

MINUTES OF MEETING

ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Enterprise Community Development District was held Thursday, February 26, 2009, at 9:00 a.m. at 851 Celebration Avenue, Celebration, FL 34747.

Present and constituting a quorum were:

Matt Kelly	Chairman
Russell Stokes	Vice Chairman
Don Hempel	Supervisor
Pat Wasson	Supervisor

Also present were:

Gary Moyer	Manager: Moyer Management Group
Cheryl Stuart	Attorney: Hopping Green & Sams
Brenda Burgess	Moyer Management Group
Tony Hairston	Public Resources Management Group
Jim Parker	Walt Disney Imagineering
Brian Smith	Severn Trent Services

FIRST ORDER OF BUSINESS

Roll Call

Mr. Kelly called the meeting to order at 9:10 a.m.

Mr. Moyer called the roll and stated a quorum was present for the meeting.

SECOND ORDER OF BUSINESS

Pledge of Allegiance

Mr. Kelly led the *Pledge of Allegiance*.

THIRD ORDER OF BUSINESS

Public Comment Period

There being none, the next order of business followed.

FOURTH ORDER OF BUSINESS

Consent Agenda

A. Approval of the minutes of the December 9, 2008, utility review committee meeting, December 10, 2008, audit committee meeting, December 10, 2008, regular meeting, December 17, 2008, continued utility review committee meeting, December 17, 2008, continued regular meeting and January 28, 2009, rate study workshop

B. Approval of check register and invoices

Mr. Kelly reviewed the items on the Consent Agenda and requested any additions, deletions or corrections to the minutes.

On MOTION by Ms. Wasson, seconded by Mr. Stokes, with all in favor, approval was given to the Consent Agenda.

FIFTH ORDER OF BUSINESS

Discussion of Rate Study

Mr. Hairston reviewed the revised water, wastewater and reuse rate study that was included in the agenda and available for public review in the District office during normal business hours.

Mr. Hairston stated it has been three years since the rates were last adjusted and we are looking at the forecast period 2009 through 2013. We updated our projections from the report we presented to you last month. Our main concern is meeting the debt service coverage requirements for this fiscal year. Our January report anticipated rate increases in April, and we pushed our model back to June. We are proposing water and reuse rate increases effective in June and delay the decrease for commercial wastewater rates to match the residential rates until October. Ideally, we want to do all the rate adjustments at one time, but in our projections to meet debt service coverage, you cannot do that. These rates will then set you up for the next several years. We also worked through a pass-through adjustment to automatically adjust your rates for the Toho Water Authority rate increases. There will be over \$2.5 million in connection fees tied to commercial projects, and we assume they all occur next fiscal year. We only received \$3,000 this fiscal year, so we probably cannot count on those monies this year. We still need to meet the coverage test without the connection fees. The District is at the stage where your rates need to be sufficient to meet the coverage requirement on a stand-alone basis.

Ms. Stuart stated that is because the guarantee is going away. We have a Disney guarantee on those bonds from when we redeemed the 1994 bonds, it was early 2008 when the Disney guarantee for all those funds met the test to be withdrawn. When that happens, the test for coverage is a little different. That is what changed.

Mr. Kelly asked when do we collect connection fees? Is it when they pull a building permit or their Certificate of Occupancy?

Mr. Smith stated we collect it before we set the meter before they get their final Certificate of Occupancy. We will set a meter because they need fire protection during construction, but we put a lock box on the valve and lock it if we need to shut it off. If we do not collect it by the final Certificate of Occupancy, we will shut off service.

Mr. Hairston stated meeting your debt service coverage is an immediate issue. The rates we are projecting are for the longer term but the timing is to make sure you meet the minimum coverage requirements for this year.

Ms. Stuart stated what is driving the coverage question is the expenses have increased. We do not have an issue simply because the guarantee is falling away; that is not an issue at all.

Mr. Hairston stated on the rates from Toho Water Authority, we built in a 3% per year unit cost, and the total cost is anticipated to increase 4.2% because growth is built in. we included other costs, including contingency, as well as capital projects for the radio meter reading system, the SCADA system, and an annual cost for meter change outs as well as an annual allowance for renewal and replacements.

Ms. Stuart asked if the Board chose not to go forward with some of those capital expenditures, would that affect coverage ratios and the rate changes that are proposed?

Mr. Hairston stated no, these expenses are coming out of available reserves, so that does not affect coverage or the rate projections.

