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**MINUTES OF MEETING  
ST. JOHNS COUNTY BOARD OF COUNTY  
COMMISSIONERS SPECIAL MEETING  
AUGUST 17, 2005 - 4:00 P.M.**

Proceedings of a special meeting of the Board of County Commissioners, held at Our Lady Star of the Sea Cultural Center, 545 A1A North, Ponte Vedra Beach, Florida, 32082.

Proof of publication of a special meeting of the St. Johns County Board of County Commissioners was received, having been published in *The St. Augustine Record* on August 1, 2005.

Present were:       Bruce A. Maguire, District 4, Chairman  
                          James Bryant, District 5, Vice Chairman  
                          Karen R. Stern, District 2  
                          Ben Rich, District 3  
                          Scott Clem, Assistant County Administrator  
                          Dan Bosanko, County Attorney  
                          Michael Hunt, Deputy County Attorney  
                          Robin Platt, Deputy Clerk

Also present:       Bill Young, Utility Department Director  
                          Frank Kenton, Utility Department  
                          Cathy Ardito, Court Reporter

(08/17/05 - 1 - 4:06 p.m.)  
Maguire called the meeting to order.

(08/17/05 - 1 - 4:06 p.m.)  
ROLL CALL

Maguire stated that he, Bryant, Stern and Rich were present; and that Stevenson would be arriving late.

(08/17/05 - 1 - 4:06 p.m.)  
Rich gave the invocation and Stern led the Pledge of Allegiance.

(08/17/05 - 1 - 4:08 p.m.)  
ADDITIONS/DELETIONS TO THE SPECIAL MEETING AGENDA

There were none.

(08/17/05 - 1 - 4:08 p.m.)  
APPROVAL OF SPECIAL MEETING AGENDA

**Motion by Bryant, seconded by Rich, carried 4/0 with Stevenson absent, to approve the special meeting agenda.**

(08/17/05 - 1 - 4:09 p.m.)

1. PUBLIC HEARING - CONSIDER THE ACQUISITION OF ST. JOHNS SERVICE COMPANY (SJSC) - ON WEDNESDAY, JUNE 1, 2005, THE BOARD OF COUNTY COMMISSIONERS UNANIMOUSLY VOTED TO HOLD A 125 HEARING FOR THE POSSIBLE ACQUISITION OF ST. JOHNS SERVICE COMPANY

(4:09 p.m.) Maguire outlined the purpose of the meeting and gave some guidelines for the meeting and public comment.

(4:19 p.m.) Scott Clem, Assistant County Administrator, reported that JEA, North Beach Utilities and the Porpoise Point Utility System were open to discussions with the County regarding possible acquisition.

(4:21 p.m.)

Presentation:

Bill Young, Utility Department Director, via PowerPoint (Exhibit A), presented the details of the possible acquisition of St. Johns Service Company's assets, including: the statute regulating this hearing; annual reports of the utility, including income/expense statements and balance sheets; rates; the physical condition of the facility; the purchase price and terms. He submitted copies of various articles from various publications regarding appraising water systems and conservation rates (Exhibit B). Young further commented on the details of the purchase agreement; the impacts of the contemplated acquisition; maintenance; and quality of service. He presented a rate structure comparison. (4:35 p.m.) Stevenson entered the meeting. Young highlighted some points from the County's Utility Acquisition Policy (Res. 2005-39); and reviewed the proposed rate structures, monthly rate comparisons and customer profiles. Young commented on the level of customer satisfaction with the County's utility service and presented some complimentary comments that were received from customers (Exhibit C) and the minutes of the St. Johns County Civic Association Roundtable meeting of July 12, 2005 (Exhibit D), which were also complementary.

(4:51 p.m.)

Staff Recommendations:

Young presented Staff's recommendation: He requested that the Board authorize the acquisition of the St. Johns Service Utility System, authorize the Chair to sign the purchase and sale agreement recommended by Staff, and require St. Johns Service Company to provide an original signed purchase and sale agreement to the County by the end of business on August 29, 2005. He further requested that the County's offer to buy the utility system, under the terms of the purchase and sale agreement, expire at the close of business on August 29, 2005. Discussion ensued on the differences in the County's proposal versus SJSC's proposal, and the percentage of rate increase.

(4:54 p.m.)

