

Holley-Navarre Water System, Inc.
Regular Board Meeting Minutes
July 21st, 2020

Daryl Lynchard, Board President, called the meeting to order at 6:00 P.M. The following Board of Directors were present: Daryl Lynchard, Mike Kennedy, Mark Miller, Will Goulet, Grant Summers, James Dabney and Fred Terasa. Also present were: Barbara Carawan, Keith Kilpatrick and Deborah Kharuf (stenographer). Danny Hawkins, Amber Bucholtz, Mark Turner, Chris Legg, Cindy Callen, Phil Phillips and Clinton Wells attended via conference call.

Approval of Minutes & Transcripts

Fred Terasa motioned to approve the minutes and transcripts from the 06/16/2020 regular meeting. James Dabney seconded. Mark Miller pointed out an error in the transcript that will be corrected. Motion passed.

Membership Certificates

Mark Miller motioned to approve the memberships for June as presented. There were 394 new memberships, 355 cancelled, and 6 transfers. Grant Summers seconded. Motion passed unanimously.

Administrative

- 1. Finance – Review of the June 2020 Financial Statements:** The budget versus actual worksheet was discussed first, specifically the depreciation/amortization amounts and why they are currently blank. Next, Keith confirmed the internet marketing company contract has been fulfilled and the final payment was for June. Miscellaneous revenue amounts on the 2019/2020 income statements were compared, with staff providing clarification. **Mike Kennedy motioned to approve the June 2020 financial statements as presented. Fred Terasa seconded. Motion passed unanimously.**
- 2. 2019 HNWS & MESI Corporate Tax Returns:** **Mark Miller motioned to approve the tax returns as presented. Grant Summers seconded. Motion passed unanimously.**
- 3. Eglin Project Update:** Phil introduced Project Manager Daniel Broxson (with Jacob's Engineering) and provided an update. The update included historical data on effluent, I & I, and possible future projections. An overview of the project phases, what HNWS is responsible for, and design information was also provided. This included cost information and a general timeline. **Daryl Lynchard motioned to authorize the Board President/CEO to execute a contract with Jacob's Engineering, Santa Rosa County's previously selected consultant for the Eglin RIB project, to continue the engineering, design, and construction administration for phase 1 of the regional reuse system, in**

accordance with the memorandum of agreement with Santa Rosa County. The contract should be based on an industry standard engineering services contract, or previously approved contract between Jacob's Engineering and Santa Rosa County. The design and construction administration fee shall be based on the State of Florida DEO allowable table 1 fee curve and the construction costs identified in the preliminary engineering report. Third-party services such as surveying and geotechnical engineering shall be solicited to multiple parties. Santa Rosa County engineering staff shall be provided with the opportunity to review and comment on the proposed scope of services and fees. Mark Miller seconded. It was confirmed that Santa Rosa County will be given the opportunity to review the contract. Motion passed unanimously.

4. *Line Extensions/Fire Protection:* This item was tabled until next month's board meeting. Prior discussions with member Carmen Reynolds and the fire department were brought up, resulting in Will Goulet agreeing to follow up with Ms. Reynolds prior to the next board meeting.
5. *FRUS/HNWS Operations & Maintenance Agreement:* The latest draft of the service agreement has been received. The benefits of finalizing the agreement, specifically being properly reimbursed for the services HNWS provides, were briefly discussed. Daryl Lynchard motioned to direct HNWS's representatives on the FRUS Board to approve the agreement. Will Goulet seconded. Motion passed unanimously.

Daryl also motioned to remove himself as a representative on the FRUS Board and to nominate Mike Kennedy as his replacement. As acting CEO of HNWS, the acting Executive Director of FRUS, and being a HNWS Board member, he feels that it could be a conflict of interest. Mark Miller seconded. Mike Kennedy accepted the nomination. Motion passed unanimously.

6. *FRUS/Gulf Breeze Settlement Agreement:* The latest draft of the settlement agreement has been received. An overview was provided. Phil also confirmed HNWS staff agrees with the terms. Will Goulet motioned to direct HNWS's FRUS representatives to approve the agreement as presented. Fred Terasa seconded. Motion passed unanimously.

