

HOLLEY NAVARRE WATER SYSTEM
THE CLUB AT HIDDEN CREEK
COMBINED BOARD MEETINGS
JUNE 18, 2019
6:00 P.M. - 8:22 P.M.

MIKE KENNEDY, PRESIDENT

KEVIN LANIER, SECRETARY-TREASURER

DARYL LYNCHARD, DIRECTOR

FRED TERASA, DIRECTOR

MARK MILLER, DIRECTOR

BARBARA CARAWAN, OFFICE MANAGER

ROB WILLIAMSON, CEO, HNWS

PHIL PHILLIPS, MESI

CORY SNYDER, MESI

CLINTON WELLS, HNWS

DANNY HAWKINS, HNWS

AMBER BUCHOLTZ, HNWS

CHRIS LEGG, HNWS

CINDY CALLEN, GM, CLUB AT HIDDEN CREEK

ALSO PRESENT:

KEITH KILPATRICK, ESQUIRE

DEBORAH KHARUF, COURT REPORTER

JIM GRACE, UNDERWOOD ANDERSON INSURANCE

JEFF WEEKS, WELLS FARGO

SANDI KEMP, NAVARRE PRESS

1 P-R-O-C-E-E-D-I-N-G-S

2 MR. KENNEDY: All right. I call this
3 meeting to order. Director Miller, would you please lead
4 us in prayer?

5 DIRECTOR MILLER: Please bow your heads.

6 (INVOCATION BY DIRECTOR MILLER.)

7 MR. KENNEDY: Director Terasa, will you
8 please lead us in the pledge of allegiance?

9 MR. TERASA: Please face the flag and
10 repeat after me.

11 (PLEDGE OF ALLEGIANCE LED BY DIRECTOR TERASA.)

12 MR. KENNEDY: Secretary Lanier, do we have
13 a quorum?

14 MR. LANIER: We do have a quorum.

15 MR. KENNEDY: Thank you, sir. Audio and
16 video recordings in use. Please silence all cell phones.

17 If anyone would like to address the Board,
18 please sign the member forum sign-up sheet there in the
19 back.

20 The first order of business is the
21 approval of minutes and transcripts from the May 7th
22 Special Board Workshop and the May 21st Holley Navarre
23 Water System Board of Director regular meeting. So --

24 MR. LANIER: Motion to approve both the
25 minutes for the 7th and the 21st.

1 MR. TERASA: Second.

2 MR. KENNEDY: Any further discussion?

3 MR. MILLER: I would just like to point
4 out there was no transcript from the Special Board
5 Workshop, just minutes.

6 MR. KENNEDY: Correct. Any further
7 discussion?

8 MR. LANIER: I saw them somewhere.

9 MR. KENNEDY: Oh, there was a transcript?

10 MR. MILLER: Okay. I didn't see that.

11 MR. LANIER: I think it's in our book.

12 MR. KENNEDY: That's right. Because you
13 were here to the -- that's correct, so we do have
14 transcripts. All right. Any further discussion?

15 (NO AUDIBLE RESPONSE.)

16 MR. KENNEDY: Those in favor say "Aye"?

17 MR. LANIER: Aye.

18 MR. LYNCHARD: Aye.

19 MR. MILLER: Aye.

20 MR. TERASA: Aye.

21 MR. KENNEDY: Those opposed say "No"?

22 (NO AUDIBLE RESPONSE.)

23 MR. KENNEDY: Motion carries.

24 Next item is the approval of memberships.
25 Secretary Lanier?

1 MR. LANIER: Approval of the May new
2 memberships are 403 new members and 398 cancelled
3 memberships with zero transfers this month. Motion to
4 approve that number.

5 MR. KENNEDY: Do I hear a second?

6 MR. LYNCHARD: Second.

7 MR. KENNEDY: Any further discussion?

8 (NO AUDIBLE RESPONSE.)

9 MR. KENNEDY: Those in favor say "Aye"?

10 MR. LANIER: Aye.

11 MR. MILLER: Aye.

12 MR. TERASA: Aye.

13 MR. KENNEDY: Those opposed say "No"?

14 MR. LYNCHARD: No.

15 MR. KENNEDY: Motion carries.

16 Next item is finance. Review of the May
17 2019 financial statements. Mr. Williamson?

18 MR. WILLIAMSON: Thank you, Mr. Chairman.

19 Good evening, Board and staff. We have May numbers,
20 revenue \$916,535.29 against expenses of \$756,831.29 for
21 an operating income of \$159,704.

22 No significant variances to inform the
23 Board of. With the weather, we kind of noticed an
24 increase in the water usage and that got caught up for
25 where we are back on plan for the budget for the year for

1 revenue. Through five months of the year, we have added
2 129 water customers, 81 sewer, and plugging right along.
3 And that concludes my report, Mr. Chair.

4 MR. KENNEDY: Thank you, sir.

5 Do we have a motion to approve the April
6 2019 financial statements as presented?

7 MR. MILLER: So moved.

8 MR. KENNEDY: Second?

9 MR. TERASA: Second.

10 MR. KENNEDY: Is there any further
11 discussion?

12 (NO AUDIBLE RESPONSE.)

13 MR. KENNEDY: Okay. All right. Those in
14 favor say "Aye"?

15 MR. LANIER: Aye.

16 MR. LYNCHARD: Aye.

17 MR. MILLER: Aye.

18 MR. TERASA: Aye.

19 MR. KENNEDY: Those opposed say "No"?

20 (NO AUDIBLE RESPONSE.)

21 MR. KENNEDY: Motion carries.

22 The next order of business is the request
23 for impact fee financing for Navarre Gardens North.

24 Mr. Williamson?

25 MR. WILLIAMSON: Thank you, Mr. Chairman.

1 The applicant is here if you have any questions.

2 Currently, we have three commercial financing instruments
3 in place at the Water System totaling \$67,233. This
4 request of the applicant is consistent with current Board
5 policy. And it is something that we have done in the
6 past with commercial development. And staff does not
7 object to the request of the applicant.

8 MR. KENNEDY: All right. Do we have a
9 motion?

10 MR. MILLER: I make a motion that we
11 approve the request for financing for Navarre Gardens
12 North as presented.

13 MR. LANIER: Second.

14 MR. KENNEDY: Any further discussion?

15 MR. LYNCHARD: Just to make sure, this is
16 regular as to what we normally do?

17 MR. WILLIAMSON: No special consideration
18 given here, Director Lynchard.

19 MR. LYNCHARD: Thank you.

20 MR. WILLIAMSON: Thank you for asking. We
21 described it as best we could to clearly show that.

22 MR. LYNCHARD: I just wanted to get that
23 in the minutes.

24 MR. TERASA: Little squishy.

25 MR. KENNEDY: All right. Any further

1 discussions?

2 (NO AUDIBLE RESPONSE.)

3 MR. KENNEDY: All right. Those in favor
4 say "Aye"?

5 MR. LANIER: Aye.

6 MR. LYNCHARD: Aye.

7 MR. MILLER: Aye.

8 MR. TERASA: Aye.

9 MR. KENNEDY: Those opposed say "No"?

10 (NO AUDIBLE RESPONSE.)

11 MR. KENNEDY: Motion carries.

12 Next item is customer service billing
13 improvements. Mr. Williamson?

14 MR. WILLIAMSON: Thank you. This is one
15 that we are excited to bring to the Board. And we have
16 the information in your -- let me back up to the
17 appropriate slide.

18 (SLIDE PRESENTATION.)

19 MR. WILLIAMSON: To kind of run through
20 it, right now, we do 48 billing cycles a year, roughly
21 one billing cycle per week. And we would like to
22 transition to going to 12 billing cycles a year, one per
23 month. And we started analyzing the numbers and the
24 saving of what that would mean for the Water System.

25 And we also, because of technology, it's

1 going to allow us to make this change. Something -- I
2 remember when I put out the email to staff to say, "What
3 would be the feedback if we wanted to consider going from
4 four cycles a month to one?"

5 And the responses were pretty much along
6 the lines of "What took you so long?" "It's about time."

7 And so I think we are kind of heading in
8 the right direction here. And staff feels like this is a
9 no-brainer, something maybe we couldn't do back in '05 --
10 '04-'05 time period, but we can now. So this is a
11 two-part request kind of laid out there that technology
12 is one of the reasons why we would be able to go from
13 four to one.

14 If you go to the next slide, customer
15 impacts to this change. As I said, I don't necessarily
16 want to go through every single slide. You have those in
17 your back-up. If you have any questions, let me know.
18 But we try to put what the customer impacts would be,
19 good and bad, what the employee impacts, good and bad,
20 and then, we got to the other stuff, which is the next
21 slide.

22 And that's the savings. And so, this
23 doesn't represent the total cost of -- total expenditures
24 for us to do billing for almost 17,000 customers, but
25 there are certain aspects or certain tasks associated

1 with billing that by reducing the number of billing
2 cycles from 48 to 12, we are going to notice some
3 significant savings.

4 And by outsourcing our credit cards, that
5 will further allow us to realize savings that we estimate
6 to be a minimum, on the conservative side, of \$40,000 a
7 year in labor savings. As it relates to the credit card
8 processing, we did do competitive bids. We reached to --
9 well, we have the pricing we know for our existing
10 provider.

11 And then, we went to BDS, who Black
12 Mountain software recommends. We went to Clearwater
13 Payments. We also interviewed Paymentus. And the only
14 one we didn't get pricing from was Clearwater Payments.

15 They -- we tried to ask them nine
16 different ways to Sunday what the pricing would be and
17 they kept kind of giving us a non-answer answer. But we
18 still have the three bids. And what it nets out to is
19 you are going to pay about \$100,000 for merchant services
20 and credit card processing and ACH to do automatic draft
21 from customer's bank accounts if they set up for that.

22 The difference is right now we are paying
23 about \$93,000 a year for that and we are doing all the
24 work. If we go with Paymentus, we are going to pay about
25 the same amount of money, and they are going to do all of

1 the work. And we are going to not have to worry about
2 PCI compliance anymore, which is a significant
3 improvement. We are going to be able to eliminate the
4 number of calls.

5 I think we process -- if we go to the
6 slide, I think we may have put that in there. Well, this
7 is the implementation. I think it's right around 14,600
8 credit card transactions that the customer service
9 employees process in the office every year.

10 It's a significant amount of time and
11 effort and energy that is spent. And even Torin brought
12 to me today an additional \$2500 in savings related to PCI
13 compliance. We believe this is an improvement that will
14 make a significant impact, a positive impact for our
15 customers, employees, and the bottom line.

16 But Amber, who is our new Customer Service
17 Manager created this template to implement what has been
18 proposed to the Board. And it's kind of incredible. And
19 I am going to let her speak to this a little bit. How in
20 the world was she able to create a way that we could have
21 almost 17,000 customers transition from four billing
22 cycles to one with a minimal amount of pain is kind of
23 amazing.

24 So if you want to explain to them how you
25 were able to do that?

1 MS. BUCKHOLTZ: Well, I started looking at
2 it back in the end of May, so I started with our May
3 reads. And our May and June reads really reflect what we
4 have going on currently. So the change really started
5 for us with the three in July, in trying to bring the
6 billing cycle down to one.

7 And then, in August, it would give us what
8 we are looking for, which would be a read that would
9 start at the beginning of the month and end at the end of
10 the month. So we would have use from the first to the
11 last day of the month. The bill would then print some
12 time between the 8th and the 10th of each month and then
13 be mailed out to the customer.

14 So we kind of thought that having a due
15 date of the 1st would benefit probably the majority of
16 our customers because those who got paid on the 15th
17 would pretty much have their bill so they could pay it
18 early if they wanted to. But those who are getting their
19 paychecks on the 1st when their bills were coming due,
20 they also would have the opportunity to pay their bills
21 on time.

22 There is only one cycle where I couldn't
23 see how we could have a turn-off, if necessary, but
24 everything else remains exactly the same. And that was
25 in Cycle 3. And that just was because of the way the new

1 | bill would be printed along with the old bill.

2 So having a turn-off on that cycle, it
3 just wasn't something that could be done and still take
4 care of our customers.

5 MR. WILLIAMSON: And how this cycles
6 through, by the way, I am sure some of you are wondering,
7 okay, as we go from four down to one, some customers are
8 going to have a bill that they will receive that will be
9 for more than 30 days. It's just the way the math works
10 out.