Ms. Stuart stated if you know you are not going to spend money out of reserves, you could choose through a budget amendment to not make a deposit to the reserve fund for this year and increase the net revenue number.

Mr. Hairston stated the transfer to the reserve is a by-product of having enough coverage. You need the coverage in order to put money into the reserves. If you do not meet coverage, you cannot do it anyway. It is strictly revenues received less operating expenses, and whatever is left goes toward the annual debt service. That is the cushion that you need. It is the assurance that the rates are sufficient to put money back into the system for whatever purposes are deemed appropriate. You are paying your bills and you have enough to pay your debt service plus the 10% coverage. Changing how much you put in reserves will not affect the rates we are projecting. Operating costs from 2003 have been fairly stable through 2008. The annual purchase for water, wastewater and reuse from Toho Water Authority is a largest portion of the increase in costs during that same time period, mostly due to reuse and partly due to growth. Rates have gone up for water costs and have increased significantly for reuse, but they are basically flat for wastewater. They have all gone up due to growth but growth covers that. The 1994 bonds have been defeased, so that annual debt service was cut in half starting in 2006 and the savings from defeasing the bonds was absorbed by your costs to Toho Water Authority. Recovering those costs includes two major components. The first is revenue from monthly rates from customers who are connected to the system and are billed for metered monthly service. In

2003, 2004, and 2005, the rates were not sufficient, which was by design because you were still in growth mode at that time. What you relied on at the time to cover those costs were connection fees received to pay the full debt service. Once the Series 1994 bonds were defeased, at that point rates were sufficient to cover debt service and operating costs. Connection fees also came down at that same time because growth slowed down. In 2008, there is much less anticipated in connection fees so the rates need to pay these costs on an ongoing basis. We are proposing a 9% rate increase for potable water beginning in June 2009. However, you will not see the full impact until 2010 because that is the first year it will be in place a full 12 months. We will be a little under our costs but we are sufficient on wastewater and we are trying to mitigate having higher rate increases. We do not have to get there all at once, but the driving force for this year is coverage ratios for debt service. Wastewater rates are sufficient and we propose in January 2010, commercial base and usage be reduced to the residential rates. We are initially proposing a partial change by reducing the base charge for commercial and leaving the usage charge where it is currently. That will lower the existing rates but still be sufficient to phase in the rates for reuse and water so we do not have to adjust those even more now. We are proposing a significant increase for reuse beginning June 2009 and then every year it will meet its costs.

Mr. Stokes stated you indicate increasing reuse rates to levels appropriate to recover reuse costs.

Mr. Hairston stated for a typical residential customer, it results in a total bill increase of about \$15 if they do not adjust their consumption and the reuse portion is \$13.15. It depends on usage levels and those usage levels vary quite substantially.

Mr. Hempel asked what is the percentage?

Mr. Hairston stated it is pretty substantial at over 100%. In total it is an overall adjustment of 142%. Every gallon you get from Toho Water Authority costs you \$.80 and you are not recovering the base charges for reuse from your customers. You are only charging \$.28 to commercial and \$.40 to \$.90 for residential and that is all for usage.

Mr. Stokes asked is that across the board for residential and commercial?

Mr. Hairston stated they are uniform rates for reuse but right now there is a differential. Regarding the reuse rate design, we looked at what we want to recover from the reuse base facility charge. Toho Water Authority charges the District approximately

\$23,000 per month as a fixed fee for reuse, so we want to recover that in the District's base charge for reuse. The other component is debt service allocated to reuse for the system infrastructure. On the consumption charge, currently there are three tiers for residential and a single block for commercial. We are proposing going to a uniform three tiers for all customers. These rates are designed that with all three tiers, we will recover all of our other reuse costs in that rate structure.

Ms. Stuart stated including the cost the District uses to irrigate our own areas.

Mr. Hairston stated that is not included in these rates. You are not charging reuse customers for that water. It is being subsidized by the wastewater customers. The residential reuse rate now is \$.78 per BFG and we are proposing an increase to \$.89. The change in reuse rates will impact commercial customers more significantly because they have been charged the same rate since 2003. We are proposing the commercial rates will go from \$.28 to \$.89. Both residential and commercial will then have the same base facility rates. User fees for residential currently has three tiers, \$.40, \$.65 and \$.90 and we are proposing they go to \$1.31, \$1.64 and \$1.97. The average residential usage is 14,000 gallons, and that has dropped somewhat. In 2003, it was 16,000 and was higher in 2007, so it dropped from 2007 to 2008. For commercial, it is all one tier at \$.28 and your immediate costs are \$.81. You are losing money for every gallon you are selling for commercial customers. We provided three samples of residential billing impacts. For a low water user, their bill increases from \$62.28 to \$70.94, which is an increase of approximately 14%. For average utility users, their bill increased from \$71.21 to \$86.68, which is an increase of 21.7%. In our analysis, we assumed there is some adjustment to consumption due to the price increase. If the average user reduced his reuse consumption, that will reduce his overall bill slightly.

