

Holley-Navarre Water System, Inc.

MOA Special Meeting #2 Minutes

September 17th, 2019

Mike Kennedy, Board President, called the meeting to order at 4:45 P.M. The following Board of Directors were present: Mike Kennedy, Kevin Lanier, Daryl Lynchard, Fred Terasa and Mark Miller (late arrival). Will Goulet and Yvonne Harper were absent. Also present were: Rob Williamson, Phil Phillips, Keith Kilpatrick, Will Dunaway and Deborah Kharuf (stenographer).

The meeting began with an announcement that it is a special meeting with a court reporter present. Minutes will be prepared for Board approval and released to the public at a later time.

Will Dunaway was introduced as outside counsel hired to aid in drafting and negotiating the terms of the MOA between HNWS and Santa Rosa County for the effluent disposal project. He was in attendance to provide an overview of the document and answer any questions the Board may have. The Board is reminded that the agreement has only been provided to staff and the Board. It will be sent to the County after board approval.

Will began with a brief summary of the timeline leading up to today's status. Feedback from SRC has been favorable throughout the initial stages and the steps at the local level have been completed, the lease is in the final stages of approval in Washington D.C. The County has invited HNWS to make the first draft of the agreement, which is where we are today. In order to satisfy timing restrictions, the project has been separated into two phases and an explanation of each was given. Phase 1 is the construction of the line from our wastewater treatment plant to Eglin and the construction of the RIBS required to service our effluent disposal. This will be the responsibility of HNWS. Phase 2 is the construction of the line from the County's Navarre Beach wastewater treatment plant that will connect to the line to Eglin at our treatment plant. The line to Eglin will be a shared line and that is how it is organized in the document.

The MOA document is standard and recognizable by the County. Will gave an overview of the initial "whereas clauses" of the document that defines the goal, which is the elimination of discharge. The fact that this is a regional solution was highlighted. The document also acknowledges the County has obtained the proper permits from DEP, that HNWS has been involved and supportive since the project's inception, that it is a joint use agreement, and that the Eglin lease is not assigned to us, but rather the County. Director Miller arrived at this time. HNWS is going into business with the county for 30 years, a 25-year term with a 5-year option for extension.

The next section of document outlining the purpose was covered, which is for the shared responsibility of the design, permitting, funding, construction, operation and repair of the

lines/RIBS required for effluent disposal at Eglin. The environmental requirements have been met, with the result being no significant impact to the environment. It was also explained that Eglin only leases to municipalities, which is why the County will be the leaseholder.

The next part of this section covers the important details such as capacity, percentage and use. Highlights are that each entity will pay their share of cost based on the percentage they require. HNWS has 56% use and the County has 44%. More details on costs were provided. The County has already incurred expenses and a more specific breakdown of what they spent has been requested. The County will pay their portion of the shared costs when they connect and come online. Reimbursement for costs will need to be discussed with more detail in the future. The current priority is to get phase 1 financed, designed and constructed to go online by the deadline of 11/01/2022. The County will more than likely not connect at that time. More details on capacity, phasing and using the County's engineer, Jacobs Engineering, were covered. Jacobs has been involved since the beginning and it provides the County with comfort knowing they will be utilized. Not every cost is spelled out at this time, but it is known that the County paid the full lease amount of \$210,000.00. Examples of construction/non-construction costs were given. The document also contains provisions for the unlikely possibility that the County never connects. Next, capacity was explained further. The land capacity can accommodate 7 million gallons per day. 1.6 million gallons per day is the amount still available after what is earmarked for HNWS and the County. The cost share will increase/decrease depending on who utilizes the leftover capacity.

The last items covered are the indemnification clause, insurance information, rights and what is set forth in the lease. We have the same rights as the County although they hold the lease. It was pointed out that the property is an active military base and a national emergency may warrant restricted access.

This information was provided as a basic overview, the Board will still need to review the document and direct its release to the County.

The transmittal letter is explained as a short document explaining the decided upon highlights.

Feedback from the Board was requested at this time.

There were minimal formatting changes/suggestions such as how the BCC/BOCC is specified, the need to place more emphasis on meeting our deadline, and how the "partnership" is stated in both the agreement and the transmittal letter.

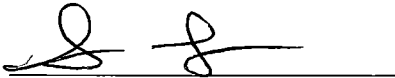
The need for more detail on phase 2 was discussed, with it being anticipated that the County will have input on that topic.

At this time, staff is requesting to forward a draft of the document to County staff once the final edits are made.

Discussion returned to specific topics outlined in the document such as capacity, specifically the disposal of 1.5 million gallons per day versus 3 million per day. This will require a more detailed discussion at a later time. It was noted that the military could pull the plug on the project at any time, however that seems unlikely as Eglin has discharge needs to meet as well. The reasons why Jacobs Engineering is the best choice for the project were also explained. The HNWS Board policies on RFP/Bids was discussed with it being noted that the policy is not in the governing documents of HNWS. Returning to the indemnification clause, it is requested to add "directors" to the section that lists officers, agents and employees. Another request was made to add the County and federal government as named insurers. Since the County is responsible for the insurance, they will want to be named.

The next stages of the process were explained. The County's lease has been approved; it just needs to be signed off on. Once there is a final draft of the MOA document it will be submitted to the Board with a BAWM. The numbers reflecting what the County has spent so far will also have to be inserted into the document once received.

Meeting adjourned at 6:00 P.M.



Grant Summers, Secretary/Treasurer