisition of the utility through a series of studies of the St. Johns Service Company. He further explained that a professional real estate appraiser had determined the value of the utility including its real estate. Schwab then gave a PowerPoint presentation. (Exhibit A) (9:16 a.m.) Bryant requested a commitment from Jacksonville Beach Utilities explaining their intent to acquire the utility in writing. Schwab stated that he would request a written letter of interest from Jacksonville Beach Utilities. (9:18 a.m.) Rich asked how St. Johns County had become aware of the availability of this utility and Schwab responded that St. Johns Service Company had approached the county with their desire to sell the utility. Rich clarified that the private sector was aware that the utility was available for purchase and asked if any interest had been shown. Schwab answered that there had been no interest expressed from the private sector. (9:22 a.m.) Bryant asked if the Board had decided not to acquire the utility and Jacksonville Beach Utilities purchased that utility, what rate would be offered to the customers in the service area. (9:23 a.m.) Hunt explained what factors could be used by the Board to justify imposing specific rates for the provision of service to the consumer. (9:25 a.m.) Rich asked Hunt to explain the rate process. Discussion relating to the determination of setting rates ensued. Schwab introduced Marc Walch, PBS&J who discussed the Conservation Rates that were a condition of all St. Johns River Water Management District's (SJRWMD) Consumptive Use Permitting. He explained that the St. Johns Utility Company would have an inclining block rate structure regardless of ownership.

(9:34 a.m.) Frank Kenton, Administrative Manager, Utility Department explained the County Utility Department's current rate structure. (9:35 a.m.) Bryant explained that when St. Augustine Shores utility was acquired, and everything was transferred to Anastasia to get a decent bond rating, the County had to guarantee a certain amount of revenue and had done so by assigning a flat rate. Kenton stated that the SJRWMD has applauded St. Johns County's inclining block rates and used it as a model for other utilities.

(9:37 a.m.) Schwab reviewed the existing rates for Residential Water and Sewer Bills in a comparison contained within the PowerPoint presentation. (9:39 a.m.) Bryant asked if there would be one rate structure if the County purchased the utility and Schwab answered that the rates would be different because the acquired utility would stand-alone.

The meeting recessed at 9:42 a.m. and resumed at 9:58 a.m.

Maguire clarified Bryant's question regarding a blending of rates between St. Johns County and the acquired utility and explained that the County Attorney had said that the utility would stand-alone and eventually be blended into the County system.

(9:59 a.m.) Schwab reviewed the System Valuation. (10:00 a.m.) Maguire clarified that the appraised market value did not include additional property, only the buildings, equipment, operations (hardware) and land upon which these things were located. Schwab stated that the market value of the Utility was estimated at \$31,488,796 and

reviewed the acquisition details, including the proposed offer, the seller's position and the difference. He stated that the acquisition would be paid for by bond acquisition and other alternatives offered by the Board of County Commissioners. (10:06) Rich asked why the County would want approximately 17 acres of Marsh Landing property and Adams answered that the County had considered placing a park on this acreage. (10:07 a.m.) Stevenson asked how the land was zoned and if it had traffic concurrency and Schwab answered that it was zoned Open Rural and has a Comprehensive Land Use Designation of eight units per acre and that concurrency for transportation had not been pursued. He explained that the park would be accessed from State Road A1A, Ponte Vedra Lakes Boulevard and then Marsh Cove Drive. (10:08 a.m.) Stern clarified that the property would not be a gated access and Schwab concurred. Schwab said that there would be minimal impact to the affected residents and then reviewed the Assessment of County Ownership-Voter Opinion Surveys. (10:11 a.m.) (Maguire clarified that the study had been paid for Bruce Barcello an independent source.) Rich said that most of those surveyed on the Assessment of County Ownership Voter Opinions Survey indicated that the Board had always given water rights away, especially to Jacksonville Electric Authority (JEA), against the best wishes of 71% of the voters. Schwab answered that in regards to Nocatee, the obligation that the County Utility would have, in order to serve the area, would be to front the infrastructure. He explained that JEA was allowed to acquire these utilities through an Interlocal Agreement and actually paid for the utilities in the service area and had an obligation of \$17,000,000 worth of infrastructure for the first phase. He said that there were no customers in Nocatee at this time and that it would take two to five years before the customer base would start to be stimulated. He mentioned that in St. Joe or the Rivertown Development of Regional Impact (DRI), there was approximately \$12,000,000 - 15,000,000 worth of infrastructure that JEA would have to front and that the current customer base in the area was zero. He said that St. Johns County Utility would have to have floated a bond approximately thirty million dollars to fund the infrastructure of two developments that ultimately, at build out, will be financially feasible for the County, but during the implementation stage of development there would be a severe debt service that the existing customer base of the St. Johns County service area would have to fund before a return or revenue stream would return to the County. (10:13 a.m.) Bryant added that %65 percent of the utility customers lived on the barrier island and had basically subsidized the Shores Utility purchase.