Public Comment:

Walt Bussells, 100 Abalone Ave. W., former CEO of JEA, commended the Board on its effort to consolidate and integrate the patchwork of fragmented utilities in the Ponte Vedra area.

(4:58 p.m.) Ross Byers, 4103 Bent Tree Circle, agreed that acquiring all three utilities in the area would be beneficial, but stated that SJSC was not worth \$27 million.

(5:02 p.m.) Walter Rohrer, 2315 Clubview Court, exhibited a PowerPoint presentation (Exhibit E) and stated his objection to the proposed purchase price of the utility. He stated that the County should pay no more than \$22 million; otherwise, rates could increase by 46% in the first year and 66% in the fifth year.

(5:11 p.m.) Robert Huhta, 204 Green Crest Dr., gave a presentation entitled "Why Would Anyone Pay \$27 Million For This Utility?" (Exhibit F). He stated that he was not concerned about who ran the utility, only the purchase price.

(5:21 p.m.) Tina McGough, 120 South Bend Dr., explained the top ten reasons why she felt that the acquisition was “just wrong,” via PowerPoint presentation begun by Rohrer (shown as Exhibit E). She commented that there were over 600 letters in opposition to the sale received by the Commission Office (letters on file with the Clerk’s Office). She submitted additional letters of opposition (Exhibit G).

(5:29 p.m.) Mike Twomey, PO Box 5256, Tallahassee, continued the PowerPoint presentation begun by Rohrer (shown as Exhibit E), and addressed how Commissioner Maguire had pushed for the sale, due process, choosing “experts,” and the benefits and detriments of buying this system. He requested that the Board do nothing in regard to purchasing the utility.

The meeting recessed at 5:39 p.m., and resumed at 5:53 p.m.

(5:55 p.m.) Bryant made the audience aware of the matter-of-right issue, and the opinion given by the Attorney General that the County could not stop another governmental entity from purchasing the utility. Maguire commented on the rates that residents would pay if Jax Beach Utilities purchased the system.

(6:00 p.m.) Jeffrey Oliasami, 145 Bouganvilla Dr., President of the Ponte Vedra Chamber of Commerce, stated that the Chamber had conducted a study, at Maguire’s request, and that they supported the purchase, but not the price.

(6:01 p.m.) Chuck Bushong, 25500 Marsh Landing Parkway, Ponte Vedra Chamber of Commerce, presented a PowerPoint (Exhibit H) on the findings of their study. He spoke about valuing a business, ownership of the water, and appraisals. He reviewed various methods of valuation and appraisals, and commented that there had been no multi-family rate analysis done. The Chamber supported the purchase, but did not want the County to overpay for the utility.

(6:25 p.m.) Ray Johnson, 1000 Vicar’s Landing Way, President of Life Care Pastoral Services (Vicar’s Landing), stated that they did not care where their water came from, but that they did care about the rates.

(6:28 p.m.) Rita Friedman, 252 Shell Bluff Ct., posed several questions; stated that she was not against the County owning the utility, but was concerned with the price.

(6:32 p.m.) Bruce Lucker, 545 Granada Terrace, spoke in favor of the utility acquisition.

(6:33 p.m.) Daniel MacDonald, 24501 Deer Trace Dr., expressed his displeasure with the purchase price.

(6:35 p.m.) Desmond Pierce, 27213 Arbor Club Dr., was not opposed to the purchase, but wanted it to be purchased for the right price.

(6:37 p.m.) Richard Balduzzi, 193 A1A Beach Blvd. #143, addressed water conservation and requested that the Board consider a water conservation program.

(6:41 p.m.) Victor Martinelli, 24 Carriage Lane, requested that the Board show moral courage and not continue discussing purchasing the utility at the proposed price.

(6:42 p.m.) Monroe Taranto, 344 S. Nine Dr., said that it was irresponsible for the Board to proceed at the proposed price.

(6:44 p.m.) Albert Aftoora, 1211 Creekview Way, current customer of St. Johns Service Co., saw no reason for the purchase.

(6:46 p.m.) Ann Crawford, 24237 Marsh Landing Parkway, voiced her concern that there was not a statement that the repairs in Marsh Landing would be completed as a condition of closing.

(6:48 p.m.) Mary Conway, 133 Green Crest Dr., spoke against the County purchasing the utility at any price.