Personnel

Mike Kennedy and Will Goulet have reviewed CEO search companies and information on three of them have been provided. Mike Kennedy motioned to select option 2, which is Recruiter Solutions International, to help HNWS find a CEO. Will Goulet seconded the motion and their efforts were commended. He also gave an overview of each of the options including the pros and cons of each. The anticipated timeframe for the recommended firm is 2 to 5 months.

Each firm had similar fees, with the recommended firm costing \$25,000.00. Mike agreed to ask the firm if they can provide a two-year guarantee, as one of the other firms included that in their proposal. Once a contract with the approved firm is received and reviewed by legal, it will be sent to the Board with a BAWM authorizing Daryl to sign it. **Motion passed unanimously.**

Golf Committee

None.

The Club at Hidden Creek

1. *2020 Financial Statements:* Cindy Callen reported the financials for June. She noted that one of the budget documents provided showed May instead of June at the top of the page, but the numbers are correct. Total course revenue for June was \$161,480.00, which is a little lower than what the budget called for. Staff has tried to keep expenses down at \$148,670.00, leaving a total course operating income of \$12,810.00 (not including depreciation). Year to date, course revenue is \$819,245.00, expenses are \$742,350.00, which leaves \$76,895.00 in course operating income. An increase in cash was discussed briefly, with it being attributed to revenue. **Mike Kennedy motioned to approve the June 2020 financial statements as presented. Fred Terasa seconded. Motion passed unanimously.**
2. *2019 TCHC Corporate Tax Returns:* The tax documents have been reviewed and the Board discussed them briefly. **Mark Miller motioned to approve and file the 2019 tax returns as presented. Grant Summers seconded. Motion passed unanimously.**
3. *Update on Potential TCHC Sale:* Fred Terasa presented an updated slideshow with information related to the sale of the golf course and the items that need to be considered. Mark Miller, Fred Terasa and Cindy met with Dee Dee Davis, who is currently handling the sale of the Tiger Point Golf Course in Gulf Breeze. She toured the course and recommended pricing at \$2 million. She also recommended to have a purchase agreement ready in the event interest is shown. It was noted that there may be investors currently interested in the Tiger Point course that may also be interested in TCHC. Fred continued going over the reasons to sell or keep the course, the history of HNWS's use of it as a spray field, and the possible consequences of rezoning it as a park. Potential future capital expenditures were also brought up as a factor to consider. **A lengthy discussion continued, resulting in a motion by Mark Miller to enlist the services of Beggs and Lane to develop a purchase agreement for the Board to review, that includes currently recorded easements, any language required to maintain the property as a spray field and a golf course, and to have the first right of refusal. Will Goulet seconded. Discussion continued. Motion passed unanimously.**

Engineering

1. *Monthly Operations Report:* The monthly operations reports have been provided. Phil also reported on the pending receipt of a letter of interest from Navarre Beach Crossings, LLC for an offer of a perpetual lease with a right to deed us property for the booster pump station and elevated storage tank. Once received, the Board will need to decide if they want to accept their offer or negotiate further. The type of development on the property and how that will affect the impact fee discount was discussed, along with other possible terms of a lease agreement.

Public Forum

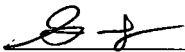
Geo Mayer – 6931 Turnberry Circle: Mr. Mayer urged the Board to determine exactly what is being sold, such as the acreage, how its divided, problems, etc. Second, he commented on the current accounting system being used and encouraged staff to seek advice on the matter. Third, he commented on the Fairpoint service agreement expiring in 2023 and HNWS's relationship with Gulf Breeze.

Action Items

1. The error in the June board meeting transcript will be corrected.
2. Will Goulet will follow up with member Carmen Reynolds on the line extensions/fire protection agenda item and it will be added to next month's meeting agenda.
3. Mike Kennedy will reach out to the selected recruiter for the CEO position to see if they are willing to offer a guaranteed timeframe in case the selected candidate does not work out.

Daryl Lynchard motioned to adjourn.

Meeting adjourned 8:10 P.M.



Grant Summers, Secretary/Treasurer