11 Well, the way that Amber ended up creating
12 this transition over a course of three months, there --
13 the highest number of days that any customer would have
14 on their bill is -- I believe it's in Cycle 4, and they
15 would have 38 days on their bill. So their increase
16 would be for those eight additional days.

17 But we would have the better part of two
18 months to notify our customers in any number of ways to
19 try to make sure that they are aware of why we are doing
20 this and what the impact would be and how we are going to
21 look at transitioning, if the Board approves it. Yes?

22 MR. TERASA: Couple of -- first of all, I
23 think this is a wonderful idea. The time has come --

24 MR. LYNCHARD: A motion to approve --

25 MR. TERASA: Excuse me. Would you like me

1 to --

2 MR. LYNCHARD: -- for discussion.

3 MR. TERASA: Second.

4 MR. KENNEDY: Okay. Mr. Miller?

5 MR. MILLER: Can I ask that we split it
6 into two items because there is the billing cycle and the
7 credit cards?

8 MR. LYNCHARD: Yes.

9 MR. KENNEDY: Okay. Director Lynchard,
10 would you like to rephrase the motion?

11 MR. LYNCHARD: I would like to make a
12 motion to approve for discussion, and then, we will go
13 from there.

14 MR. KENNEDY: Do you want this in two
15 motions, then, is what you are saying? A motion for
16 the -- going from four to -- four to one?

17 MR. MILLER: I would like to see the
18 issues split and have discussion on each item separately.

19 MR. KENNEDY: Okay.

20 MR. MILLER: Because it really is two
21 separate issues.

22 MR. LYNCHARD: Okay. You will make that
23 motion?

24 MR. MILLER: Yes. I make a motion that we
25 approve the change to the billing cycle as presented,

1 going from four billing cycles per month to one billing
2 cycle per month.

3 MR. LYNCHARD: I will second that motion.

4 MR. KENNEDY: All right. Is there any
5 further discussion?

6 Director Terasa, you have a question?

7 MR. TERASA: Yes, there is. Yeah. First
8 of all, the number one thing is what you have already
9 alluded to is we have to communicate with our customers.
10 And so, the question is how are we going to do that?

11 MR. WILLIAMSON: In our bills --

12 MR. TERASA: Well, yeah. Okay. Go ahead.

13 MR. WILLIAMSON: -- email, newspapers,
14 website.

15 MR. TERASA: Okay. And when do we expect
16 to start this four-cycle transition?

17 MR. WILLIAMSON: It will be fully
18 implemented by December 1st. I believe it would start
19 with the August read.

20 MR. TERASA: Okay. So we have got ample
21 time to get the word out -- number one. Okay.

22 MR. MILLER: Well, actually, July is going
23 to have a different number of days on the customers'
24 bills from what I am seeing.

25 MS. BUCHOLTZ: Well, when I started this,

1 like I mentioned, it was back in May, and so, the thought
2 process was that -- to see when we could get it
3 implemented. If you didn't want it to begin until
4 December or with the January 1st, it would just be a
5 matter of going back and reviewing and making the
6 adjustments.

7 MR. WILLIAMSON: So this is kind of a
8 sample to let you see how we would go about
9 transitioning. But the exact dates would change if the
10 Board approved it to move forward, then, the dates up
11 here would change slightly. But the idea was to show you
12 that this is how we would transition over the course of
13 three months' time period.

14 MR. MILLER: And all the cycles one, two,
15 and three have -- show the same number of bills for the
16 remainder of the year, where Cycle 4, they have one less
17 bill, but one of those bills is for 38 days and one of
18 them is for 32 days.

19 So those customers are going to get a
20 little larger bill than they normally would get. Is that
21 geographically? Or how are those cycles broken down?

22 MS. BUCHOLTZ: Right now, it is based on
23 geography. Where you live determines what cycle you fall
24 on. So that bill currently comes due the 20th of the
25 month. So that's why they have that larger bill in the

1 middle of the month, because the read is from 7-23 to
2 August 31st.

3 And then, their next bill will be from
4 September 1st to September 30th, so they really don't
5 have a bill that would come due for them in September.

6 MR. MILLER: Right. But they will -- you
7 know, if anyone is going to come in to complain, it's
8 going to be the one that got the larger bills than -- the
9 ones that get smaller bills than they are used to
10 getting, they won't complain. So Cycle 4 is what area,
11 what part of town?

12 MS. BUCHOLTZ: When I was over -- it's
13 Holley by the Sea. Because that's what cycle I was on
14 when I was living over in there, so it's that direction.

15 MR. MILLER: Okay.

16 MS. BUCHOLTZ: What it encompasses
17 exactly, I don't know.

18 MR. MILLER: Just curious. I think
19 communication, you know, to let people know that. And I
20 am sure any time there is change, the phones are going to
21 blow up, because no matter how much you try to
22 communicate, not everybody reads, you know, everything
23 you try to put out there. So it's communication and
24 explaining it to customers is going to be important.

25 MR. TERASA: A second comment: I know we

1 are talking about a \$40,000 labor savings. In other
2 words, the current number of customer service employees
3 labor is reduced by \$40,000 whatever hours that means.
4 It's not real hard money.

5 MR. WILLIAMSON: Absolutely, it is.

6 MR. TERASA: How? I mean, in other words,
7 let's say you have ten employees back there. You are not
8 going to get rid of any employees. There is not going to
9 be any savings in terms of employee money. So the
10 question becomes then, if you are not going to have hard
11 dollar savings, what are you going to do with that
12 \$40,000 -- that labor available?

13 MR. WILLIAMSON: Right now, you are going
14 to look at reallocating those resources, those labor
15 hours elsewhere. So one thing it guarantees that you
16 wouldn't need to do is add anybody to that department.
17 And right now, you know, on any given day, the workload
18 is extraordinary from the standpoint of just trying to
19 handle the volume of what they are required to do in
20 there because of the processes, some of the processes
21 that they are doing.

22 Credit cards are a prime example of that.
23 You know, every credit card that comes in, they have to
24 take a photocopy of it and they have to put seven or
25 eight of those in the copier and scan them. And they

1 have to scan those into laserfiche so we can save them.

2 Those -- not to mention, just the ringing
3 up of a credit card. Or if somebody calls, then you are
4 taking that credit card over the phone. As I said,
5 there's 14,611 times throughout the year that we do that.
6 So we looked at - that's five minutes on average for a
7 credit card transaction from start to finish, if somebody
8 walks up to the window or calls on the phone.

9 That's not going to be there anymore. So
10 I think customer service improves and I would say there
11 is going to be found money from that. We won't have to
12 increase labor and I would say -- we are also doing
13 this -- Amber is cross-training somebody to help with
14 billing.

15 We had scheduled to hire somebody in the
16 billing department, so now, we can take one of those
17 customer service clerks, cross-train them to where we
18 don't have to hire that additional employee. So it's a
19 valid question.

20 MR. TERASA: Well, that was not a squishy
21 answer, I will tell you that, number one. And I was
22 looking at our chart and we are -- there are two
23 vacancies in your department; aren't there? I think two
24 customer service vacancies as you have already alluded to
25 that don't need to be filled.

1 I mean, there's where your hard dollars
2 come from. Okay. And I love the idea we are
3 cross-training, so my applause to that response.

4 Thank you.

5 MR. LANIER: So we are not going to be
6 taking credit cards at the counter or at the
7 drive-through any longer as we make the transition?

8 MR. WILLIAMSON: Great question. We
9 would, but it is going to be -- I don't know if you have
10 gone to like Starbucks and they have the little thing
11 that you basically -- on the cord --

12 MR. TERASA: Yeah.

13 MR. WILLIAMSON: -- and you run your own
14 card yourself. We wouldn't take credit cards over the
15 phone anymore. They would be done through Paymentus.

16 Pace Water System does the same thing.
17 And lots of utility companies do the same thing. But the
18 kiosk or the drive-through, you would still be able to
19 pay with a credit card. Coming in, you wouldn't be able
20 to, but we have kiosks that the customer would be able to
21 use.

22 MR. TERASA: One other comment, then. My
23 hope is as a consequence of this additional labor
24 available, that one of these we accomplish -- we have
25 talked about this -- is getting everybody's email address

1 or some way to communicate with them so we have got
2 whatever is going on, we can communicate just like that,
3 just like the golf course is starting to do. And I would
4 hope we would manage to work on that and have the ability
5 then to focus the idea and even promote it even in
6 a video or whatever, so --

7 MR. WILLIAMSON: The next thing the Board
8 is going to be seeing is consolidation of all the
9 applications that we have into one new member application
10 form and Cory and Amber and the team have been working on
11 that. And that's one of the things that we want to make
12 a concerted effort to do is capture those emails moving
13 forward.

14 MR. TERASA: Awesome.

15 MR. LYNCHARD: So -- are we done?

16 MR. KENNEDY: Well, if you are ready, you
17 can --

18 MR. LYNCHARD: So why don't we keep credit
19 cards on file if we are doing 15,000 a month? It would
20 seem logical for me for us, you know, to make a record of
21 them.

22 MR. WILLIAMSON: It's 15,000 for the
23 year --

24 MR. LYNCHARD: For the year?

25 MR. WILLIAMSON: -- just transactions that

1 the office -- that the customer service staff handles.
2 The number of total transactions, I want to say, is
3 23,000 per the company. But if we keep those credit
4 cards on file, that requires PCI compliance.

5 MR. LYNCHARD: Yes.

6 MR. WILLIAMSON: And for whatever reason,
7 IT brought this to management a year ago that PCI
8 compliance was going to be something that was going to
9 expire this year or that there were certain compliance
10 issues with PCI compliance that if we continued to do
11 credit cards in-house, we are going to need to take
12 certain steps to make sure that we were protecting
13 customer information to the level that meets regulatory
14 compliance.

15 MR. LYNCHARD: Most definitely. But how
16 much would that cost?

17 MR. WILLIAMSON: A heck of a lot more than
18 outsourcing. Because, first of all, it's continuous, the
19 amount of -- I don't have a hard and fast number --

20 MR. LYNCHARD: Yeah. I would like a
21 number.

22 MR. WILLIAMSON: -- now, but there is no
23 benefit to keeping that information. All it does is
24 increase the risk for the Water System. And in some
25 ways, it increases the risk for our customers.

1 MR. LYNCHARD: But it decreases the labor
2 costs for inputting that many credit cards every month
3 because we don't have them on file.

4 MR. WILLIAMSON: Even if you have them one
5 file, somebody would have to process the credit card. I
6 see where you are going with on that. But of the
7 transactions, somebody goes to pay their bill, if they
8 are going to call in and give a credit card or call in to
9 pay their bill, even if we had a credit card on file and
10 somebody called in and we verified that we had a credit
11 card of file, and we said, "Yes, Mr. Lynchard, would you
12 like to use the credit credit we have on file?"

13 "Yes, I would." We would still have to go
14 through the steps of ringing up that transaction, so --

15 MR. LYNCHARD: What -- we are saving, as
16 listed in the agenda, we are saving \$40,000 annually in
17 labor. What does this plan cost us?

18 MR. WILLIAMSON: No more money.

19 MR. LYNCHARD: How much? In other words,
20 a dollar figure on what it costs?

21 MR. WILLIAMSON: Currently, we are paying
22 \$93,000 a year. We anticipate that the expense will be
23 virtually identical, right at about \$100,000 a year for
24 credit card processing through Paymentus. The only thing
25 that could make that go higher is the charge that they

1 have for -- I believe it's return item fees.

2 So if somebody had a credit card payment
3 and they gave a bogus number or they didn't have the
4 available credit, and that bounced back, this is a fee
5 there.

6 But unlike our current provider, we have
7 the ability to control the number of times that they
8 would run it, so we could manage that fee. And if it
9 became an issue, let's say we have a customer that
10 chronically has a credit card that gets turned that gets
11 bounced back, we could no longer allow them to use that.

12 But the fee really is -- it's crazy. It's
13 the same amount of money, but we don't do the work
14 anymore, and we are in PCI compliance.

15 MR. LYNCHARD: So the \$40,000 in labor, we
16 are going to save and we are only going to spend
17 approximately less than \$10,000 additionally in fees with
18 the processor? Correct?