(6:49 p.m.) James May, 525 Quail Point Lane, discussed discrepancies in the purchase price, stated that there were too many unanswered questions, and urged the Board to vote against the purchase at the price mentioned tonight.

(6:51 p.m.) James Brittain, 273 Linkside Cr., addressed rate and service control, and questioned what the benefits would be if the County purchased the utility.

(6:56 p.m.) Ray Cabano, 137 Linkside Cr., said that he had no idea of the value of utility as the data was too skewed, but that it should not be purchased at the proposed price.

(6:58 p.m.) Clara Cowan, 244 Patrick Mill Cr., stated that it would be irresponsible to overpay for the utility and to not require that repairs be completed prior to the purchase. She submitted petitions in opposition to the purchase (Exhibit I).

(7:01 p.m.) Mary Kohnke, 29 S. Roscoe Rd., questioned the authority of the Board to go forward with the acquisition when its constituents did not support the purchase at this price. Stevenson addressed Kohnke's comments.

(7:05 p.m.) Marcy Silkebacken, 1145 Neck Rd., objected to paying \$27 million for such an old utility with no expansion capabilities.

(7:08 p.m.) Daniel Brown, 897 Blackberry Lane, Jacksonville, supported the purchase.

The meeting recessed at 7:10 p.m., and reconvened at 7:24 p.m.

(7:25 p.m.) Peter Donnelly, 6561 Commodore Dr., suggested that \$27 million was \$5 million too much to pay for this utility, based on a reasonable evaluation.

(7:32 p.m.) Charles Morgan, 1161 Salt Creek Drive, opposed the purchase at the proposed price.

(7:35 p.m.) Jim McCarthy, 105 Meadow Crest Lane, acknowledged the difficult position that the Commissioners were in, and stated that he supported the acquisition.

(7:39 p.m.) Doug Wilson, 5140 Bridlewood Ct., did not support the purchase and questioned deferred maintenance and capital expenditures.

(7:42 p.m.) Michael Parker, 113 Granada Lane, addressed the lack of public need for the purchase of the utility by the County.

(7:45 p.m.) Jim Browning, 148 River Marsh Dr., stated that there were probably a lot of people who supported this purchase who did not come out to speak.

(7:49 p.m.) Bob Carter, 64 Fishermans Cove, stated that the proposed purchase price was too high.

(7:52 p.m.) Mike Burton, President of Burton & Assoc., 2902 Isabella Blvd., Suite 20, Jacksonville Beach, stated that he worked for the seller, outlined his credentials and explained that St. Johns Service Company would continue to exist after the purchase as the County was only purchasing the assets of the utility, not the company. Further, he addressed how to value assets versus valuing an entire company; profits; the various studies that were performed; and the minimal impact the purchase would have on customer rates. He stated that the purchase price had not been ignored, as insinuated by a previous speaker, as the price had been as high as \$35 to \$39 million at one point; and was now at \$27 million.

(8:07 p.m.) Myron Rosenfeld, 1180 Salt Marsh Cr., requested that each Commissioner make a public statement that he or she did not have a conflict of interest concerning the purchase.

(8:09 p.m.) Tom Constantine, 4868 King Richard Rd., attorney for SJSC, explained that there were two versions of the purchase and sale agreement, one prepared by the County, the other prepared by SJSC. He said that negotiations had been ongoing and progress had been made, as they had withdrawn their version of the agreement and accepted the County's version.

(8:13 p.m.)

Staff's Response to Questions Posed in Public Comment

Maguire, Stevenson, Stern, Bryant and Rich declared that they did not have any conflict of interest regarding this purchase.

(8:15 p.m.) The Board and Staff responded to questions raised during public comment with regard to: privatizing utilities and whose responsibility it would be to complete repairs in Marsh Landing. Michael Hunt, Deputy County Attorney, responded that that would be SJSC's ultimate responsibility. Mike Rocca, Brown and Caldwell, addressed references that were made to the Hartman report, stating that it was not relevant to tonight's proceeding as it was developed for another proposal and was only a preliminary draft.

(8:24 p.m.) Bill Young addressed the multi-family rates issue; assertions that rates would increase by as much as 40%; water quality and how the water would be treated.

(8:28 p.m.) Bryant stated that he initially did not support this purchase, but reversed his position when the matter-of-right issue came to light; discussion ensued. He also addressed allegations of corruption made by a former commissioner.

