

**MINUTES OF MEETING  
BOARD OF COUNTY COMMISSIONERS  
ST. JOHNS COUNTY, FLORIDA  
JANUARY 20, 2005  
(9:00 A.M.)**

Proceedings of a special workshop meeting of the Board of County Commissioners of St. Johns County, Florida, began and 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 A. Maguire, District 4, Chairman  
                          James E. Bryant, District 5 Vice Chair  
                          Ben Rich, District 3  
                          Karen R. Stern, District 2  
                          Cyndi Stevenson, District 1  
                          Ben W. Adams, Jr., County Administrator  
                          Daniel Bosanko, County Attorney  
                          Lenora Newsome, Deputy Clerk

Also present:       Michael Hunt, Deputy County Attorney

(01/20/05 - 1 -9:00 a.m.)

The meeting was called to order by Chair Maguire.

(01/20/05 - 1 - 9:00 a.m.)

ROLL CALL

Maguire stated that all five Commissioners were present.

(01/20/05 - 1 - 9:00 a.m.)

ADDITIONS/DELETIONS TO WORKSHOP AGENDA

There were no additions or deletions to the Workshop Agenda.

(01/20/05 - 1 - 9:00 a.m.)

APPROVAL OF WORKSHOP AGENDA [Click here to listen to the audio for this item.](#)

**Motion by Bryant, seconded by Rich, carried 5/0, to approve the Agenda as submitted.**

Maguire reviewed the workshop items, stating that he would have to leave in fifteen minutes because he was due in Tallahassee at 1:00 p.m., Stern had to leave at 11:30 a.m. and that public comment would be at the end of the meeting.

(9:01 a.m.) John Schwab, Special Projects Manager, mentioned that the workshop was basically an extension of previous workshops and agenda items that specifically dealt with the potential acquisition of St. Johns Services Company, a utility providing sewer and water service in the northeast Ponte Vedra area. He introduced Barbara Vergara, Director of Water Supply, St. Johns River Water Management District.

A) Representative of the St. Johns River Water Management District presenting information on water resources in the northeast portion of Florida and how this resource is managed by the local Water Management District

- 1) Availability of Water
- 2) Water Caution areas
- 3) Cost to treat alternative water sources

(9:02 a.m.) Barbara Verdara, Director of the Division of Water Supply Management, St. Johns River Water Management District, (SJRWMD) gave a history on water availability, stating that for the northeast Florida area there was adequate water available to implement the plans of major water users in this area through 2025. She spoke on the Florida Aquifer being the major water supply in the entire Water Management District. The northeast area was facing big growth and the price of water would go up with the new technology. Discussion followed on the water quality changing from the northern part of the county to the southern part, saltwater intrusion, and the saline water already being in the system. (9:15 a.m.) Maguire left the meeting.

(9:15 a.m.) Paula Pressley, Hydrologist, SJRWMD, spoke on the potential for the consumptive use to have an impact on wetlands, whether the application for consumptive use has potential for saline water intrusion and whether there was essential for interference with the existing legal uses of water.

(9:17 a.m.) Stern asked if other utilities in the northern part of the county were taking steps to find alternative sources or treatment methods. Verdara responded that St. Augustine was looking to follow the lead of St. Johns County and move to a brackish ground water source in a reverse osmosis system. St. Johns River had been considered as a source of water supply.

(9:23 a.m.) Stevenson spoke on conservation and the major use of water in households. Verdara replied that lawn irrigation was the largest use of water. She mentioned that costs have come down considerably and were still coming down. She stated that it had become a major initiative of the federal government now to look at ways to reduce the energy cost of techniques like desalination, RO and etc.

B) A presentation by Mr. Marc Walsh on both the Hartman and the PBS&J valuations of the St. Johns Service Company

- 1) Explanation of different methods of valuation
- 2) Comparison of both valuations

(9:32 a.m.) Johns Schwab spoke on the tools used for this proposal.

(9:32 a.m.) Marc Walsh, Consulting Engineer, PBS&J, gave an overview of the earlier discussions on this issue. He reviewed the PBS&J valuation methods (Exhibit A) and spoke on certain evaluation adjustments. Rich spoke on the replacement cost method. Walsh spoke on sales analysis and on the St. Johns Service Company valuation. Rich asked what methods were used for purchases. Walsh replied that different methods were used. He reviewed the top four scenarios. He spoke on rate structure and stated that they could charge up to 25% more for customers outside of their current city limits. He stated that a discounted cash flow analysis was not a legally liable method to value a public's acquisition of a private utility and was not an approved method for the public's acquisition of a private utility in the state of Florida. Bosanko agreed that this was their position also. (10:00 a.m.) Walsh reviewed the Hartman's Study. He explained the methods they used, spoke on comparable sales, and discounted cash flow. Discussion followed on land being on the tax roll, cost estimates for actual cost and construction in St. Johns County, and contributions at aid of construction (CIAC).