19 MR. WILLIAMSON: Yes, sir. That's what we
20 anticipate. The savings is with billing and credit
21 cards, though.

22 MR. LYNCHARD: Yeah. How much -- and I
23 don't know the answer to this question, so please forgive
24 me. Do we -- do we still have meter readers that run
25 around and do it? Or do we have -- is it all centrally

1 located that we gather it all at one time?

2 MR. WILLIAMSON: For what specifically?

3 MR. LYNCHARD: For reading the meters.

4 You are going to have to read all the meters to be able
5 to bill everybody at one time.

6 MR. WILLIAMSON: Yes. And that's where
7 Census Analytics gives us that information.

8 MR. LYNCHARD: Okay. So we have real
9 time. We can get that in-house?

10 MR. WILLIAMSON: Yes, sir.

11 MR. LYNCHARD: We don't have to have
12 anybody go around?

13 MR. WILLIAMSON: Yes, sir. The workload
14 does go up. It's a valid point. The workload does go up
15 in that week, to be sure, but it's great that you bring
16 that up, because by us using that technology that,
17 hopefully, if you were one of the people that voted to --

18 MR. LYNCHARD: Yeah, we did.

19 MR. WILLIAMSON: -- get that technology --

20 MR. LYNCHARD: Well, we were working on it
21 whenever I did it last time, so I didn't know we had it
22 in place, so --

23 MR. WILLIAMSON: Because of that decision
24 you were a part of, it's now going to result in the other
25 weeks of the month. We will be able to have those lead

1 techs out in the field taking care of meters that aren't
2 working --

3 MR. LYNCHARD: Yeah.

4 MR. WILLIAMSON: -- helping with leak
5 detection, helping to provide better service and
6 responsiveness to the customers. It's going to make a
7 big impact.

8 MR. LYNCHARD: All right.

9 MR. KENNEDY: So Mr. Williamson, just --
10 since I am new, just so that I understand -- so you get
11 all of the meter reading done remotely centrally now,
12 which gives you the information to where you can bill at
13 your convenience -- and with -- in this case, going from
14 a four to a one gives us a savings as well as not having
15 to bill every week.

16 So you guys are set and --

17 MR. WILLIAMSON: You are basically taking
18 something you do 48 times and you are reducing it to
19 doing it 12 times.

20 MR. KENNEDY: Got it. Excellent. All
21 right. Any further discussions on the original motion of
22 going from four billing cycles to one?

23 MR. MILLER: I would just like to say I
24 had a conversation with Barbara. And another benefit
25 from this is because the meters will be read at the same

1 time instead of four times a month, it will probably aid
2 with accuracy on water use and maybe --

3 MR. WILLIAMSON: Great point.

4 MR. MILLER: -- and having to, you know,
5 when you try to isolate where was your water lost, if you
6 read it all at the same time, it's probably easier than
7 four different reads spread out throughout the month. So
8 that was just another point that Barbara made that I
9 think Clinton and her discussed, so I see it as a benefit
10 to us.

11 MR. KENNEDY: All right. Are there any
12 further discussions?

13 (NO AUDIBLE RESPONSE.)

14 MR. KENNEDY: All right.

15 MR. MILLER: So we are going to vote on
16 the motion to do the four billing cycles?

17 MR. KENNEDY: Right. This is just the
18 motion to go from four billing cycles to one billing
19 cycle.

20 MR. WILLIAMSON: Could we -- just so we
21 are clear, could we maybe rephrase the motion to go from
22 48 to 12 instead of from four to one --

23 MR. KENNEDY: Would you like to rephrase
24 the motion?

25 MR. WILLIAMSON: -- so we get that annual

1 number accurate?

2 MR. MILLER: I will. But is that --

3 MR. WILLIAMSON: It's accurate either way,
4 but --

5 MR. MILLER: Yeah. I don't know. Is that
6 the case, though, because Area 4 is going to have one
7 less billing cycle than the others; right?

8 MS. BUCHOLTZ: But the goal is to go from
9 the four billing cycles down -- or the 48 to 12.

10 MR. MILLER: 48 to 12? Okay. And here's
11 another question that we should probably put into the
12 motion when to start this. Can we get the communication
13 out there in time to -- so people get bills in July will
14 know why their bill is less, and, you know, because it is
15 going to have fewer days in July than it will in August.

16 And, of course, especially, the folks in
17 Cycle 4 in August, they are going to get a bill for 38
18 days. Is that enough time to get the communication out
19 there?

20 MR. WILLIAMSON: If I understand this
21 implementation correctly, July billing would have no
22 impact. Correct? And we would still be able to have it
23 fully implemented by December?

24 MS. BUCHOLTZ: It would be the August bill
25 that would be the whole month that would come due in

1 October. It would come due on October 1st. But this was
2 just a sample. So if you want to implement it later,
3 like I said, I will rework the numbers --

4 MR. MILLER: I am in favor in implementing
5 it as soon as possible. I just want to know is this
6 realistic to do it this way and be able to communicate it
7 to everyone in time for them to understand it.

8 MR. WILLIAMSON: We will definitely --
9 communication would be more important than getting it
10 done sooner, because we realize that if we don't get the
11 communication piece right, y'all are probably going to be
12 the ones that hear about it first. Right?

13 So the goal was that we would have this
14 implemented by the end of the year. And I think that if
15 we were going to have it implemented by December, I think
16 that allows us at least one month minimum to inform
17 customers before they receive that bill. Would that be
18 accurate?

19 MS. BUCHOLTZ: Well, if you are not
20 implementing it until December, then we have several
21 months to get the message out.

22 MR. WILLIAMSON: We would start with the
23 August read and the September bills. You have September,
24 October, November, and it would be fully implemented by
25 December.

1 MR. MILLER: We would just leave it up to
2 staff.

3 MR. TERASA: So that's 45 days to
4 communicate with people. Is that what we are saying?

5 MR. WILLIAMSON: The Board gives us the
6 direction that you would like the new policy on billing
7 to be that we have 48 cycles a year instead of 12.

8 MR. LYNCHARD: 12 instead of 48.

9 MR. WILLIAMSON: Sorry. If you say you
10 want 12 billing cycles a year, then we will get -- we
11 will implement based on the Board's directive.

12 MR. MILLER: Okay. I will amend the
13 motion to approve the change to the billing cycle from 48
14 cycles a year to 12 cycles a year and direct staff to
15 come up with an implementation plan and a communication
16 plan to our customers.

17 MR. LYNCHARD: Second.

18 MR. KENNEDY: We have a second.

19 MR. KENNEDY: All right. Any further
20 discussion on this motion?

21 (NO AUDIBLE RESPONSE.)

22 MR. KENNEDY: Those in favor say "Aye"?

23 MR. LANIER: Aye.

24 MR. LYNCHARD: Aye.

25 MR. MILLER: Aye.

1 MR. TERASA: Aye.

2 MR. KENNEDY: Those opposed say "No"?

3 (NO AUDIBLE RESPONSE.)

4 MR. KENNEDY: Motion carries.

5 Motion Number 2?

6 MR. MILLER: I will make the motion that
7 we approve outsourcing credit card processing to
8 Paymentus.

9 MR. KENNEDY: All right.

10 MR. TERASA: I would second.

11 MR. KENNEDY: Very good. Further
12 discussion?

13 MR. LANIER: Are we authorizing the CEO to
14 sign that paperwork for the Board on the credit cards --
15 for the paperwork?

16 MR. MILLER: Yes. I will make that part
17 of the motion.

18 MR. LANIER: Okay.

19 MR. MILLER: My concern on the credit
20 credit outsourcing, I mean, I see some definite benefits.
21 I think the PCI compliance, putting that on someone else
22 takes a huge load off our shoulders and a huge liability,
23 especially with all the hacking that is going on out
24 there. You know, huge corporations are getting hacked.
25 I mean, I would imagine it wouldn't be any harder for

1 them to hack into Holley Navarre Water System.

2 And then, of course, we are liable because
3 that data got breached. So any time we can outsource
4 that at no additional cost, I see a plus. I just want to
5 make sure that there isn't any loss in service to the
6 customers. You know, they are used to calling in and
7 talking to a real person and giving them their credit
8 card over the phone.

9 And now, when they call in, they are going
10 to get, "To make a payment, press 2," and it will
11 transfer them over to Paymentus or however that works.
12 It's going to be -- I just -- I don't want them not to be
13 able to call in and pay with a credit credit or come in
14 through the front door and pay with a credit card.

15 So if it is a little thing they swipe,
16 that's fine. It would be a little different, but it
17 still gives them that option.

18 MR. WILLIAMSON: Staff talked about that
19 extensively because almost everyone shared the exact same
20 concerns that we don't want to do anything that's going
21 take to away a payment option or convenience to our
22 customers. And in talking with Paymentus, that's another
23 one of those things that was so good about them is that
24 they added.

25 You know, we wanted to add an app, right,

1 so they are going to allow to pay by text. Once you sign
2 up and you have your Paymentus account, it would almost
3 serve in the same way that Director Lynchard was talking
4 about. You would have your credit card on file, and when
5 you wanted to pay, you just "Pay My Bill."

6 And you will be able to do it with your
7 phone. And it will be more convenient. We believe it
8 will provide more options for customers than they
9 currently have. And right now, it's ripe for error, too,
10 because when you have somebody call in and they are
11 giving the credit card number over the phone, it not only
12 takes a long time, but you have several opportunities to
13 make a mistake in processing that.

14 MR. MILLER: The \$9.95 return payment fee,
15 you know, I would imagine on credit cards, that is not
16 that often. It's usually verified whether or not it's
17 good or not. But is it our intention to pass that
18 through to our customers? Or would we absorb that?

19 MR. WILLIAMSON: Right now, we absorb
20 those.

21 MR. KENNEDY: And how many of those do we
22 get?

23 MR. LYNCHARD: Why?

24 MS. CARAWAN: We do have a returned item
25 fee.

1 MR. WILLIAMSON: For rejection -- for
2 their credit card.

3 MR. LYNCHARD: Yeah.

4 MS. CARAWAN: \$25. That's pretty
5 standard.

6 MR. MILLER: And that applies whether it's
7 a returned check or a returned credit card payment?

8 MS. CARAWAN: That's correct.

9 MR. MILLER: Okay.

10 MR. TERASA: Just for information's sake,
11 what percentage of our people, currently, our members pay
12 by credit card or bank draft like I do? Any idea?

13 MR. LYNCHARD: Well, credit card would be
14 the only concern because bank draft is an auto draft
15 every month. Nobody has to do anything on that.

16 MR. TERASA: No. I understand. I just
17 want -- I mean, what I am trying to get to, Daryl, is
18 wouldn't it be nice everybody is drafted or everybody was
19 paying by credit card?

20 MR. LYNCHARD: It would be nice if we were
21 doing it --

22 MR. TERASA: It would be much easier. And
23 it's no big deal. I just wanted -- I mean, it can be a
24 swag. It can be squishy.

25 MR. LYNCHARD: It would be nice if we were

1 doing it in-house and we had a database that was dinging
2 everybody's account every month --

3 MR. TERASA: Yeah.

4 MR. LYNCHARD: -- without paying.

5 MR. KENNEDY: And, Amber, just a question,
6 I mean, just checking -- anyway, you may know. If we are
7 going to be moving to Paymentus' functionality where you
8 can pay by text or -- that's a Paymentus functionality,
9 not a Holley Navarre Water System functionality.

10 So how -- are you guys expecting to where
11 you are going to have to teach the customers how to do
12 that? Or is that Paymentus' problem?

13 MR. WILLIAMSON: Another cool thing about
14 Paymentus is they integrate with whatever software we are
15 using. So if it is Black Mountain or if we switch to
16 somebody else, they will integrate. They also didn't
17 charge for customer contact.

18 Like BDS wanted 75 bucks an hour if our
19 customers called them for any type of support. Paymentus
20 provides that support as a part of their service. And
21 they are a company that is growing at an extraordinary
22 rate. They are executing very well and they are kind of
23 known for the service that they are providing in this
24 arena.