(8:34 p.m.) Rich questioned the expandability and future earning power of the utility; Young explained that cash flow and revenue was looked at when acquiring a utility.

(8:36 p.m.)

Board Discussion and/or Action

Stevenson addressed Jax Beach Utilities' interest in purchasing the utility.

(8:37 p.m.) Maguire clarified his reasons for supporting the acquisition: consistency in service, accountability, local water control, service versus profit and the interest of Jax Beach Utilities in purchasing the system.

(8:50 p.m.) Stern spoke on conservation rates already in effect within the county, the fertilizer ordinance, and the possibility of Jax Beach Utilities imposing a surcharge if they took over the service area. She stated that she received over 700 e-mails and letters from SJSC customers opposing this acquisition (letters/e-mails on file with the Clerk's office); and that for the record, she was not against the acquisition, but that she wanted

to make sure that it was in the best interest of all the residents and taxpayers of the County.

(8:56 p.m.) Bryant supported the formation of a water and sewer advisory board to give recommendations to the BCC, if the County was able to purchase all of the utilities. He stated that it was his wish to dissolve the Water and Sewer Authority (WSA) and return it to the Public Service Commission, as the WSA has been being subsidizing from the general fund.

(8:58 p.m.) Rich stated that this issue came down to a matter of price, and that he felt that it was overpriced; questioned Jax Beach Utilities' interest in acquiring SJSC; and addressed the Nocatee service area, with discussion ensuing.

**(9:09 p.m.) Motion by Stevenson, seconded by Maguire, to adopt Resolution No. 2005-211, authorizing the purchase of the St. Johns Service Company Water and Wastewater Utility System, all in accordance with the Agreement to Purchase Water and Wastewater Assets, according to Staff's version of the documents.**

(9:11 p.m.) Hunt, per Stern's request, reviewed some of issues that were resolved through negotiations, and some of the issues that still needed to be resolved. Rich questioned who paid for the PBS&J study; Hunt replied that St. Johns County paid for the study. Rich also reported that he had prepared an alternate motion, in the case that the current motion failed, to make a lesser offer.

(9:27 p.m.) Maguire explained that the motion was to make an offer to purchase the utility for \$27 million, but that SJSC could still reject that offer, and that there was still the 180 day due diligence period to go through.

**(9:27 p.m.) The motion carried 3/2, with Stern and Rich opposed.**

#### **RESOLUTION NO. 2005-211**

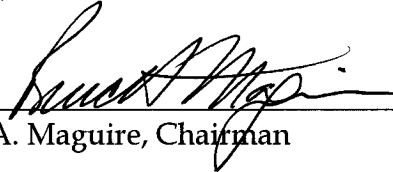
**A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA, DIRECTING AND AUTHORIZING THE ACQUISITION OF SUBSTANTIALLY ALL OF THE REAL AND PERSONAL PROPERTY COMPRISING THE WATER AND WASTEWATER UTILITY FACILITIES OWNED BY ST. JOHNS SERVICE COMPANY; PROVIDING FOR FINDINGS OF A PUBLIC PURPOSE; PROVIDING THAT THE ACQUISITION OF THE WATER AND WASTEWATER UTILITY FACILITIES OWNED BY ST. JOHNS SERVICE COMPANY AND THE OPERATION AND MANAGEMENT OF SUCH FACILITIES BY ST. JOHNS COUNTY ARE IN THE PUBLIC INTEREST IN CONFORMANCE WITH SECTION 125.3401, FLORIDA STATUTES; PROVIDING DIRECTION AND AUTHORITY TO ACQUIRE THE FACILITIES; AND PROVIDING FOR APPLICABILITY AND AN EFFECTIVE DATE**

(9:28 p.m.) Bosanko spoke on the Surfrider case.

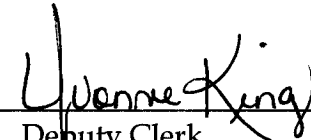
With there being no further business to come before the Board, the meeting adjourned at 9:29 p.m.

Approved October 4, 2005

BOARD OF COUNTY COMMISSIONERS  
OF ST. JOHNS COUNTY, FLORIDA

By:   
Bruce A. Maguire, Chairman

ATTEST: CHERYL STRICKLAND, CLERK

By:   
Deputy Clerk