(10:14 a.m.) Marc Walsh, PBS&J Consultant, gave an executive summary of the study that had been completed for the possible acquisition of the utility. He explained that the study had evaluated the assets of the St. Johns Service Company, analyzed the Depreciated Replacement, Income Approach, Comparable Sales and Book Value of the Utility. He explained that the Valuation Study had concluded that the depreciated replacement cost methods (adjusted) ranged from \$27,073,615 to \$33,152,098. (10:33 a.m.) Daniel Bosanko, County Attorney, entered the meeting and Hunt left the meeting. (10:33 a.m.) Schwab explained how the range of values for the utility and the land had been determined and the acceptable value of both had been decided upon. He stated that the Asset of Utility and Real Estate Value of \$33,241,115. (10:36 a.m.) Stern clarified that \$31,488,796 was the agreed upon acquisition price and asked how the debt service cost would be met and Schwab answered that the debt service would be met by structuring the rates accordingly. Maguire clarified that there was no profit margin included in the computation and stated that if a private organization purchased the utility they would use the same formula and add a profit margin. Schwab said that a private owner would have a rate of return allocated by their capital investment and not what they would pay for the utility. (10:39 a.m.) Rich expressed his concern with profitability with a stand-alone utility purchase and asked what type of bond would be used and Schwab answered that it would be a revenue bond. Rich asked if the bond would be done by referendum and Adams stated there would be a public meeting

specifically for input and then the Board would make a decision. (10:41 a.m.) Stevenson clarified that the rate would carry the cost of acquisition. Rich said that with this being a stand-alone utility, its bonding would affect only the present consumers and those brought online and asked if the individuals directly affected by the bond would be involved in the decision making process, beyond public comment. Schwab asked Walsh if he had ever experienced a special referendum for utility acquisition and Walsh answered that he had not. He explained that the enterprise fund would be responsible for supporting any deficits. (10:43 a.m.) Bosanko asserted that the citizens would not be responsible for paying off the bond but that the utility enterprise fund would pay for the bond. He stated that all customers would be at risk. (10:44 a.m.) Stern asked for an additional explanation of the debt service. Bosanko explained that the rate structure had included paying off the bond and that it would most likely include the County Utility service as well. Discussion relating to the financing structures ensued.

(11/30/04 - 4 - 10:47 a.m.)

PUBLIC COMMENT

Walter Rohrer, 2315 Clubview Court, President of the Sawgrass Homeowners Association, suggested St. Johns County provide a new projection based on current figures.

(10:53 a.m.) Kristen Abrahamson, 6513 Burnham Circle, supported the purchase of the St. Johns Service Company.

(10:54 a.m.) Robin Wilson, 2007 Palmetto Point Drive, asked the Board to stick to the facts and expressed support for the acquisition of the utility.

(10:55 a.m.) Robert Huhta, 204 Greencrest Drive, spoke in opposition of the acquisition of the utility.

(11:05 a.m.) Mike Twomey, Esquire, Sawgrass and Seaside Homeowners Associations representative, stated that he was representing over six million customers who were opposed to the acquisition of the utility because connectivity to the County system would require the purchase of the Intercoastal Utility Company. He gave several arguments against acquiring the utility.

(11:21 a.m.) Brian Smith, Fair Oaks Lane, supported the acquisition.

(11:24 a.m.) Carl Stoudemire, 189 San Juan Drive, spoke in favor of the acquisition.

(11:24 a.m.) Jim Browning 148 River Marsh Drive, spoke in favor of the acquisition.

(11:27 a.m.) Mark Myles 8004 Acorn Ridge Road, Chief Executive Officer of the International Headquarters of Men's Professional Tennis, spoke in support of the acquisition.