25 So, here again, we think that it's going

1 to be a benefit to the customers --

2 MR. LYNCHARD: How long has Paymentus been
3 in business?

4 MR. WILLIAMSON: That, I don't know. I
5 don't know if it is in the back of the material or not.

6 MR. KENNEDY: Oh, I think it's -- I went
7 and looked at their website.

8 MR. LYNCHARD: They have been around for a
9 while?

10 MR. KENNEDY: I think so. Yes.

11 MR. LYNCHARD: Okay.

12 MR. KENNEDY: And they are -- Fortune 500
13 gave them a review that they were doing so good and all
14 this kind of stuff. So they do it -- it's basically --
15 we are outsourcing to another company. They will take
16 care of it.

17 And to your point, I do PCI compliance
18 inside the database, so that kind of stuff, you know, you
19 start talking about a lot of money that you have to buy
20 into software that can actually do PCI compliance, so --

21 MR. LANIER: They were founded in 2004.

22 MR. KENNEDY: Is that what it was?

23 MR. LANIER: Yeah.

24 MR. LYNCHARD: 2004?

25 MR. KENNEDY: Yes. So --

1 MR. LYNCHARD: I don't have a problem with
2 the outsourcing, but I think that any time a customer
3 calls here, it's our problem. We need to take care of
4 the customer. We don't need to tell them that, "Hey, you
5 need to call somebody else."

6 So that's my only issue with outsourcing
7 the credit card processing. If we are telling our
8 customers that they need to go somewhere else, then we
9 have a problem.

10 MR. KENNEDY: Right. So we would hope
11 that you guys would develop a process to make sure to
12 minimize all finger pointing, because especially when you
13 start getting into technology, you know, "This is not my
14 problem. That's his problem."

15 And then, everybody is finger pointing and
16 the customer is the one going, "Help me."

17 MR. MILLER: Would we have the ability to
18 transfer that customer to the Paymentus system to make
19 the payment? In other words, if you are on the phone
20 with them, "I would like to make my payment," can you
21 push a button and transfer them to the Paymentus system
22 so that they could do that electronically?

23 MR. WILLIAMSON: I am sure that is
24 something that we could set up. We would have to talk to
25 them. We know the implementation, they said, would take

1 roughly 90 days.

2 They have somebody that comes here to
3 where we can make sure that staff readiness is where it
4 needs to be, to where before, we can say, "Okay. Today's
5 the day that we are no longer taking credit cards here
6 and it is going to be outsourced," that our staff knows
7 how to make sure that that -- what Director Lynchard is
8 describing doesn't happen.

9 The old, "Yeah? You want to pay by credit
10 card? Well, you got to call this number. That ain't my
11 job."

12 MR. LYNCHARD: No.

13 MR. WILLIAMSON: The passion that our
14 customer service team has to serving the customer, it's
15 just not going to happen here.

16 MR. TERASA: And, again, that's going to
17 take the communication piece to start with so people are
18 aware, as much as you can make them. And then, no doubt
19 that ultimately we are responsible for serving that
20 customer. I appreciate you bringing that up, Daryl.

21 MR. MILLER: Well, I think our automated
22 message says, "For this department, press 1. For this
23 department, press 2. To make a payment, press 3," and it
24 would automatically take them into that Paymentus system.

25 MR. TERASA: Yeah.

1 MR. MILLER: So, you know, that's probably
2 going to eliminate a lot of that -- that issue. It will
3 go right into that system. If they happen to be talking
4 to somebody, though, I would like them to have the
5 ability to say, "Here, let me transfer you into our
6 automated payment system."

7 MR. LYNCHARD: Yes.

8 MR. TERASA: And the real point, if they
9 have a problem with Paymentus, then it is our problem.

10 MR. MILLER: Right.

11 MR. TERASA: We have got to make sure that
12 we are fighting that fight for them.

13 MR. MILLER: Well, you know, this isn't a
14 marriage. If we do this and it's not working out, we
15 can -- you know, there's no commitment or long-term
16 contract. Like you sign up for it, and I mean, is there
17 any --

18 MR. WILLIAMSON: Off the top of my head
19 right now, I don't know. I can't answer that question.
20 I can get back to the Board with that one.

21 MR. LYNCHARD: Yeah. I don't think we
22 need to vote on it if we are going to be -- if we don't
23 know the difference -- if we don't know whether it's a
24 one-month contract or a 12-month contract or a 24-month
25 contract. I think it's a bad idea to vote on this

1 tonight.

2 MS. BUCHOLTZ: It's for five years.

3 MR. WILLIAMSON: Five years?

4 MR. LYNCHARD: Five-year contract?

5 MR. WILLIAMSON: I couldn't remember --

6 MR. LYNCHARD: Yeah.

7 MR. WILLIAMSON: But, I mean, you have got
8 termination agreements with anything you enter into.
9 Bottom line is the Board is going to have to determine
10 either they want to fast track PCI compliance and the
11 expense that is going to be associated with that and all
12 the things from an IT perspective that are going to go
13 along with that. Or we are going to basically come into
14 the new age and outsource our credit cards, be in PCI
15 compliance, offer those additional resources to our
16 customers.

17 I know it's something new, but I don't
18 think this is something that we should fear. We have got
19 the ability to implement this. The savings are real.
20 The improved customer service is real. And we kind of
21 need to implement both of these at the same time, because
22 to go to one without the other is, you know, Amber can
23 explain to you the reasons why that's just going to make
24 it unfeasible.

25 MR. LANIER: Yeah. I don't have a problem

1 with a five-year contract. I mean, if I buy a car, I am
2 going to sign a five-year contract with the bank to
3 finance that vehicle for me. So that's not an
4 unreasonable amount of time.

5 MR. TERASA: I am in agreement. I think
6 we need to move forward, make this happen, and come into
7 the 21st Century with our billing.

8 MR. LYNCHARD: I am not willing to sign a
9 five-year contract if we don't know how they are going to
10 treat our members. And if they treat our members bad,
11 then I would want out of the contract. But if we sign a
12 five-year contract, I think Keith will tell us that we
13 are legally obligated to it. I think it's a bad idea.

14 If they will give us a six-month period to
15 agree with them or a 12-month period to see how they work
16 and see how they service our members, then I would be
17 willing to agree to it. But a five-year contract? I
18 think it's a bad idea.

19 MR. KENNEDY: Well, then, so here's a
20 question as well: Is it more the -- I mean, if we -- if
21 we had any vendor, is it any vendor with a five year that
22 is a concern? Or --

23 MR. LYNCHARD: Yes. Most definitely --

24 MR. KENNEDY: You are -- it's just a
25 concern?

1 MR. LYNCHARD: Because it's our job to
2 protect our members. And if we don't, if we sign a
3 five-year contract, we are obligating our members to five
4 years.

5 MR. WILLIAMSON: If they don't perform --
6 if they don't perform, we are going to have measures like
7 any contract that we would be able to cancel that service
8 agreement. I just don't see -- everything that we have
9 seen with this group is so head and shoulders far away
10 and better than anybody else we talked to, including the
11 group we are currently using that charges us \$93,000 a
12 year and has us doing all the work.

13 The other one we talked to said, "We don't
14 even want to talk to your customers without you paying an
15 hourly rate."

16 This group here, I don't have a problem
17 signing a long-term agreement with anybody as long as we
18 know if they don't perform, I know that this Board is
19 going to look for there to be changes and so would I.

20 But either we are going to make this
21 change or we are not. And if we are going to make this
22 change, you know, if a one-year agreement, a five-year
23 agreement, we need to make a decision on and if we are
24 going to move forward with outsourcing our credit cards.
25 And I don't know what other company that we could go with

1 that I would recommend or that staff would recommend.

2 MS. CARAWAN: Yeah.

3 MR. KENNEDY: Well, you have done the
4 analysis between the bids and everything like that. And
5 this is from your mouth.

6 MR. TERASA: The other thing, I mean, how
7 much -- are they going to send someone down here to work
8 with us to integrate our system?

9 MR. WILLIAMSON: They said the average
10 implementation time is three months. And I just don't
11 perceive them going through that type of effort, setting
12 up the app and the accounts and integrating with Black
13 Mountain and our software systems to where they could
14 provide the level of service that they provide without
15 having a long-term agreement, so --

16 MR. LYNCHARD: Keith, if we sign a
17 five-year contract, can we get out of it if we don't like
18 it?

19 MR. KILPATRICK: Well, there's usually
20 provisions within the contract that say if somebody
21 doesn't fulfill some obligation like we -- kind of like
22 an employment contract. You know, if this individual
23 does something like, a simple example, get arrested. At
24 that point, then, we can immediately fire the person and
25 it wouldn't be a breach of contract.

1 MR. LYNCHARD: Can you make sure those
2 provisions are in that contract before we agree to it?

3 MR. KILPATRICK: I mean, obviously, if I
4 can get hands on the contract, I could. I could just
5 look at those provisions and then outline them for the
6 Board -- the Directors.

7 MR. LYNCHARD: So you haven't reviewed the
8 contract yet?

9 MR. KILPATRICK: This is the first I have
10 heard of it.

11 MR. LYNCHARD: Okay.

12 MR. WILLIAMSON: Maybe the Board can put
13 that as part of the motion. Obviously, we would have
14 Legal review any agreement. But we have Legal review the
15 agreement and as long as Keith was satisfied with the
16 fact that we could get out of the agreement if they did
17 not perform, that the Board would allow us to go ahead
18 and move forward.

19 MR. KENNEDY: Okay.

20 MR. MILLER: I am comfortable with
21 amending the motion as such that subject to our attorney
22 reviewing the contract of Paymentus.

23 MR. KENNEDY: All right. Do we have any
24 further discussion?

25 (NO AUDIBLE RESPONSE.)

1 MR. KENNEDY: All right. Those in favor
2 say "Aye"?

3 MR. LANIER: Aye.

4 MR. LYNCHARD: Aye.

5 MR. MILLER: Aye.

6 MR. TERASA: Aye.

7 MR. KENNEDY: Those opposed say "No"?

8 (NO AUDIBLE RESPONSE.)

9 MR. KENNEDY: Motion carries.

10 Next order of the business is -- yeah,
11 next order of business is the Fairpoint and Holley
12 Navarre Water System service agreement.

13 Mr. Williamson?

14 MR. WILLIAMSON: Thank you, Mr. Chairman.
15 This has gone back and forth a few times and where we are
16 at this point, as you can see in the description, we
17 received recommendations from all the Fairpoint partners
18 and those recommendations have been incorporated into the
19 agreement.

20 We included in the back-up all of the
21 recommendations that the partners made. And those were
22 incorporated into the agreement. The Fairpoint Board
23 approved forwarding this draft of the agreement with all
24 those recommendations in it to the various different
25 partners for their General Counsel's review.

1 So it's my understanding that there isn't
2 going to be a lot of additional modifications from the
3 Board as much as it is -- now, it's time for Keith to
4 review the documents, see if he has any issues. The
5 General Counsel for Fairpoint, Mike Tidwell, is going to
6 review it. And then, Gulf Breeze and Midway, they can
7 have their General Counsels review it.

8 At next week's Fairpoint meeting, we would
9 have any recommendations from those respective General
10 Counsels and then the Fairpoint Board would vote on what
11 additional changes they would like to have us write into
12 the agreement. Once that thing is done, then this thing
13 is going to come back to you again before there would be
14 anything signed.

15 So there's really -- this is more of an
16 update. There is really not any action, but we want to
17 keep getting this in front of you. So if there is
18 anything that -- I put the compensation pages, the
19 important three pages of the document there, the most
20 important three pages of the document, at each one of
21 your stations.

22 If there is anything that you would like
23 to add, I know that Director Lynchard had some questions
24 related to -- not questions, but wanted to make sure that
25 equipment-wise, if we had equipment that was going to be

1 utilized in service to Fairpoint that we were going to be
2 accurately reimbursed. And we believe that the agreement
3 provides for that.

4 But if there is anything else that the
5 Board would -- maybe we missed and they would want to see
6 us add in there, let me know.

7 MR. KENNEDY: So is it -- again, this is
8 information here. It's going to go back to the Fairpoint
9 Board. You guys are going to vote on it and it comes
10 back to us for --

11 MR. LYNCHARD: Nope.

12 MR. KENNEDY: This is --

13 MR. WILLIAMSON: No. It comes back to --

14 MR. LYNCHARD: -- here.

15 MR. WILLIAMSON: -- this Board again for
16 final approval.

17 MR. KENNEDY: For approval.

18 MR. LYNCHARD: Here's my problem,
19 Mr. President. Each of the other Boards -- each of the
20 members of the other Boards is getting a copy of the
21 contract for each of their members to review. And if
22 they have any suggestions, they make them --

23 MR. KENNEDY: Okay.

24 MR. LYNCHARD: -- to their
25 representatives. And those representatives bring them

1 back to the Fairpoint Board. To my knowledge, you guys
2 have never seen the contract we are talking about.