Mr. Hempel asked if a customer has no reuse usage, is there still a base charge?

Mr. Hairston stated yes. The residential customer base charge will go from \$6.63 to \$7.51. The impact of the proposed rates for a larger user will see average bills go from \$82.93 to \$104.53, which is a 26% increase. The reason it is higher is because they have higher reuse, and reuse is the biggest portion of the increase. We factored in that people will react to these rates and reduce their consumption a little. For commercial customers, there are a wide variety of impacts. For a smaller user, they will see a slight decrease of 3% because of wastewater rates relative to reuse rates. I do not think there are many

customers who will fit into this category. An average commercial customer will see an increase of \$35.72, or 6.3%. A larger user will see a \$70 increase, or 11.5%. We prepared an analysis of the commercial customers and the billing impacts. All of the reuse bills will be substantially affected. On the golf course, we noticed there was zero consumption and discovered a meter that was not working when we received this data. Their bill impact with consumption will be more significant than what is shown on the handout.

Ms. Stuart stated the increase is solely due to the increase in the base facility charge for reuse and assumes nothing for consumption.

Mr. Hairston stated that is correct. We did not have a reading for consumption at the time we prepared this analysis. It has since been corrected and we received the reuse readings for the last three months. Their consumption is under the monthly and ranges from 4.8 million gallons up to 8.6 million gallons. The current bills range from \$3,500 to \$4,000. There are two large users, Celebration Health and the golf course. They both have over 100,000 gallons per day capacity. We did not look at the rates for larger customers. We are getting closer to where we need to be in order for you to meet your debt service coverage, but that is something we can look at for your very large users. It would be nice to phase in these rates, but I do not want to bring rates to you that will not meet coverage ratios this year. They are substantial increases and we are trying to do the best we can to phase these in or mitigate the impacts to all customers.

Mr. Kelly asked why would Celebration Health usage be so high? It is a large campus but a large portion is undeveloped and I would not think it would be irrigated. This shows them using more water than the golf course.

Mr. Hairston responded their capacity is similar to the golf course but their usage is a lot less. Their average consumption is 1 million gallons per month.

Mr. Kelly stated they would only be at capacity for what they build, not for future building.

Mr. Hairston stated usage is what they actually use. Capacity is the number of gallons they paid connection fees for that level of service.

Mr. Hempel asked are base charges based on their capacity figures?

Mr. Hairston responded yes.

Mr. Kelly asked what about 690 Celebration Avenue?

Ms. Wasson stated that is for all of the CROA parks. That is just the billing address.

Mr. Kelly stated the golf course's usage appears to be within their monthly allowance, so their bill will change by what we see here and not by this plus another factor.

Mr. Hairston stated the impact to the bill is more than double. Over the past three months, their total reuse bills were \$3,500 to \$4,600 and we are looking at \$13,000 to \$16,000 per month. If anyone goes over their monthly allowance, and there are a few who do, they pay higher reuse rates.

Mr. Moyer stated when we did this in another utility system some time ago, we found people will come in and buy additional capacity to get additional BFG so they stay under their rate and do not move to the other category.

Mr. Hairston stated when they do that, you know how much capacity to reserve with Toho Water Authority.

Mr. Moyer stated it is neutral to us but it could be good for them.

Mr. Hempel asked could we reverse that? Could they come in and say they do not need all that capacity?

Mr. Moyer stated we do not have a program to rebate them.

Mr. Hempel asked do we wait to address it when someone comes in to ask us?

Ms. Stuart asked have you ever received a request for that?

Ms. Burgess stated we are asked that from time to time. Mr. Moyer and I met with the hotel who requested to reduce their BFG and they said they will never be at 100% capacity and they did not want to have to pay the full BFG they requested. We asked them how they knew they would never be at capacity.

Ms. Stuart stated we set the BFG based on the type of building based on all those different types of uses and various engineering factors.