The meeting recessed at 10:14 a.m. and reconvened at 10:17 a.m.

Schwab spoke about having a real estate appraiser. He introduced the next speaker, Burton and Associates, stating that they have a history of constructing and developing rates, and how those rates would ultimately affect customers in the future. Bosanko voiced concern on the concurrency issue.

(10:25 a.m.)

- C) A presentation by the firm of Burton and Associates explaining methods of rate making for utilities and how a conservation rate structure would affect a utility

Mike Burton, rate analysis, Burton and Associates, gave a presentation on the range of values (Exhibit B). He reviewed the St. Johns Service Company valuation analysis with land at replacement market value, rates, the key elements of the acquisition and financial feasibility. Schwab clarified the range of values presented by Burton.

(10:44 a.m.) Hunt left the meeting.

(10:46 a.m.) Frank Kenton, Utility Department, explained the cost difference.

- 1) Demonstration of rate structure predicated on the range of values for the utility
- 2) Comparison of rates proposed verses other utilities

(10:48 a.m.)

- D) Closing comments by St. Johns County Utility Director

Young spoke on acquisitions of the utility, whom to talk to when wanting to talk to the Utility Department, recommending a rate decrease, taking care of old customers as well as new customers, being totally committed to the environment and customer care, and stated that a good acquisition at the right price was the way to go. Young explained why they would be able to reduce the rates and mentioned that St. Johns County was given an award, for two years in a row, for having the best drinking water in northeast Florida. Adams spoke on how qualified the County Utility Department was, and how qualified all the County departments were.

(11:02 a.m.)

PUBLIC COMMENTS:

[Click here to listen to the audio for this item.](#)

Dan MacDonald, 24501 Deer Trace Drive, spoke on replacement cost and depreciated values, surcharges by contiguous municipal services, and the numbers being bounced around. He spoke on the remarks made by Young about residents that had spoken against the Utility Department and stated that they thought that the department was great. He did mention that they were astounded by the cost of the price of the water.

(11:06 a.m.) Robert Huhta, 204 Greencrest Drive, spoke on looking for a fair price for the utility and on analysis.

(11:14 a.m.) Victor Martinelli, 24 Carriage Lane, spoke on the 20-year horizon, quality of the utility system, and lowering rates.

(11:17 a.m.) Walter Rohrer, 2315 Clubview Court, spoke on rates, growth, and real estate situations.

(11:22 a.m.) Tina McGough, 120 S. Bend Drive, spoke on the Hartman Study. Bryant spoke on the Enterprise Fund.

(11:28 a.m.) Walsh responded on the depreciation value questioned by MacDonald.  
(11:30 a.m.) Stern left the meeting. He responded to the depreciated cash flow mentioned by Huhta. He responded to Martinelli, regarding buying something with 30-year bonds of which the planning agencies only looked out to a 20-year horizon. Walsh spoke on the testimony by Burton regarding the average use in the County for water and sewer customers. He responded to McGough's remarks about the Hartman Report and the CIP index.

(11:34 a.m.) Martinelli stated that his point was still valid, looking at a 20-year horizon from the St. Johns River Water Management District versus a 30 year bond issue.

(11:37 a.m.) McGough spoke on the quality of water and the usage rate.

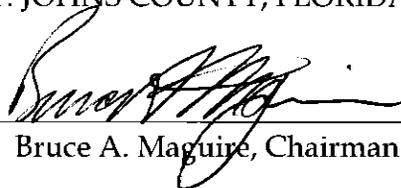
(11:39 a.m.) Huhta commented on the Hartman Study, and on not talking about the BVI Study. Burton clarified that the BVI Study was a study commissioned by the seller. Bryant asked the position of the conservation rate. Pressley responded.

(11:46 a.m.) Rohrer spoke on the consumptive use permit. Pressley responded.

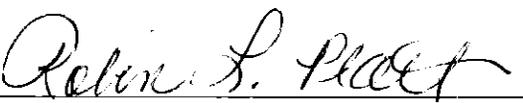
With there being no further business to come before the Board, the meeting adjourned at 11:47 a.m.

Approved February 9, 2005

BOARD OF COUNTY COMMISSIONERS  
OF ST. JOHNS COUNTY, FLORIDA

By:   
Bruce A. Maguire, Chairman

ATTEST: CHERYL STRICKLAND, CLERK

By:   
Deputy Clerk