3 MR. KENNEDY: Uh-huh.

4 MR. WILLIAMSON: Yeah. We have seen it.

5 MR. LYNCHARD: You have? So you have seen
6 this whole thing other than three pages that are right
7 here?

8 MR. TERASA: I made a half page of
9 comments about it.

10 MR. LYNCHARD: Okay.

11 MR. WILLIAMSON: Yeah. It was sent out to
12 the Board on May 29th.

13 MR. LYNCHARD: Well, the thing is -- well,
14 it's been changes since then; hasn't it?

15 MR. WILLIAMSON: No, sir. The most recent
16 version since the Fairpoint meeting, we sent out to the
17 Board on the 29th.

18 MR. LYNCHARD: Okay. Because what is
19 going to happen at Fairpoint is we are going to vote as a
20 Board to either accept or deny the contract.

21 MR. KENNEDY: Yeah.

22 MR. LYNCHARD: And then, myself and Mark
23 will go over there and vote this Board's wishes. And
24 each of the other Board members will do the same. But we
25 as a Board have to review this and come up with our own

1 suggestions. But I don't think there have been any
2 suggestions or any real discussion from this Board since
3 we have started talking about this.

4 MR. KENNEDY: Well, we have -- I -- back
5 on the last one that Mr. Williamson has sent to us, you
6 know, we have looked at this. I mean, if I could
7 summarize it quickly, the agreement here is getting into
8 the nuts and bolts of the hourly rates and everything for
9 the --

10 MR. LYNCHARD: Any each of --

11 MR. KENNEDY: -- expenses and I believe
12 staff and the two of you as representatives are looking
13 out for our best interest as well. And I believe we have
14 looked at it as well.

15 MR. LYNCHARD: So we are to let the -- we
16 are to let the other Boards determine this?

17 MR. KENNEDY: In which way do the other
18 Boards --

19 MR. LYNCHARD: In other words, you are
20 talking about the nuts and bolts which we are --

21 MR. KENNEDY: Well, we have the author,
22 though.

23 MR. TERASA: Okay. Let me -- let me
24 just ask a question, Daryl.

25 MR. LYNCHARD: Uh-huh.

1 MR. TERASA: When is the next meeting for
2 Fairpoint?

3 MR. MILLER: Next Tuesday.

4 MR. LYNCHARD: Next Tuesday. It won't be
5 voted next Tuesday.

6 MR. TERASA: Okay. So there will be a new
7 scrub of the document --

8 MR. LYNCHARD: Uh-huh.

9 MR. TERASA: -- some time after next
10 month's meeting of Fairpoint; correct?

11 MR. LYNCHARD: Uh-huh.

12 MR. TERASA: At which point, then, I would
13 expect we would see that again to approve it, as Daryl
14 suggesting we do, to give them, then, the authority on
15 our behalf to vote up or down on that contract?

16 MR. LYNCHARD: Hopefully, not two days
17 before our Board meeting.

18 MR. TERASA: Well, I don't know when we
19 saw this. I mean, I had ample time to review that
20 contract and make my comments.

21 MR. LYNCHARD: I just saw this today
22 whenever I sat down in this chair.

23 MR. TERASA: Well, I am talking
24 about those are --

25 MR. WILLIAMSON: Director Lynchard, on May

1 29th, the most current version of the Fairpoint agreement
2 was emailed to all Board members, including yourself.

3 MR. LYNCHARD: Yes. But this --

4 (BOTH DIRECTOR LYNCHARD AND CEO WILLIAMSON
5 SPEAKING OVER EACH OTHER.)

6 MR. WILLIAMSON: And then, I have set
7 up --

8 MR. LYNCHARD: -- was just given to us
9 today. And myself and Mark do know this, but the rest of
10 my Board members don't.

11 MR. MILLER: I have seen this language
12 before, though.

13 MR. WILLIAMSON: I just put those three
14 pages down at every person's station as a reference in
15 case the Board wanted to talk about this specific portion
16 of the agreement tonight.

17 MR. MILLER: These were in the document
18 that were sent out May 29th.

19 MR. WILLIAMSON: Correct.

20 MR. MILLER: I remember seeing them.

21 MR. WILLIAMSON: I have received no
22 feedback from any of the Board members since it went out
23 on May 29th, not a question or any concern. So just in
24 anticipation that you may want to cover some of the
25 compensation-related portions of the agreement, that's

1 why I thought I would print out those pages and put them
2 at each person's station.

3 MR. LYNCHARD: Go ahead, Fred.

4 MR. TERASA: You did -- you did not see my
5 comments that I sent you?

6 MR. WILLIAMSON: I have not.

7 MR. TERASA: I will have to go back and
8 check my email, but I believe you were familiar with the
9 fact that I had done my due diligence -- those words.

10 MR. WILLIAMSON: If those were the
11 comments that were provided before the last change was
12 brought to the Fairpoint Board? Then, yes.

13 MR. TERASA: I have only seen that
14 contract one time. Okay? That's -- and I responded
15 with --

16 MR. WILLIAMSON: Yes. Then, those --
17 those have been incorporated into the document. They
18 have been reviewed.

19 MR. TERASA: Where is the 29th, then?

20 MR. LYNCHARD: I never saw those.

21 MR. MILLER: Are you talking about the
22 Board?

23 MR. KENNEDY: These are his.

24 MR. TERASA: I mean, there is nothing
25 earth-shattering there.

1 MR. KENNEDY: So I think -- I think
2 that the bottom line --

3 (EVERYONE SPEAKING AT THE SAME TIME.)

4 MR. TERASA: I am with Daryl. Again, I am
5 making the assumption that they are not going to be in
6 agreement on this contract next week. Okay. Vis-a-vis
7 next month, and well in advance of our monthly meeting,
8 we ought to see this thing and be able to pound it out
9 and agree to it so that they will be prepared at the next
10 monthly meeting at Fairpoint to agree to that contract.
11 Am I -- is that a good way to say it, Daryl?

12 MR. LYNCHARD: At best, yes.

13 MR. KENNEDY: Well, is --

14 MR. LYNCHARD: At best. That's the way it
15 works.

16 MR. KENNEDY: -- the Fairpoint Board
17 voting on this?

18 MR. TERASA: I mean, I am in agreement
19 with you on this.

20 MR. WILLIAMSON: No. As I was trying to
21 explain, and, obviously, I didn't do a great job of it --
22 the Fairpoint Board, the latest version of the agreement
23 at the last Fairpoint Board meeting was approved to go to
24 the General Counsels, including the Fairpoint General
25 Counsel for review.

1 So at this point, the respective Boards
2 have had the agreement on numerous occasions, going back
3 to the first time you got it, Director Terasa.

4 Those are the comments you are talking
5 about. I thought you had sent another set of comments
6 since those. So this Board has had an opportunity to
7 review it once before. It was sent out to the Board
8 again after the Fairpoint meeting on the 29th. And, now,
9 we are going to get any legal comments from the
10 respective General Counsels at the next Fairpoint
11 meeting.

12 If the attorneys don't have any changes
13 that they want to recommend, then if the Board members at
14 each respective utility don't have any changes they would
15 recommend, then, yes, it is going to come back to you at
16 the next Board meeting for approval.

17 MR. KENNEDY: This is the final revision.

18 MR. WILLIAMSON: At this point, the
19 scrubbing of the document, it's --

20 MR. KENNEDY: It's scrubbed.

21 MR. WILLIAMSON: You know, we are kind of
22 believing that each Board has had an opportunity to make
23 their suggestions. We included that in the back-up. We
24 had a bunch of suggestions from Midway.

25 Clinton and I went and met with them for

1 several hours to get their recommendations and we
2 included those in the document.

3 Director Lynchard, Miller, Terasa, yours
4 have been put in there. Gulf Breeze only had two things
5 that they were concerned about. All of that has been in
6 the document. Now, it's in the hands of the lawyers.

7 We still have time. If there's other
8 things that you want to change, by all means, make a
9 recommendation, and we will bring that to Fairpoint, but
10 that's where we are.

11 MR. LYNCHARD: Have you reviewed the
12 document yet?

13 MR. KILPATRICK: I have. But it's in a
14 rough state, in my opinion. There needs to be a lot more
15 detail and several -- specifically the compensation area.
16 I would like to look at it and give us a little -- I
17 mean, there is just a lot of typos.

18 I thought this was like a rough, rough
19 draft whenever I reviewed it. I didn't even think it was
20 really a good contract. I mean, the lining is not set
21 up. There's -- it says that there is a 20 -- 2080 -- it
22 says, "As defined below, divide by 2080."

23 It doesn't even have a line under it. I
24 assume it's 20 percent, 80 percent?

25 MR. MILLER: No. It's 2080. The intent

1 is it's converting their annual salary to an hourly rate.
2 In the prior agreement, they paid a certain percentage of
3 their gross salary as a -- as a fee to -- Fairpoint paid
4 that to Holley Navarre Water System.

5 Well, instead, it is going to be broken
6 down into specific hours of work that's done for
7 Fairpoint by Holley Navarre Water System employees.

8 MR. KILPATRICK: Mark, it's just -- it's
9 stuff like that that needs to be defined a little bit
10 better.

11 MR. MILLER: Right.

12 MR. KILPATRICK: So everybody is on the
13 same page. Everybody understands, so we are not arguing
14 about this two years from now.

15 MR. LYNCHARD: That's exactly it. And I
16 think you need to review that so we can --

17 (EVERYONE SPEAKING AT THE SAME TIME.)

18 MR. WILLIAMSON: I mean, we will have the
19 agreement to the Board -- and this is the first I am
20 hearing of this --

21 MR. KILPATRICK: No. No. No. No. No.
22 No, actually, we talked about -- Daryl and I talked about
23 defining the compensation.

24 MR. LYNCHARD: Yes. Most definitely, we
25 did.

1 MR. KILPATRICK: So we did have
2 discussions as far as that goes.

3 MR. WILLIAMSON: If there is changes you
4 would like to make, if you feel like -- if you feel we
5 need to have more time than Tuesday, I am fine with going
6 to the Fairpoint meeting and saying, "We are going under
7 legal review right now, but we need additional time."
8 And --

9 MR. LYNCHARD: No. I think we just go to
10 the Fairpoint meeting and tell them "We are still under
11 legal review."

12 We are not going to say, "We need
13 additional time," or "We don't want to vote," because
14 Fairpoint isn't voting on anything Tuesday.

15 MR. WILLIAMSON: Okay.

16 MR. MILLER: Is the other -- here's my
17 concern. You know, this thing keeps getting kicked --
18 the can keeps getting kicked down the road. And if the
19 other Boards have done their legal review, their Boards
20 have reviewed it and they are acceptable with it, I would
21 like to be fairly close to a point where we are also
22 acceptable with it.

23 Because, then, it has to go to Mike
24 Tidwell, the Fairpoint attorney, for his review before
25 the final version comes back to everybody to vote. So,

1 you know, I do want to expedite this as much as possible
2 and have any comments that -- whether Keith is going to
3 make them or our Board is going to make them -- let's get
4 it done. And if we can't do it by next Tuesday, that's
5 fine. But if it can be done, that would be great.

6 MR. KENNEDY: And if I could summarize,
7 so, I mean, ultimately, I think the Board, unless the
8 Board members want to review this again to add comments,
9 I know -- I have -- I don't think I have much to add back
10 on this.

11 Keith, you legalese it, do whatever you do
12 to, you know --

13 MR. KILPATRICK: I mean, I can start an
14 email chain and see what comments we have and really work
15 on the document. I mean, there is just a lot of typos
16 and stuff.

17 MR. KENNEDY: Other than typos, I mean, we
18 are -- those are easy. You can correct those. Or do we
19 need to correct them?

20 MR. KILPATRICK: Some of the substance is
21 very general. It just needs to be a little defined. It
22 needs timelines.

23 MR. KENNEDY: And who do you work with for
24 that? Do you need to work with Mr. Williamson?

25 MR. KILPATRICK: No. No. No. I can just

1 make my suggestions and send it out to Mr. Williamson --
2 Rob -- and the Directors, if need be.