Mr. Hairston stated that is how Toho Water Authority is charging the District as well, based on those same factors.

Ms. Stuart stated they assume a certain mix of usage.

Ms. Wasson stated look at Issa's office building.

Mr. Hempel stated we reserved 53,000 and we would be paying at the higher rate. If we find out that is the trend, we can request more capacity.

Ms. Stuart stated that might make sense.

Mr. Kelly stated I think we should discuss allowing people to buy additional capacity. If there is a standard they have to meet and they are supposed to over irrigate, maybe they should be allowed to buy more and pay a higher rate.

Mr. Hairston stated the conservation on reuse rates is not as severe as it is on water and wastewater rates. The incentive may not be as great for reuse. For water and wastewater, there is a huge incentive because once you go over the BFG, you are basically buying the capacity. For water and wastewater, it would make sense to buy more BFG but for reuse, we did not go as severe with the rates, so I do not know if that will be a major issue or not. The economics are a little different for reuse customers.

Ms. Stuart stated please explain June and April.

Mr. Hairston stated mechanically we wanted something where the data is readily available at a certain time and is fairly easy to understand and implement and bills the same time each month. Every December, there is a true-up that Toho Water Authority runs on water and wastewater. They have compared what you paid over the year to their actual costs. They show the cost per thousand gallons. The pass through would start December 2009. You would take the difference in the true-up per thousand gallons and pass that additional cost onto user. It is not exactly one-to-one but it is close enough to pass on any costs from Toho Water Authority for water and wastewater usage charges to your customers without having to do a large rate increase. If your costs increased \$.04 in the true-up in December, the user fees for water and wastewater will increase in April 2010 by \$.04. The reason we chose April is you do not receive your information until December. By the time you process it and communicate it to the customers, we thought April would be a good date to implement it.

Mr. Kelly stated we are trueing-up the Toho Water Authority large user purchases, not the other costs related to our cost structure. We need to do some sort of rate study to look at this every four or five years.

Ms. Stuart stated we do not have any control over what Toho Water Authority charges. We do not have control over the debt service either, but that is truly our cost. The rest of the costs are under our control.

Mr. Moyer stated as Mr. Hairston pointed, going back to 2003, our operating costs have been very consistent and he built in 3% to 5% on his structure, and that may or may not be the case. We try to operate at the same cost level every year.

Mr. Hairston stated with these projections, you will not be behind in three years. In future years, that will accumulate and you can make an adjustment then. We are trying to avoid the biggest costs from creeping up on you.

Ms. Stuart stated his proposal would say if the Toho Water Authority projection reflected a \$.02 decrease, we will pass through that decrease, and sometimes that happens.

Mr. Hairston stated yes. That happened on wastewater this year where it decreased a couple cents. The reuse usage charge would work the same, although it is a little more complex because there is a usage as well as a base charge from Toho Water Authority. If it increased from \$.79 to \$.81, you would increase all those rates by \$.02. There is not a true-up that Toho Water Authority provides on reuse rates. They simply provide new rates in October. We suggest, to keep it simple, implementing all pass through rates at the same time. You will not get water and wastewater true-up rates until December, at which time you will process that and work with the billing system to notify your customers.

Ms. Stuart stated if we see a large increase, that is eight months of selling reuse at a loss.

Mr. Hairston asked would you suggest language that indicates by a certain date to make an allowance that once you have that information, you can implement the pass through?

Ms. Stuart stated yes.

Mr. Moyer stated I would make it 60 days at the most.

Mr. Hairston asked if you had 60 days on reuse with a slight increase and then you have an increase for water and wastewater later, would you change the structure a few times?

Mr. Moyer stated I think the Board needs to consider that. I do not have a problem with that from an administrative standpoint.

Mr. Hempel asked are you talking about October and December?

Mr. Hairston stated you would have the reuse information in October, and it is a simple computation. Administratively, how long would it take to implement that change?

Ms. Stuart stated you could implement the change effective January 1.

Mr. Hempel asked we do not get potable water and wastewater figures until December?

Mr. Hairston stated that is correct. In 2008, you received them the end of December.

Ms. Stuart stated sometimes we struggle with Toho Water Authority on that issue. That is more art, not science. Reuse has no debate but we have discussed the true-up issue in the past, and that is why having a little more time makes sense. Even then, 90 days will give us time to negotiate that true-up. The true-up may result in a decrease.

