

Holley-Navarre Water System, Inc.

Regular Board Meeting Minutes

August 16, 2022

Board Vice-President Mark Miller called the meeting to order at 6:00 P.M. The following Board of Directors were present: Mark Miller, Bill Thiel, Mike Kennedy, James Dabney, Daryl Lynchard, and Don Linnell. Board President Joe Campbell was absent. Also present were Will Dunaway Esq., Ty Campbell, Clinton Wells, Jarod Cross and Emerald McDaniel.

Approval of Minutes and Transcripts:

Daryl Lynchard made a motion to approve the June 29th closed executive session minutes, July 19th regular meeting minutes and transcripts, and August 3rd closed executive session minutes. Don Linnell seconded. Bill Thiel had corrections. July 19th minutes Daryl Lynchard should be marked as absent, Bill Thiel was misquoted on the new business line 2, and member services motion should say passed unanimously. **Daryl Lynchard amended his motion to approve with corrections. Don Linnell seconded. Motion passed unanimously.**

Approval of Membership Certificates

There were 356 new memberships, 312 cancelled, and 3 transferred for July 2022. **Mike Kennedy motioned to approve the July memberships. Daryl Lynchard seconded. Motion passed unanimously**

Unfinished Business

Legal Report- SRC Reuse Eglin Update. Nothing to update.

Organizational Resources – Employee Handbook: Staff continues to work with a third-party HR company and submitted draft to legal to review. Handbook will be submitted to the Board to review at the September board meeting. Staff was asked to provide a draft to the Board with highlighted changes to review.

New Business

Organizational Resources – Retirement. This item was omitted due to the employee not being present.

Organizational Resources – Intern Program Completion: The Board recognized the interns that completed the intern program and presented to those in attendance with certificates of completion.

Finance – Review of June 2022 Financials: Staff presented the June 2022 quarterly financials and reported increases to the expenses, Budget comparison items, and revenue drivers. Director Lynchard asked what expenses were paid by HNWS for TCHC. Staff explained spray field expenses, historical payments of assets, best practices of holding corporation and subsidiaries financial practices. Directors recommended it be a discussion of the board and to bring issues to the board instead of directing frustrations at staff. Historical payments and previous legal advice to recommend HNWS not to write checks for TCHC bills directly was discussed vigorously. Directors recommended an agreement to mirror other entities to specifically name the expenses that are HNWS and TCHC separately. Staff and the Board discussed different versions of accounting practices and board visibility at length. **Daryl Lynchard made a motion to include the check registers in monthly board packets. Don Linnell seconded for discussion.**

Concerns of board governance, oversight, trust of check signers, and fiduciary responsibility was discussed vigorously. **Motion fails three nays to two ayes Mark Miller abstained.**

Carmen Reynolds. 9621 Sunnybrook Drive: Member stated the Santa Rosa County Board of County Commissioners have the check registers available for review during the BOCC meetings. Member encouraged to have the check registers in the packets.

Nancy Forester. 6825 Tidewater Drive: Member stated the nay voters to the check registers being available perpetuates the idea that “they” have something to hide. Encouraged trust of the board.

David Crumbley. 6817 Tidewater Drive: member stated the board had plans to change the perception, encouraged the board to put everything out in the open. Expressed frustration loudly that he thought it was “insane” to vote no and the vote gives an idea that the board is corrupt. The Vice-President of the Board reminded the membership that the financials are posted to the website for visibility.

Carmen Reynolds. 9621 Sunnybrook Drive: Member stated financials on the website, include charitable deductions are being given, a nonprofit should not give charitable deductions, gave amounts and year to date amounts. Requested HNWS stop giving charitable deductions and stated that there is a reason for their request, then expressed can help with these decisions. Director Miller responded the charitable deductions are sponsorships, supporting the community, standard practices of charitable deductions, the membership is entitled to the information, and to send a request. Director Dabney requested to show the vote again by show of hands. Director Miller, Dabney, and Lynchard showed and stated that they voted yes or would have been a vote of yes. Director Lynchard requested a copy of the equipment lease for TCHC and stated the TCHC Management Board does need oversight because of the same static members. The budget, previous discussions, total of the equipment lease. Staff explained the lease was to replace the current equipment lease, process was followed, and gave an estimate of the total amount within the budget. Staff was asked to provide a copy of the equipment lease.

Greg Brightling: Asked if there is a threshold that requires two signatures, or all of the expenses require two signatures. Directors explained all expenses requires two signatures and the board approves over \$25,000.00.