3 MR. TERASA: I just want to read it
4 because I want to see the final document --

5 MR. LYNCHARD: Here's my thing --

6 MR. TERASA: -- and be able to approve it
7 before it goes.

8 MR. LYNCHARD: That's it. I am -- I am
9 one of the two Holley Navarre Water System
10 representatives on Fairpoint. I am obligated by
11 Fairpoint's bylaws and by my members to do what this
12 Board tells me to do.

13 MR. TERASA: Absolutely.

14 MR. LYNCHARD: Unless you vote and tell me
15 to approve something, I am not going to approve it.

16 MR. TERASA: I am with you.

17 MR. LYNCHARD: So I do not think this is
18 ready to vote on tonight.

19 MR. TERASA: No.

20 MR. KENNEDY: It's just information only.

21 MR. LYNCHARD: And if we are going to wait
22 until Keith reviews it and he reviews it before next
23 Tuesday and we go to that meeting, we will need to have a
24 Board action without a meeting or a Special Board Meeting
25 to vote and approve it before I vote for it.

1 MR. KENNEDY: That's fine. And it sounds
2 like -- if I understand right, if the Board wants to look
3 it over one more time or whatever to give their input,
4 Mr. Williamson, the contract that you sent out to us on
5 the 29th, that's where we are at right now; correct?

6 MR. WILLIAMSON: Correct.

7 MR. KENNEDY: So unless you want to
8 change, you know, like a bush hog price or you want to
9 add something to something, which I think they have done
10 their due diligence for.

11 Now it's in Keith's court, work with Mr.
12 Williamson, get this thing in top shape, and then, when
13 does it come back to us for --

14 MR. WILLIAMSON: I'll let the Fairpoint
15 Board know that, you know, more than likely, we won't be
16 ready, but, you know, if you get it ready and you feel
17 comfortable and our changes are made and you are ready to
18 bring it to them, then I will bring it to them.

19 But there is nothing for the Board to vote
20 on tonight. This is more just of an update to see if
21 there was any dialog, good conversation from Keith. He
22 will provide whatever changes he wants to make to the
23 document and it will either be ready by Tuesday or it
24 won't. We have been 18, 19 years without an agreement to
25 this point --

1 MR. MILLER: And it's not going to get
2 voted on either way on Tuesday. Because the only action
3 that Fairpoint would take is say, okay, do we got
4 something now that we can send to Mike Tidwell, who is
5 Fairpoint's attorney, to review? So it wouldn't even
6 come to us for a final vote until after that happens.

7 MR. LYNCHARD: Well, but what we are going
8 to be saying is that we have got something that we all
9 agree to that we need to send to the attorney.

10 MR. MILLER: Right.

11 MR. LYNCHARD: So we can bring it to our
12 Board and approve it.

13 MR. MILLER: Right.

14 MR. LYNCHARD: And I don't think we need
15 to do that until our attorney has approved it.

16 MR. WILLIAMSON: Right. This agreement
17 has been sent to Mike Tidwell per the direction and the
18 vote of the Fairpoint Board at the last meeting. So four
19 attorneys have this now -- Keith, Tidwell for Fairpoint,
20 and whoever the two attorneys are for Gulf Breeze and
21 Midway.

22 MR. LYNCHARD: So chances are they are
23 going to pick up on what Keith has picked up.

24 MR. KENNEDY: Yeah.

25 MR. WILLIAMSON: I don't know. I

1 inherited the agreement from Mike Tidwell. And all I did
2 was incorporate recommendations that were given to me by
3 Board members of the three respective parties. So I
4 didn't write this agreement. This is not my agreement.
5 This is something that I am just trying to move along as
6 I am instructed to do, but --

7 MR. KENNEDY: And what do you need to move
8 along from us, to move that along?

9 MR. WILLIAMSON: I think we are there and
10 Keith is going to make sure that we are protected and
11 that it's where it needs to be.

12 MR. TERASA: And that --

13 MR. WILLIAMSON: It will come back to this
14 Board before anything happens.

15 MR. KENNEDY: Wonderful.

16 MR. MILLER: Can Keith communicate with
17 Mike Tidwell so that, as far as getting the legalese
18 right, that they are both on the same page?

19 MR. LYNCHARD: I think we need -- we need
20 to work that independently.

21 MR. KENNEDY: As you guys as the
22 representatives.

23 MR. LYNCHARD: I am sure, I mean, but I
24 don't think we need the Holley Navarre Water System
25 attorney contacting the Fairpoint attorney unless the

1 Fairpoint Board says, "It's okay." Because we are the
2 representative.

3 MR. TERASA: The conduit --

4 MR. LYNCHARD: We are the conduit.

5 MR. KENNEDY: Do we need to talk to those
6 lawyers?

7 (EVERYONE SPEAKING OVER EACH OTHER.)

8 MR. KILPATRICK: No. I --

9 MR. KENNEDY: You just want to draft what
10 we want --

11 MR. MILLER: Whatever Mike Tidwell has got
12 up to so far that --

13 MR. LYNCHARD: I am good with it. I just
14 don't think our partners will be.

15 MR. KENNEDY: So, again, to summarize,
16 it's in Keith's hands. He is going to draft what we
17 believe -- we -- is best -- in our best interest. Or at
18 least clean it up, legalize it, legalese it, and then,
19 you guys will submit that. And it will all come back to
20 us.

21 MR. WILLIAMSON: Correct.

22 MR. TERASA: Okay. I would like to say
23 one other comment. My reading of that document blew me
24 away. And it really -- you know, you think about just
25 the Fairpoint part. And we have got this other part,

1 which is our system, it's unbelievable what our people
2 do.

3 And the professionalism that they do it.
4 I mean, it gives you really an idea just how broad this
5 thing is and just -- I applaud our employees for the
6 fantastic job that they do on both those systems, so I
7 just want to thank you very much.

8 MR. KENNEDY: Great.

9 MR. WILLIAMSON: That was directed to you,
10 Clinton.

11 MR. WELLS: There was a lot of people that
12 helped with that, so --

13 MR. KENNEDY: All right. That was just
14 for discussion only. We -- everyone has got their
15 marching orders.

16 On to the next item -- booster pump
17 station project. Mr. Williamson?

18 MR. WILLIAMSON: Thank you, Mr. Chairman.
19 I have the information in your back-up. Pretty
20 straightforward. Piece of property that Phil Phillips,
21 lead engineer, and our Water Operations Manager, Clinton
22 Wells, identified as the best location for a skid-mounted
23 booster pump station and close to the best location for a
24 master lift station.

25 One of those projects is currently on our

1 capital improvement project list. The other one came as
2 a result of a decision from the Fairpoint Board.
3 Basically, there was a project that came in about \$1.6
4 million, I believe, over budget.

5 And Phil and his team did some modeling
6 and found out that we could avoid a rate increase for
7 Fairpoint and end up instead of spending \$4.5 million on
8 a project now, we could push that out five years or
9 farther in the future and instead have Fairpoint spend a
10 half million dollars on a skid-mounted booster pump
11 station.

12 And we need a piece of property to put
13 that on, so that's the reason you see this in front of
14 you. The property was purchased by, I think, back in
15 2022, for \$50,000 by Bart Blome (phonetic) and he was
16 willing to let us have it for the same amount that he
17 paid for it.

18 We checked with the County. I think Phase
19 1 environmental, it's been ordered a survey. We won't
20 need conditional use. We won't need any variance. So
21 this is something one of those deals where we kind of got
22 to have it.

23 MR. TERASA: Are you saying --

24 MR. MILLER: I make a motion --

25 MR. TERASA: I'm sorry.

1 MR. MILLER: I make a motion that we move
2 forward with the purchase of the property subject to a
3 favorable Phase I environmental study, no survey
4 encroachments, and clear title.

5 MR. LANIER: Second.

6 MR. LYNCHARD: I will second the motion.

7 MR. TERASA: For discussion.

8 MR. KENNEDY: All right. Now further
9 discussion. Terasa Director?

10 MR. TERASA: I'm sorry. I jumped the gun
11 as usual.

12 MR. WILLIAMSON: That's okay.

13 MR. TERASA: I haven't been on the Board
14 long enough. You talked about Fairpoint in this
15 discussion.

16 MR. WILLIAMSON: Right.

17 MR. TERASA: Fairpoint is going to benefit
18 from this piece of land?

19 MR. WILLIAMSON: Fairpoint is going to --
20 well, Holley Navarre Water System is going to benefit as
21 one of the partners in Fairpoint. But Fairpoint is going
22 to pay for the booster pump station. That will be
23 roughly half a million. And we will own the property and
24 we will be able to put a -- whether there is a booster
25 pump station on it or not, we need that master lift

1 station to be located there.

2 MR. TERASA: For us?

3 MR. PHILLIPS: I know -- I know what you
4 are saying. I know where you are going with that. And,
5 really, think about this as the ideal place to put that
6 lift station as opposed to the fact that we are going to
7 let Fairpoint put a booster pump station in our favor on
8 there.

9 Although I would say, at some point in
10 time to where you were going there, you didn't finish,
11 but I know where you were going -- at some point in time,
12 if this station became non-temporary for Fairpoint, then
13 we would probably charge them a lease fee. I think
14 that's where you were going with that.

15 MR. TERASA: Well, I am just trying to
16 understand why we are buying a piece of property and
17 Fairpoint is going to put something on it, You know, then
18 you worry about going to the next step. I just wanted to
19 make sure that I heard you correctly.

20 MR. WILLIAMSON: At some point in the
21 future, there is going to need to be -- the project that
22 we are pushing off five years because new modeling show
23 that we did not need it --

24 MR. TERASA: We being Fairpoint; right?

25 MR. PHILLIPS: Yeah.

1 MR. WILLIAMSON: When that two million
2 gallon ground storage tank and booster pump station for
3 Fairpoint comes online at Midway Station 2, off of 399,
4 then we will likely still be able to utilize that booster
5 pump station --

6 MR. PHILLIPS: Correct.

7 MR. WILLIAMSON: -- for Holley Navarre
8 Water System's water distribution.

9 MR. TERASA: So that's our benefit, then?

10 MR. PHILLIPS: This is more than fair, in
11 my opinion. If you just want me to give my opinion,
12 absolutely.

13 MR. KENNEDY: And, Phil, this is -- when
14 we first met and when we first went on the Board, you
15 said that you had two concerns. One is -- is this
16 booster pump for the pressure?

17 MR. PHILLIPS: This booster pump station
18 does not replace the booster pump station and the ground
19 storage tanks in the master plan. It does, however,
20 provide to us some of the benefit of that facility on an
21 interim basis. But it does not replace it.

22 And I think I have pretty much made clear
23 that if we were tomorrow to get someone to give us the
24 ideal -- or sell us the ideal piece of property and
25 actually put our own booster pump station and ground

1 storage tank on, we would buy that and we would begin
2 that project immediately.

3 This does not solve our storage problem
4 that we have. So we would still need to solve that
5 problem. But it does -- it does provide a benefit to us
6 on an interim basis to kind of delay that if we need to.

7 MR. KENNEDY: And the storage solution,
8 though, that's a multi-million dollar solution. Is that
9 correct?

10 MR. PHILLIPS: Yes, sir. We need that.
11 We need a couple million gallon ground storage tanks in a
12 bad kind of way.

13 MR. KENNEDY: And just to reiterate, this
14 helps maybe delay that for a little bit longer. Is that
15 correct?

16 MR. PHILLIPS: Yes. Again, this station
17 does help us with the problem that our own booster pump
18 station and ground storage tank solves, but it doesn't
19 solve all of it. It is just kind of a -- it's a side
20 benefit to the fact that Holley Navarre Water System is
21 the only utility affected by Fairpoint's decision not to
22 build the master booster pump station and the ground
23 storage tank.

24 But, of course, it's to Holley Navarre's
25 benefit as well as everyone else that if we don't spend

1 that money right now, no one has to have a rate increase
2 because we can put it off. So Fairpoint, in order to
3 solve everyone's problem, needs to do this for Holley
4 Navarre Water System. As a side benefit, it does help
5 us.

6 MR. LANIER: So would this property, when
7 98 is widened and we lose that lift station over there,
8 will we be able to utilize for that?