Mr. Hairston stated the base facility pass through has a formula which takes the percentage increase in what Toho Water Authority charges the District and applies it to a portion of the reuse base charge. There are three steps: calculate the percentage of the increase, calculate how much of that percentage is applied to District's base costs—Toho Water Authority costs and debt—and apply that to the existing rate for the base facility charge.

Ms. Stuart stated we could just do the user rate pass through and not go through this calculation.

Mr. Hairston stated you could, but it is that much sooner that you would hurt your margins. If there is a significant change in your reuse meter cost, it will affect your cost recovery. For debt service coverage in 2009, if you implement the water and reuse rates in June and the commercial wastewater in October, you are right at your coverage ratio. Without any increases, if you do nothing, you are under your coverage ratio. With the proposed increases going forward, you will be sufficient in your debt service coverage. The coverage issue is primarily for this year. We compared your rates to other communities as requested at your last meeting. Baldwin Park, who is served by the City of Orlando, has similar usage for reuse at 14,000 gallons, and I would be surprised if their water usage was different from your average of 6,000 gallons. If there is another source for outdoor irrigation, indoor usage is typically 4,000 to 6,000 gallons.

Mr. Kelly stated we know bills vary differently. Some of these communities have to irrigate with potable water because there is no separate reuse system. My water bill in Bay Hill is still higher than what these bills will be at the proposed new rates.

Mr. Hairston stated we can provide information if someone used a total of 20 for potable and to irrigate their yards.

Ms. Stuart stated I think we should know that.

Mr. Kelly stated sewer is on all of that usage for us. That is really what increases our bills because of sewer charges on all the usage. My question on the rate structure is the

golf course. I do not know that I would call it a large user rate. Celebration Health has high usage but they also have a corresponding large reduction in their wastewater. It will not be nearly as big an impact to them. The golf course will not have that corresponding reduction. Changing our rate structure will penalize one of our major customers because of the unique nature of their business. That is more of an issue to me. They have very little sewer usage relative to reuse. It is a golf course and that is what their business is. Celebration Health is like any other office building, just larger.

Ms. Stuart stated it is still the concept of having a large user. Formulating a 5-million or 6-million gallons user versus a 1-million gallon user is a significant difference. I would urge anything you are thinking of doing, to do it on a large user basis rather than on a land use basis.

Mr. Kelly stated we should consider whether or not CROA is a large user. You have to add up all the parks. They are one customer with many meters.

Ms. Stuart stated usage for all the individual CROA parks adds up to 1.7 million. I cannot imagine there is anyone else who would be using 5 million gallons.

Mr. Kelly stated I agree.

Ms. Stuart stated it would be more consistent with traditional rate-making theories to be focusing on consumption. Although even with a large user, you want to keep them within some boundary. There should still be a penalty beyond some point, and you could still have a tiered category of usage.

Mr. Hairston stated their capacity is defined, so if they go over it, you can have a similar structure with a penalty for going over the capacity amount.

Ms. Stuart asked the impact of doing that in terms of total revenue to the District, what would we know, if anything, in terms of how it will affect everyone else's rates?

Mr. Hairston stated they are a significant reuse customer. Just to recover the direct costs from Toho Water Authority will result in a significant increase. Those direct costs will more than double these bills before recovering any other District costs. At a minimum, it will not impact the overall system that much.

Ms. Stuart stated they are currently paying \$.28 and Toho Water Authority is charging the District \$.81. The proposed tiered rates start at \$1.31, but it has to go to at least \$.81 because that is the usage rate for reuse, and is not contributing to anything else.

They will already see that jump. The question is, how much more contribution should they make to everything else. They have to go to at least \$.81.

Mr. Hempel asked if you reduce the golf course's rate for what they pay, will it affect the rest of the customers that much?

Mr. Hairston stated if you look at a larger user rate which is somewhat less than what is proposed, it will still be a substantial increase to them because they are so far under costs right now. The bill impact will be less than what we show in our models, but it will not be so great as to affect other customers.

Mr. Hempel asked is the Toho Water Authority base rate increasing?

Mr. Hairston stated yes, it is up to about \$23,000. It was \$20,000 the previous year, but was zero for many years.

Mr. Hempel asked what percentage of capacity are we using?

Ms. Stuart stated that was one of our discussions when we were renegotiating the Large User Agreement. We reserved a certain number of gallons for capacity, and they indicated we were using more than that. We had conversations with them and told them we were going to be implementing reuse conservation rates. SFWMD had conservation obligations, but that was part of our renegotiation with the Large User Agreement. We implemented the conservation rates, which was acceptable to them. I do not know where our percentage of capacity is, but our consumption is seasonal. That was also one of our arguments.