Mike Kennedy motioned to approve the financials as presented. James Dabney seconded. Motion passed with three ayes, Darly Lynchard nayed.

Finance Committee Updates: Director Lynchard stated he was not part of the Eglin Project meetings and minutes being emailed to the Board was discussed. Director Thiel reported on the Capital Improvements budget and projects and that the committee has agreed to meet bi-monthly versus weekly. Director Kennedy explained the budget is on track and timeline of tap fees regarding specific projects were discussed. Director Thiel reported the TCHC quarterly report to be on track with the budget, without subsidy, revenue up in the categories, account status, Hurricane Sally insurance claim check, expenses, losses, and projections. Director Thiel explained the expenses were erroneously accounted for, multiple contracts canceled, corrections of adding

the Marshall and Starters to the payroll vs illegal previous unpaid practices. Marketing strategies, tournaments and specials were also discussed. Customer service, wages, scheduling, and credit card fees were discussed. Different options of addressing the credit card fees were discussed at great length. Director Lynchard asked that the credit card fee decision should be a HNWS board decision instead of the TCHC Management Board. **James Dabney motioned to make the credit card fees at a percentage at TCHC.** Motion did not receive second. **Daryl Lynchard motioned that TCHC charge a fee not less than the percentage of the credit card fees paid.** Motion did not receive second. **Daryl Lynchard motioned that the TCHC Management Board present the HNWS Board a spreadsheet showing the average credit card fees prior to the next meeting. Mike Kennedy seconded.** Staff explained the merchant fees and requirements and regulations to be defined as a fee directly from the provider or set as a “convenience fee” through the entity. **Motion passed unanimously.**

Annual Employee Benefits: Staff reported on steps taken to receive proposals for employee group benefits. Staff explained is waiting on additional proposals before making a recommendation and historical options were discussed. No concerns were raised with BAWM possibility.

Carmen Reynolds. 9621 Sunnybrook Drive: Stated historical headlines of “platinum” benefit packages and talk of stepping down the plan. Requested if the plan has been “stepped down”, to hear the answer the following month, specific details of life insurance, 401k, and total payments for the plans.

Directors could not confirm from 2016 information compared to current and stated they believe it was “stepped down” last year. Historical benefits that have changed were discussed. Program changes and benefit details were briefly discussed regarding the defined benefit plan changes.

Check Signers – MESI: Director Miller reported the current check signers for MESI are Phil Phillips, Joe Campbell, Dale Long, and Ty Campbell. The recommendation is to “change” Ty Campbell to Bill Thiel as a check signer. Director Miller stated he would accept a motion to replace Ty Campbell on the Mesi check signers with Bill Thiel. **Mike Kennedy motioned to add Bill Thiel as a check signer. Daryl Lynchard seconded. Bill Thiel abstained. Motion carried.**

Board of Directors/Legal – CEO Selection Process. The Board explained the process to select a new CEO, historical events, and committee duties. anyone local that would like to bid to find a new CEO. **Director Lynchard made a motion to reconstitute the CEO Hiring Committee and to include all of the board Directors. Don Linnell seconded for discussion.** Don Linnell requested clarification of board members to attend and be on the committee. Directors agreed to name a committee chair and the newly elected Directors will be added automatically. Mike Kennedy voiced concerns of noticing all meetings and getting all directors to participate.

Carmen Reynolds. 9621 Sunnybrook Drive: Member stated the headhunter used locate and hire Dr. Peavey was not worth a damn. Member requested to be more respectful of members money, opinions, to not use another worthless headhunter service, and exhaust all other avenues to find suitable candidates. Member also requested an extensive background check to include past criminal history, fingerprinting, and validation of education, especially with the fraternization with board members. Member requested the board members involved in the hiring raise their hands. Director Kennedy, Director Lynchard, Director Miller, and Director Dabney raised their hands. The member impelled the board to recover expended funds from the previous headhunter.

David Crumbley. 6817 Tidewater Drive: Member requested the name of the company that the board used previously. Directors stated RSI, Recruitment Services International. Directors encouraged member to send an email request. **Motion passed unanimously.** Directors agreed to name the chair at the meeting.

Engineering

Monthly Operations Report: Engineering staff is not present because of death in the family. Staff explained family member was big part of helping NW Florida utility systems. Staff reported the ground and elevated tank lease will be signed very soon, I & I progress, reuse and ribs and project and answered question on the monthly operations report. Director Thiel complimented staff for getting water loss below 10%.