(11: 29 a.m.) Foreman Friend, 8270 Merganser Lane, spoke in support of the acquisition; he asserted that Twomey did not speak for him.

(11:32 a.m.) Dan Brown, 897 Blackberry Lane, Jacksonville spoke in support of the acquisition.

(11:34 a.m.) Jon Cummins, 2439 Lorraine Court North, spoke in support of the acquisition.

(11:35 a.m.) Harry Waldron, 118 Colon Avenue, spoke in support of the acquisition.

(11:37 a.m.) Jim McCarthy, 296 Deer Run Drive, spoke in support of the acquisition.

(11:41 a.m.) Sidney F. Ansbacher, Esquire, Upchurch, Bailey and Upchurch, 780 North Ponce De Leon Boulevard, explained that during the acquisition phase, provisions of sale or transfer of franchise certificate and franchise facilities used to have an unconditional right of transfer to local government, but with Subsection G in the transfer or sale provisions of the water and sewer ordinances, stated that it was conditionally exempt and the only absolute requirement was an Interlocal agreement between the local government and the board and that the board may consider in terms of whether to transfer, or allow the transfer to a local government. He reminded everyone that the utility was going to be sold and the potential purchasers had been, in response to Rich's question, uniformly, local government. He said that if St. Johns County wanted control of the rates they needed to take title.

(11:45 a.m.) Dan MacDonald, 24501 Deer Trace Drive, stated there were a dozen homes in Marsh Landing that were on the utility systems and were located in Duval County and asked if that made St. Johns Service Company a multi-county operation, thereby changing its jurisdiction. He asked if the unpaved access on Marsh Cove Drive, which was a power easement, would be the access to the seventeen acres and asked who owned it and how would road concurrency be affected. He expressed concern with the acquisition under the current proposal.

(11:48 a.m.) Tina McGough, 120 South Bend Drive, explained that they had decided at the last Players Club Board Meeting to hire Twomey to represent the interest of the property owners to assure that the county did not overpay for the utility and that the rates were agreeable. She stated that Jacksonville Beach Utilities had lower rates and more interconnectivity and that she preferred a private purchase and recommended that the Board reconsider the purchase of the utility as a stand-alone. She asked what benefits would be granted to the customers. Maguire explained that the utility would stand-alone until which point the rates were blended with the County utility and that did not necessarily mean higher rates for all. (11:54 a.m.) Stevenson asked if Twomey was a resident of the Player's Club and he said that he resided in Tallahassee.

(11:54 a.m.) Joan Diorio, 524 Fox Hollow Lane, spoke in favor of the acquisition.

(11:55 a.m.) Adams explained that they would negotiate for the actual utility and the seventeen acres of property separately. (11:56 a.m.) Stern clarified that the County would have to consider the purchase of the whole package and Adams concurred. (11:56 a.m.) Stevenson asked that the rates for the St. Johns County Utility Department be addressed at the next meeting. (11:57 a.m.) Maguire requested a letter from the Jacksonville Beach Utility stating their intentions to pursue the purchase of the St. Johns Utility. He requested information regarding the County's ability to exercise some form of control over Jacksonville Beach or some other Utility. He asked for clarification on Issue 125 by the next meeting date. He stated that last month the Board had tasked the Administrator to take the range of values and consolidate them into one specific value that he would feel comfortable taking to the seller. The staff determined a figure of \$37.8 million dollars for the total package; \$31,488,000 would be the utility purchase price paid for out of the bonding issue and \$6.3 million dollars paid for out of other funds. He asked for Board direction to allow Adams to negotiate a price before the next meeting. (11:59 a.m.) Hunt stated that a consensus could not be given but Adams had already been given the authority to conduct negotiations on behalf of the Board.

Marc Walsh addressed issues brought up in public comment.
(12:01 p.m.) Bryant left the meeting.

Schwab announced a follow up public meeting on December 8, 2004 in Ponte Vedra at the Rawlings Elementary School at 6:00 p.m.

With there being no further business to come before the Board, the meeting adjourned at 12:03 p.m.

Approved _____ December 29 _____, 2004

BOARD OF COUNTY COMMISSIONERS
OF ST. JOHNS COUNTY, FLORIDA

By: _____
Bruce A. Maguire, Chair

ATTEST: CHERYL STRICKLAND, CLERK

By: _____
Deputy Clerk