Mr. Moyer stated generally the way they price that is on a flow-driven percentage basis of what we are taking out of their system versus the total system. The reason their rates increased to \$.81 was because they hired a Rate Consultant come in and do an analysis of allocating their utility costs to the various components, pretty much the same thing Mr. Hairston is doing for us. I think they offloaded a lot of costs into the reuse system.

Ms. Stuart stated that is the debate. You have to take it to a certain level of treatment. Do you allocate all those treatment costs in the reuse rate or can some of those costs be properly included in the wastewater rates? That is a discussion in the utility world, and that is the art of rate making.

Mr. Hempel asked can we come up with a structure that does not penalize our large users?

Mr. Kelly stated I think we have to. It looks like we have two large users, so we need advice on what to do. My sense is there will not be much impact on the other users.

Ms. Stuart stated the only one using 5 million to 6 million gallons is the golf course; the hospital is at 1 million gallons.

Mr. Hairston stated that is for actual usage. It depends on how you define a large user. Celebration Health's reserved capacity is the same as the golf course.

Ms. Stuart stated they are the same in the capacity category. If you define it as use, they are not as large as the golf course.

Mr. Kelly stated I would image their capacity is for the complete build-out that is not there yet, so they could become a larger user.

Ms. Stuart stated that is fine, and when they get to that level, you should treat them the same. But they are not there now.

Mr. Kelly stated when I look at Celebration Health, their reuse will increase \$5,700 per month. Is that just for the base charge or is that for everything?

Mr. Hairston stated that is for everything.

Mr. Kelly stated they receive a \$4,600 credit on wastewater, so it is not that big of a change for a lot of these customers.

Ms. Wasson stated it appears the condos are decreasing.

Ms. Stuart stated this does not perfectly align components of costs with rates, but it comes close. You can have a smaller decrease on the wastewater side in order to have a smaller increase on the reuse side. Mr. Hairston's recommendation as your consultant is to get closer. There is some discretion for you to come up with fair and equitable rates and treating all classes of users equitably.

Mr. Hempel stated I think it makes sense to look at a large user differently than for all of them.

Mr. Kelly stated I agree. Is there a suggestion on how we can get that done? We lose more time if we go through another round of figures. Can we establish large users at \$.81? Do we have a sense if that will work or not?

Ms. Stuart stated you have to go to \$.89 minimum for the first tier, which is the same as the rates for BFG. Then you can do a \$.33 differential for the next two tiers.

Mr. Hairston stated they will not be in that tier anyway and it is a similar structure. The question is, if you develop something, does that change all the other numbers or do

the proposed rates stay the same and we change the numbers for one user? I think we do the latter and carve out a large user rate and leave everything else the same.

Mr. Kelly stated that makes it simpler, and we did see that we will have some surpluses in future years.

Mr. Hairston stated the guiding principle is we are right at coverage this year and I do not want to provide a report that is below coverage.

Mr. Kelly asked is there a thought of what that structure will be for large users?

Ms. Wasson stated I would drop them down to \$.89 and then go to \$1.64.

Ms. Stuart stated start at \$.89, then go to \$1.31 and then \$1.64. We do not anticipate them going into the second tier.

Mr. Hairston stated no, they should all be in the first tier. They may go into the second tier on an enormous month. I think their total bill impact was 90%, so it will be 10% less than what the bill impact would be otherwise. They will still have a significant increase because they are paying so far below the cost.

Mr. Hempel asked if you left it at \$.89, what would it be?

Mr. Hairston stated for 7.2 million gallons, the bill was \$4,158 at \$.28. It would be \$16,300 under the proposed rates, and at \$.89, it would be \$13,300.

Mr. Kelly stated we still tripled their bill.

Mr. Hairston stated yes, and that is my point. It is about 82% of the proposed bill because a lot of it is the base charge. I can fine tune that because they are a large user and I can determine how much debt service is allocated.

Mr. Kelly asked is there debt service in \$.89 rate for base facility?

Mr. Hairston stated yes.

Mr. Hempel asked how much of that is actually recovering costs and how much is surplus?

Mr. Hairston stated there really is none. You are recovering the debt service for the infrastructure plus costs from Toho Water Authority. At revised rates, you are not allocating as much costs to other users. We can take a look at that and justify it.