Member Forum

Robert Barnett. 2008 Pine Ranch Road. Member requested details regarding a buyout clause in Dr. Peavey's contract with HNWS. Is he being paid for the rest of his contract or did that cease with his termination? Director Miller responded that ceased with his termination. Director Lynchard asked Counsel if it's appropriate to answer that question. Mr. Dunaway stated it was an accurate description. The member then asked if Board President Joe Campbell is being compensated to act as interim CEO. The Board responded that no he is not. Mr. Barnett asked that HNWS declare itself to be subject to Florida Sunshine law FS 286.

Nancy Forester. 6825 Tidewater Drive. The member asked if employee insurance switched to the company that Dr. Peavey's wife worked for, what the insurance covers, and will the Peavey family benefit from this contract. The member then asked how many wrongful termination cases under Dr. Peavey's supervision that are ongoing. Legal advised the Board not to comment on both questions at this time. The Board requested the member to send an email and stated there are zero cases at this time. The member stated the members are traumatized about what has been happening.

Chuck Pohlmann. 2956 PGA Blvd: member asked if HNWS has a nepotism rule in place. The Board answered that they do. Legal stated it is an appropriate question. The member then asked if Dr. Peavey's stepson and stepdaughter work for HNWS. The Board responded that they do, and they are reviewing this policy in the new employee handbook. Director Kennedy noted that the nepotism is no longer an issue. Specifics of the understanding of the policy was discussed. Board disagreement of the nepotism policy was stated.

Counsel reported that there is a legal matter from a former employee against HNWS, but the Board had not been notified of it because of the special meeting being cancelled. Counsel will brief in detail in a closed meeting. Counsel confirmed that the case is against the board by a previous employee.

Carmen Reynolds. 9621 Sunnybrook Drive. Member stated that the nepotism policy breeds preferential treatment, believes there is a disregard to members concerns, gave examples of previous community involvement, blatant disregard for members, denying of information requests, questions being labeled inappropriate, or refusing to allow members to speak. The member requested the speaking time be extended to four minutes. Director Lynchard stated we are subject to the sunshine law under the Eglin project, explains to subject self to law would be disingenuous, nothing to do to make subject. Member and Board discussed at great length. The member stated that the previous CEO was like Napoleon or Hitler and made the franchise look bad. The member requested the number of employees, and the HR staff numbers.

Mike Matthews. 2193 Bellmeade Circle: Member requested if it's possible to hire within, transparency, saving money, allocating money, to clean up some of the unknowns, a forensic audit, like spoken about by directors. Director Miller responded with information regarding the forensic audit. Director Linnell commented that anyone may apply for the CEO position.

David Crumbley. 6817 Tidewater Drive: The member stated the company's horrible reputation, strongly encouraged a forensic audit, stated the previous CEO was a professional conman, referred to a news article that Ashley Ferguson reported potential financial inconsistencies. The Board responded that she did not give specifics and found no financial inconsistencies. The member encouraged transparency.

Rick Schaeffer. 6915 Jasper St: Member requested the results are of the well testing for PFAS/ PFOS and if he could get a copy of the results. Director Miller stated the results were tested by a third party for Fairpoint Regional Utility System and asked the member to email the Interim CEO his request. The member noted the EPA has updated the limits to a reasonable number.

Greg Brightling: Mr. Brightling commented on the reported cost of a forensic audit, his research results for the cost, gave hourly amounts, parameters, and requested the board spend the \$10,000.00 to have a forensic audit done. The member stated the auditors do not need the scope. The board explained the information given to them. Mr. Brightling stated they do not trust the auditor. Director Dabney made strong comments regarding the check register motions, trust with the board, and requests. Director Lynchard made statements about the audit, explained forensic audits, processes, the high cost of a forensic audit. Staff explained auditors request and forensic auditor requested scope, gave cost of current audit, expectation of a forensic audit price, welcomed a forensic audit, financial rating increases, personal experience, and processes of transactions. Director Dabney recommended spending \$200,000.00 to protect the members assets.

David Crumbley. 6817 Tidewater Drive: Member stated that the previous CEO was embezzling money, had signatures, probably had stuff that the board doesn't know about. Director Miller stated it was a possibility of him starting a new life, and that Dallas Peavey made positive changes and overall ran the company well. The member requested the amount that was paid to the headhunter.

Additional:

Director Lynchard requested the timeframe of the construction for the board room.
Director Kennedy complimented the staff and board for focusing on the service.

Action Items:

1. Staff was asked to provide a copy of the TCHC equipment lease.

Meeting adjourned at 8:02 P.M.

A handwritten signature in cursive script, reading "William E. Thiel", is written over a horizontal line.

Bill Thiel, Secretary/Treasurer