9 MR. PHILLIPS: Yes, sir. And, really,
10 that really is the benefit to this thing and it just
11 popped up. We started looking at these little tiny
12 pieces of property, because, actually, I don't even think
13 we realized this was a separate piece of property until
14 we started looking for this. But it does give us the
15 piece of property to move the Highway 87 lift station.

16 We were originally trying to find a piece
17 of property on the east side of the road, but we have
18 been unable to do that, so this one -- this one solves
19 that problem for us, too, as well.

20 MR. KENNEDY: So we get a couple of
21 solutions from one piece of land?

22 MR. PHILLIPS: That is correct.

23 MR. KENNEDY: And Fairpoint is going to be
24 putting a half million dollar booster pump on that; is
25 that correct?

1 MR. WILLIAMSON: That's correct.

2 MR. KENNEDY: All right. Any further
3 questions? Any further discussions?

4 (NO AUDIBLE RESPONSE.)

5 MR. KENNEDY: Those in favor say "Aye"?

6 MR. LANIER: Aye.

7 MR. LYNCHARD: Aye.

8 MR. MILLER: Aye.

9 MR. TERASA: Aye.

10 MR. KENNEDY: Those opposed say "No"?

11 (NO AUDIBLE RESPONSE.)

12 MR. KENNEDY: Motion carries.

13 Next order of business is the Gulf Breeze
14 and Holley Navarre Water System Shared Reuse Agreement.
15 Mr. Williamson?

16 MR. WILLIAMSON: Pretty straightforward.
17 Just the next step in the process, this will come back to
18 the Board. If the Board decides to allow us to give the
19 version of the agreement that we have to Gulf Breeze for
20 their review, it's going to be back to us before anything
21 is even close to being finalized. So the only decision
22 for the Board now is to allow us to send the version of
23 the agreement over to Gulf Breeze for them to begin their
24 review.

25 MR. KENNEDY: Okay. Do we have a motion?

1 MR. TERASA: I move to approve for
2 discussion purposes.

3 MR. MILLER: I will second for discussion.

4 MR. KENNEDY: All right. Any further
5 discussion?

6 MR. TERASA: Oh, yeah.

7 MR. MILLER: I had a couple of questions.

8 MR. TERASA: Yeah, I do, too. Go ahead,
9 Mark.

10 MR. MILLER: All right. It's my
11 understanding when I read the agreement that there is no
12 requirement that we provide reuse to Gulf Breeze under
13 this agreement, any certain amount of --

14 MR. PHILLIPS: I believe that's correct.

15 MR. WILLIAMSON: That's correct.

16 MR. MILLER: Okay. And the rate that is
17 charged when there is -- in other words, once we are
18 paying -- on months when we are paying --

19 MR. WILLIAMSON: 55 cents a thousand --

20 MR. MILLER: -- that rate, how does that
21 rate compare to other options of us disposing of the
22 effluent?

23 MR. PHILLIPS: Since there is no other
24 option except for Eglin, it's pretty cheap.

25 MR. LYNCHARD: \$375 a month.

1 MR. MILLER: Okay. So is that -- is that
2 less than what it would normally cost us to --

3 MR. WILLIAMSON: Compared to what the
4 previous -- the Board had previously began looking at
5 pricing and entering into an agreement with Gulf Breeze
6 this is far less than that previous agreement that the
7 Board was entertaining and it only has us paying for nine
8 months in instead of 12.

9 And we basically got this pricing based
10 off of a presentation that Gulf Breeze did to Santa Rosa
11 County Board of County Commissioners, where they had
12 basically mentioned that this would be the price that
13 they would charge the County if the County wanted to
14 bring their reuse to Gulf Breeze.

15 So we went with that price because that
16 price was a lot lower than the price that was previously
17 quoted to us. But, yes, it is what we believe to be a
18 fair market value for reuse.

19 MR. KENNEDY: And this is where we are --
20 we could send 500,000 gallons a day if need be?

21 MR. WILLIAMSON: That's correct.

22 MR. PHILLIPS: That's correct

23 MR. KENNEDY: Okay.

24 MR. WILLIAMSON: Up to --

25 MR. KENNEDY: Up to --

1 MR. WILLIAMSON: -- 500,000.

2 MR. KENNEDY: Right.

3 MR. TERASA: And how long does that take
4 us into the future, assuming Eglin never happens?

5 MR. PHILLIPS: At least five years. It
6 depends on rate of growth. I can't tell you, Fred,
7 exactly what date it is. It is at least five years and
8 longer.

9 MR. TERASA: Buys us some time, though.

10 MR. PHILLIPS: I think the thinking is
11 that, you know, if something doesn't happen on Eglin soon
12 that we wouldn't probably do Eglin until the County is
13 ready to do Eglin, which is 2024, something like that.

14 So it would, at least, be that long,
15 again, assuming that nothing weird happens in this
16 franchise area and we don't have some massive growth.

17 MR. TERASA: And remind me of what our
18 drop dead date is to be able to --

19 MR. WILLIAMSON: November 2022 is when we
20 need to --

21 MR. TERASA: Our current situation with --

22 MR. WILLIAMSON: -- have effluent capacity
23 online, so rewind the clock before that 18 months is what
24 we anticipate the length of time for this project to take
25 from start to finish, and that gives you your timeframe

1 of when you would have to make a decision.

2 And, right now, just as an aside, Santa
3 Rosa County was communicating that they were anticipating
4 a lease to be presented by the Air Force in the first
5 quarter of this year.

6 It is now June. That lease has not been
7 presented to the County to our knowledge. And we as late
8 as, I want to say last week or the week before in the
9 Navarre Press, you had the lead engineer quoted as saying
10 that they anticipate getting that lease sometime soon,
11 but, you know, that's been the commentary for almost a
12 year now.

13 So we have to operate -- this gives us six
14 months. You know, right now, all we are doing is just
15 getting the ball on the other side of the net. Okay.

16 Gulf Breeze would have an opportunity to
17 review this agreement, make any recommendations and
18 changes they would like to make. That will come back to
19 the Board. From the time this Board would agree to sign
20 an agreement, if they did, we have six months before we
21 would need to begin design on the project. So we are
22 going to be able to know what is going to happen with
23 Eglin before we would need to make a decision on this.

24 But we don't have the luxury of waiting
25 around anymore, Gentlemen --

1 MR. TERASA: No. Okay.

2 MR. WILLIAMSON: And this is one of those
3 things where -- if there was another option that we had
4 available in the timeframe that we have, we would have
5 done it.

6 MR. TERASA: So what you are telling me,
7 my other question here was in Paragraph 9, sub B, the 180
8 days was adequate. I was thinking we need maybe more
9 flexibility, but we don't have that flexibility based on
10 the timeline.

11 MR. WILLIAMSON: We would be able to
12 commence with design.

13 MR. PHILLIPS: All that is is to commence
14 with design. That's not a commitment to commence --

15 (EVERYONE SPEAKING AT THE SAME TIME.)

16 MR. TERASA: Design can take all the time
17 you want is what you are saying. Okay.

18 MR. PHILLIPS: -- with anything else.

19 MR. KENNEDY: So you won't be asking for
20 money until well --

21 MR. WILLIAMSON: But to negotiate in good
22 faith, you know, it's 180 days with the understanding
23 that within that 180 days, we are going to know if we
24 need to go one or the other.

25 Because I want to remind you that even if

1 Eglin were become a reality and move forward, it has to
2 move forward in a timeframe that still allows us to meet
3 our need for increasing effluent disposal capacity.

4 So this is just the next step in the
5 process, knowing there will be many more conversations.

6 MR. TERASA: One other question, just
7 reminded of Midway and how they complain about Fairpoint
8 not metering their volume of water accurately. We are
9 building the pipeline. We are putting in a meter that
10 Fairpoint -- that Gulf Breeze ultimately, I guess, owns
11 and they will be reading that meter. Where is our meter
12 to check their numbers?

13 MR. PHILLIPS: Well, we will actually be
14 maintaining that meter. Because we maintain it, we know
15 it's accurate.

16 MR. TERASA: Okay. Like you said, I
17 didn't read that in there. Okay.

18 MR. PHILLIPS: It is true, I mean, we have
19 to build it. We are asking them for the service. And we
20 are going to agree to pay for the testing. That's the
21 way we make sure that it's accurate.

22 MR. TERASA: Okay. Thank you.

23 MR. MILLER: Have you reviewed this,
24 Keith? I know this was drawn up by another attorney.

25 (MR. KILPATRICK SHAKES HEAD.)

1 MR. LYNCHARD: You have not?

2 MR. KILPATRICK: I have not.

3 MR. MILLER: Just a question, there is a
4 section on litigation and what happens if you go to
5 litigation. Is it in general a good idea to have a
6 mediation/arbitration clause in the agreement?

7 MR. KILPATRICK: I would always have one,
8 because it saves a lot of money and time if you can get
9 everybody at the table. More of a mediation. The
10 difference is arbitrator is where there would be like a
11 Hearing Officer or someone that is appointed, and they
12 would be able to at the end hear all the evidence and
13 make the decision.

14 A mediation is where two people would get
15 together, and then, a mediator, a neutral person, would
16 go back and forth and try to meet that -- find that
17 meeting point. And if you didn't want to decide or if
18 you didn't want to agree, at that point, then you would
19 then set it for trial.

20 MR. MILLER: Could we add a mediation
21 clause to it?

22 MR. LYNCHARD: You can add whatever we
23 want to to it.

24 MR. MILLER: Well, that's what I am
25 saying, I just -- I was looking at that section and I

1 think it would be better if it had a mediation clause.

2 MR. KILPATRICK: I don't know if there is
3 or not. Typically, most contracts have that, so I would
4 have to read it and see. Did the other attorney, the one
5 that they hired --

6 MR. WILLIAMSON: The reason why this
7 wasn't presented to Keith is because the Board had
8 authorized to hire outside counsel for this project.
9 Under 13 -- you know, it does talk about a waiver for
10 jury trial under C. We can put that down in the notes.

11 This goes to Gulf Breeze if the Board
12 approves it to do so. It goes to Gulf Breeze. They are
13 going to make their recommendations and we could talk to
14 our attorney, Jack Fiveash, about this. We know it's
15 going to come back to us. And we could make sure that we
16 include that.

17 MR. MILLER: I would like to see one in
18 there. I think that's -- I agree that it's better if you
19 can mediate rather than going to litigation.

20 MR. WILLIAMSON: And keep in mind, we can
21 add a mediation clause before we send it to Gulf Breeze,
22 if that's what the Board wants.

23 MR. MILLER: That's why I am asking.

24 MR. PHILLIPS: I think -- isn't there
25 already a waiver of jury trial in there?

1 MR. KILPATRICK: Now, waiver of jury
2 trial, that's different. All you are doing is you are
3 saying that you will be acceptable to going in front of a
4 judge, not an arbitrator or a -- it's just saying that
5 you don't have to have a jury trial.

6 But I agree. We will get with Jack -- we
7 will get with our outside counsel. And I know that Keith
8 can talk to Jack Fiveash about that. And we will get it
9 added before we send it on to Gulf Breeze.

10 MR. TERASA: Do we need to amend the
11 motion, then?

12 MR. KENNEDY: We will amend it in a
13 minute.

14 MR. KILPATRICK: Just some direction from
15 the Board. Would the Board want an arbitrator? A
16 clause? Or want a mediation clause? You know -- you
17 understand the difference?

18 MR. KENNEDY: What's your recommendation?

19 MR. KILPATRICK: I would prefer mediation,
20 to be honest with you, so we can have a neutral mediator
21 and go back and forth. And if we didn't want to agree,
22 then we could walk away and go to a non-jury trial.

23 MR. KENNEDY: It wouldn't be binding.

24 MR. KILPATRICK: It wouldn't be binding.
25 That's exactly right.

1 MR. WILLIAMSON: We can add that. We can
2 add that.

3 MR. KENNEDY: And we will amend in a
4 minute. I have a feeling --

5 Director Lynchard, hang on one second.

6 MR. LYNCHARD: I got a few things. I've
7 just got a few things I want to talk about. It might
8 take a little while. How much will this project cost?