Ms. Stuart stated the \$.89 base facility charge is Toho Water Authority's monthly meter charge and contribution to debt service. That is all the \$.89 recovers. That alone is a huge increase because they were charged \$.28 in the past and now they are going to \$.89. Toho Water Authority is charging the District \$23,000 per month, which is the

monthly meter charge for reuse. It is their base facility charge for their debt service, similar to how we charge our customers base facility charge. If you have no consumption, you will still pay that charge anyway. It is your contribution toward their debt service and the capacity they reserved for you. That is one big component of the increase to our users. Unless you want to make the decision that large users do not contribute as much of that component.

Mr. Kelly stated part of me wants to know what other systems do to compare to this type of a user, specifically a golf course.

Mr. Hairston stated normally a large user has their own storage facility and they will meet that threshold of having a certain amount of pressurized service or service that can be shut off.

Mr. Kelly stated they have that. They store the water in a pond.

Ms. Stuart asked do we receive the reuse under pressure?

Mr. Smith stated yes.

Ms. Wasson stated they do not have issues when the rest of the community has issues.

Mr. Smith stated that is because they pump it out of the pond and they have a float and it comes on at a certain level.

Mr. Hairston stated with other systems, it is normally generated from the wastewater facility. Golf courses or large users will have a separate rate because they have an effluent disposal portion of it and they agree that no matter what, they will take it anyway. When you purchase it, there are immediate direct costs.

Ms. Stuart stated I tried that argument and said we are, in essence, a disposal site for Toho Water Authority.

Mr. Kelly stated we have one user in the new commercial rate structure that will have a huge change in their bills. That is our challenge. I am not suggesting their bills should not go up, but I have not really heard a solution to that yet.

Mr. Hempel asked how much of the O&M costs and debt service are they paying as their bill goes up or is it 80%?

Mr. Hairston stated there are not a lot of allocated costs that are going to them. It is mostly direct costs. The reuse system is where all cost increases are coming from.

Ms. Stuart asked how did you allocate the monthly meter charge? We need to reduce the base facility charge. They do have some control over their usage.

Mr. Hairston stated their capacity was included in the capacity that Toho Water Authority is using to charge your base charge. If you take the base charge that Toho Water Authority is charging, divided by all the capacity that is reserved, that is how we calculated that figure.

Ms. Stuart asked how did you calculate the debt service allocation?

Mr. Hairston stated on a percentage of the cost of the facilities built, if they have a structure built. That is one component where we can take a closer look for a large user.

Ms. Stuart stated they have more facilities on the golf course. We deliver to a point of delivery, and they own their system.

Mr. Moyer stated your charge indicates Toho Water Authority was 53% of the total.

Mr. Hairston stated we looked at uniform rates for everyone. We can take another look at this in short order and do some more detailed allocations and calculations.

Mr. Kelly stated I think that is what we need to do, and we can meet again next week.

Ms. Stuart stated it will not matter if we take another week.

Mr. Hairston stated it will not cut their bill impact in half because these direct costs will not change, but it will lower the impact.

Ms. Stuart stated I would like to know the numbers if their base rate is \$.81 and the user charge is \$.81, to get a sense of where that is just using the numbers Toho Water Authority is charging the District.

Mr. Hairston stated it is about \$11,800.

Mr. Kelly stated their bill will increase from \$4,000 to \$11,800.

Ms. Stuart stated it is going to be more than double. You are not going to get there in a way that is not at least double.

Mr. Hairston stated I also assume their system is pretty tight and efficient.

Mr. Smith stated they do have evaporation out of that pond. Does Toho Water Authority give other golf courses a large user rate? Falcon's Fire is the same system where they store reuse water in a pond and they have the same equipment.

Mr. Hairston stated I would have to look at their system, but I bet they have a large user rate.

Mr. Kelly asked will Toho Water Authority give us a different rate for that portion of our usage? Then we can pass it on.

Ms. Stuart asked from their rate structure point of view, how do they treat golf courses?

Mr. Hairston stated we can find that out. I imagine they have a separate rate for a large user that has a storage facility. The question is, can they interrupt the point of interconnect?

Mr. Smith stated we can discontinue service.

Ms. Stuart stated you can, but Toho Water Authority cannot.

Mr. Smith stated they can request that we do. That is our agreement with Toho Water Authority.

Mr. Kelly stated we may find out if they are they subsidizing them because there is a bigger benefit.

Ms. Stuart stated if that is true, it is because it is a disposal site under their permit and they are interruptible. Sometimes there are minimum "takes." If Falcon's Fire says no matter what, rain or shine, they will use 500,000 gallons per day, they get a different rate for doing that. It is an emergency disposal site for Toho Water Authority and they have agreements for all that, so that is how those rates are designed for golf courses.

Mr. Kelly stated I believe Mr. Hairston knows his direction for our next meeting.

Ms. Stuart stated I need to draft notices. Any there any other rates that we have in our schedule that we should be changing, such as returned check fee, or service application fee? Is the \$250 for a service application fee still adequate?

Ms. Burgess stated yes. Banks now charge \$35 for a returned check fee, so that should be passed onto the customer for a returned check fee.

Ms. Stuart stated the fee of \$15 for a reconnect fee seems low.

Mr. Smith stated that is what they are charging us.

Ms. Wasson stated that is the rate they charge in Orange City.

Ms. Stuart asked is it appropriate to have a draft notice that includes this rate structure? I will include the pass through language as well.

Mr. Kelly stated yes.

Mr. Hairston stated there will be some minor changes but I do not think the structure will change significantly overall.

Ms. Stuart stated there is talk about additional rate increases pending with Toho Water Authority. Do we know anything about those?

Mr. Hairston stated we can call and ask.

Ms. Wasson stated it was on the news the other night that water rates were going up in several areas.

Ms. Stuart stated we need to check that out today.

Mr. Moyer asked was that OUC?

Ms. Wasson stated I do not know, they just mentioned water and not electric.

Ms. Stuart stated we will ask to continue this meeting until next week.

After a brief discussion, the Board determines the next meeting, will be Friday, March 6, 2009, at 10:00 a.m.

SIXTH ORDER OF BUSINESS

District Manager's Report

A. Financial Statements

Mr. Moyer reviewed the financial statements, included in the agenda packet, which are available for public review in the District Office during normal business hours.

B. Consideration of Engagement Letter with Grau & Associates for fiscal years ending September 30, 2008, 2009 and 2010

Mr. Moyer reviewed the engagement letter with Grau & Associates to perform the audit for fiscal years 2008, 2009 and 2010.

Mr. Moyer stated I signed the engagement letter in order to get them started on the audit for fiscal year 2008. They have outlined their fees and each year going forward, they will provide an engagement letter to you for that fiscal year at the appropriate fee amount.

<p>On MOTION by Ms. Wasson, seconded by Mr. Stokes, with all in favor, approval was given to ratify the engagement letter with Grau & Associates for fiscal years 2008, 2009 and 2010.</p>
--

C. Field Operations

Mr. Smith reviewed the monthly highlight report, included in the agenda package, which is available for public review in the District Office during normal business hours.

SEVENTH ORDER OF BUSINESS

Staff Reports

A. Attorney

Ms. Stuart stated we are monitoring legislation regarding foreclosures. We are trying to be sure that it does not change the priority of assessments in foreclosures. I would like to request authority from the Board that when we have landowners who are bankrupt and

have debt service liens on their properties, to file claims, if necessary, to protect the District's debt assessment. That has not been an issue with individual home owners but it may be with larger entities I would like authority that if we receive notice of a large landowner bankruptcy, in consultation with Chairman, that we have authority to take actions that may be necessary to protect the interests of the District.

On MOTION by Mr. Stokes, seconded by Mr. Hempel, with all in favor, approval was given to authorize District staff in consultation with the Chairman to take any and all actions necessary in any bankruptcy proceeding related to any landowners within the District with respect to protection of the District's assessment liens.

B. District Representative

Mr. Parker stated The Celebration Company has a project that is ongoing in parcel C14-B, which is a Florida Hospital parcel, to modify the drainage and the grading on that site. The drainage does go into a CDD pond.

Mr. Stokes asked is that across the street from the hospital, next to Mona Lisa?

Mr. Kelly stated yes.

EIGHTH ORDER OF BUSINESS

Other Business

There being none, the next order of business followed.

NINTH ORDER OF BUSINESS

Supervisor Requests

There being none, the next order of business followed.

TENTH ORDER OF BUSINESS

Adjournment

On MOTION by Mr. Stokes, seconded by Mr. Hempel, with all in favor, the meeting was continued to Friday, March 6, 2009, at 10:00 a.m.

Gary L. Moyer, Secretary

Matt Kelly, Chairman