9 MR. WILLIAMSON: Which one?

10 MR. PHILLIPS: We are estimating a little
11 over \$3 million right now.

12 MR. LYNCHARD: How much did Greskovich
13 cost?

14 MR. PHILLIPS: A million?

15 MR. LYNCHARD: So we are getting the same,
16 same volume for three times the price. Right?

17 MR. PHILLIPS: Yes. It's
18 probably accurate.

19 MR. LYNCHARD: Have we ever looked any
20 further into Gordon Goodin's property?

21 MR. PHILLIPS: The ball is completely in
22 Gordon Goodin's court at this point in time.

23 MR. LYNCHARD: Have we ever talked to the
24 Board about that?

25 MR. PHILLIPS: Other than to tell the

1 Board that he came to talk to us, I don't think so.

2 MR. LYNCHARD: Do all the Board members
3 know that?

4 MR. MILLER: I am aware of it.

5 MR. LYNCHARD: Okay. Rest of the Board
6 members know that?

7 MR. TERASA: Okay. So what does he say?

8 MR. LYNCHARD: How much do you think it
9 would take to get to his property? Because they were
10 talking about seven million gallons there, so I am
11 assuming half a million gallons would probably be pretty
12 easy.

13 MR. WILLIAMSON: We met with Gordon,
14 you --

15 MR. PHILLIPS: You go ahead.

16 MR. WILLIAMSON: We met with Gordon and
17 his engineer of record about the project. And Gordon had
18 been talking to me off and on about that for quite some
19 time. And we would love to see where it would be capable
20 of putting seven millions gallons a day. That would be
21 awesome. We would love to see it.

22 MR. LYNCHARD: I have got a copy of the
23 email from the State that he received. Did you receive
24 that?

25 MR. WILLIAMSON: We have all that

1 documentation as well. The meeting that we had with
2 Gordon and his engineer where we left it was they needed
3 to provide certain assurances. There was testing that
4 needs to be done.

5 What was the -- they said that they were
6 going to complete or contemplate authorizing some
7 testing.

8 MR. PHILLIPS: Yeah. First off, that site
9 is -- that concept and that site has been looked at
10 before years and years ago. And the issue becomes the
11 difference between what Gordon can do -- with rainfall
12 and water and putting that pit -- versus what the
13 regulations become for him once we put reuse in there.

14 Two totally different things. His testing
15 requirements at the edge of his site become substantially
16 different if he wants to use it for wastewater.

17 I don't know. We told him what he needed
18 to do and what he needed to contemplate and we told him
19 that if he was interested in doing this, he gave us no
20 monetary information to begin with.

21 MR. LYNCHARD: Yeah.

22 MR. PHILLIPS: We told him exactly what we
23 needed from him to evaluate what actually might be the
24 capacity of that site. I can only assume that because
25 Gordon didn't come back to us that again -- once again

1 for the second time -- they probably decided it might not
2 be in their best interest -- or that something came up in
3 terms of that commentary from the State. I just don't
4 know.

5 MR. LYNCHARD: I don't know. I was just
6 wondering if we were pursing that local property as
7 aggressively as we were pursing Gulf Breeze.

8 MR. PHILLIPS: Oh, we would love to have
9 seven million gallons up there, believe me.

10 MR. LYNCHARD: I mean, because even it is
11 not seven million, even if it is only half a million --

12 MR. PHILLIPS: Even if it was one
13 million --

14 MR. LYNCHARD: -- it's cheaper than --
15 even if it was one million, you know, where you went to
16 half the capacity, three and a half million, that would
17 put Eglin off for quite a few years.

18 MR. PHILLIPS: Here's the deal. We would
19 love it. If it would work, we would be there in an
20 instant, because, if nothing else, it's on the way to
21 Eglin --

22 MR. LYNCHARD: That's right.

23 MR. PHILLIPS: -- which is the ultimate
24 deal. But here's the deal: If Gordon wants to come back
25 and present something to us to evaluate, that's fine.

1 But, again, let's go back to the
2 decision that was made six months ago. We have -- we
3 want to go to Eglin. There is no doubt about that. We
4 have to have a backup plan. We have to have an agreement
5 in place. We have to know what those exact costs are in
6 case Eglin doesn't exist.

7 We can't keep punting -- everyone knows
8 how I feel about anything but Eglin.

9 MR. LYNCHARD: Yeah.

10 MR. PHILLIPS: We have to have a backup.
11 All we are doing is putting an agreement in place that we
12 could use at this point. They are two separate issues.
13 This agreement doesn't bind us to anything.

14 MR. LYNCHARD: I understand that. But as
15 a Board member for a while now, we have been chasing Gulf
16 Breeze the better part of two years now. Maybe we can
17 chase somebody else a little while.

18 MR. PHILLIPS: I just don't know that we
19 have --

20 (EVERYONE SPEAKING OVER EACH OTHER.)

21 MR. WILLIAMSON: We have -- we did pursue
22 Gordon. And, you know, I have read all the emails and
23 reports that he gave me. We had the meeting with him.

24 MR. PHILLIPS: Yeah. Twice.

25 MR. WILLIAMSON: Like I said, we are not

1 putting up road blocks there. We are all about it. But
2 the last contact that we had with him, the ball was in
3 his court to come back with that information. We have
4 had no contact with him since.

5 MR. TERASA: How long ago was that?

6 MR. WILLIAMSON: At least two months.

7 MR. PHILLIPS: Yeah. At least.

8 MR. WILLIAMSON: At least.

9 MR. PHILLIPS: But probably longer. It's
10 June 18th. This is probably February or March when
11 Gordon was here, so -- I can tell you, I would seal this
12 deal.

13 (DIRECTORS SPEAKING OVER EACH OTHER.)

14 MR. WILLIAMSON: -- after evaluating,
15 he and --

16 MR. LYNCHARD: I can tell you, I haven't
17 talked to Mark since -- or to Gordon since the last --
18 since he sent that email that the State had sent him.

19 MR. PHILLIPS: Again, we got nothing
20 against that concept. Nothing whatsoever.

21 MR. LYNCHARD: But I know we've not talked
22 about that publicly as a Board. And I am just wondering
23 why we are not discussing that and trying to pursue it a
24 little bit.

25 MR. WILLIAMSON: It hasn't proven itself

1 to be a viable option, so --

2 MR. KENNEDY: Well, and if I can summarize
3 here. So, A, we all wound up talking about Eglin is our
4 main goal.

5 Gulf Breeze is a goal. And one that --

6 MR. PHILLIPS: It's a possibility.

7 MR. KENNEDY: Exactly. A goal and a
8 possibility. And we have asked you guys to go and get
9 going on both of those.

10 C could be that Mr. Gordon here --

11 MR. PHILLIPS: Well, there is C, D, E, F,
12 G, H, I, J, K -- there's a million things that could come
13 up, but the point is that we have got to have an
14 alternative to Eglin that we know we can do.

15 MR. LYNCHARD: I am trying to find an
16 alternative to Eglin that doesn't cost us three times as
17 much as we have spent any other time when we have bought
18 it.

19 MR. PHILLIPS: Now, there was another, you
20 know, there's a whole issue with Gordon's property as in,
21 you know, he wants to use it to the end of its useful
22 life for his monetary gain. And him owning it and us
23 using it present --

24 MR. LYNCHARD: It comes down to the bottom
25 line: Is it going to cost us more than \$3 million for a

1 half million gallons?

2 MR. PHILLIPS: Well, if he want to sell
3 us --

4 MR. WILLIAMSON: And the risk that would
5 be, the risk that would come on with that as well,
6 because we still have reuse out there. Those regulatory
7 compliance issues become ours.

8 MR. PHILLIPS: Yeah. And it does --

9 MR. WILLIAMSON: We inherit all of --

10 MR. LYNCHARD: Look at the --

11 MR. WILLIAMSON; I mean, we have
12 absolutely looked at it. And, here again --

13 MR. LYNCHARD: So let me get this right --

14 MR. WILLIAMSON: We would love to go
15 there. That would be awesome.

16 MR. LYNCHARD: Let me get this right.
17 Y'all are saying, "No," regardless of what happens, it's
18 a done deal?

19 MR. TERASA: No.

20 MR. KENNEDY: I didn't hear that.

21 MR. TERASA: No. I --

22 MR. LYNCHARD: Well, the regulatory thing
23 is something that we should work with and try to figure
24 out before we decide it's going to be a nightmare because
25 maybe we buy the property or maybe we lease the property

1 or maybe we do something else.

2 But to me, seven million gallons is what
3 we are looking at at Eglin. And if we can get it, we
4 need to pursue that just as hard as we are trying to
5 pursue Eglin.

6 MR. PHILLIPS: I think we can safely say
7 based on what we heard, there is not seven million
8 gallons' worth of capacity, but, again, I will go back to
9 your original point --

10 MR. LYNCHARD: But we don't know what it
11 is. How about that?

12 MR. PHILLIPS: That's correct.

13 MR. TERASA: Okay. Well --

14 (EVERYONE SPEAKING OVER EACH OTHER.)

15 MR. PHILLIPS: What is is depends a lot on
16 what the --

17 MR. KENNEDY: Well, here's the thing,
18 though --

19 MR. LYNCHARD: The ball is in his court.

20 MR. KENNEDY: We are talking about a lot
21 of depends and I would like the Board to be given facts.

22 MR. WILLIAMSON: I will follow back up
23 with the Board.

24 MR. LYNCHARD: I would just like the Board
25 to be given information, so --

1 MR. TERASA: I would like to know why six
2 months ago when we approved this project of going
3 forward, we didn't talk about Gordon. Now, I have heard
4 something on the periphery about it, but not -- I mean, I
5 don't know anything about it in any finite detail until
6 tonight. Why wasn't that brought out six months ago --

7 MR. WILLIAMSON: Because your staff --
8 because your staff of experts that have analyzed that
9 project before and --

10 MR. TERASA: Don't defend your staff. I
11 am talking -- I am talking to my Board member over here.

12 MR. LYNCHARD: Oh, me? Because I didn't
13 know about it.

14 MR. TERASA: Why didn't we think about
15 about it six months ago? That's my point. Not staff.

16 MR. LYNCHARD: Because I am trying to
17 let -- here, I will send you the text --

18 MR. KENNEDY: Well --

19 MR. LYNCHARD: -- the email. How about
20 that?

21 MR. KENNEDY: No need to do that right
22 now. What we want to do as a Board, we have on our plate
23 here --

24 MR. LYNCHARD: As a Board, we have one or
25 two things to do. Okay. We can either act as Board

1 members and go out and try and find things or we let
2 staff do their job and not do anything, which is what I
3 am fighting with right now.

4 I don't know whether I need to do things
5 or I need to let staff do things. But when we start
6 talking about spending \$3 million on a project that a
7 year and a half ago cost -- or two years ago cost us a
8 million dollars, that's when I think I need to come up
9 and say, "Hey, you know, maybe we need to consider this
10 as a Board. Because you guys don't know it and nobody is
11 telling you about it."

12 MR. TERASA: Forgive me, Daryl, but I am
13 going to tell you again. Where were you six months ago
14 when we approved this -- to go down this path? That's my
15 point. I mean, I am a newbie --

16 MR. LYNCHARD: Nobody was thinking about
17 it six months ago. Whenever this was approved, I didn't
18 know anything about it.

19 MR. TERASA: 90 days ago, why didn't you
20 bring this up instead of today when we are going to
21 approve the doggone thing and move it forward.

22 MR. LYNCHARD: Okay. I will start
23 bringing up everything, then.

24 MR. KENNEDY: Well, okay, so, right --

25 MR. LYNCHARD: I will get to that in a few

1 minutes.

2 MR. KENNEDY: We need to work on right now
3 a motion to work on the Gulf Breeze. And we can -- we
4 will ask staff again to bring us this Mr. Gordon's --
5 because you don't have any information to provide us,
6 this is all subjective, anyway.

7 So without facts, we are just hoping for
8 something and the Board would not be able to vote on
9 anything, anyway.

10 MR. LYNCHARD: No --

11 MR. KENNEDY: So right now, we have
12 a motion --

13 MR. LYNCHARD: Here's a question --

14 MR. KENNEDY: -- to --

15 MR. MILLER: To approve the forwarding of
16 the documents.

17 MR. KENNEDY: Yes.

18 MR. TERASA: With an addition of the
19 mediation clause. Right?

20 MR. MILLER: With an addition of a
21 mediation clause.

22 MR. WILLIAMSON: Correct.

23 MR. KENNEDY: There we go. All right.
24 Any further discussion?

25 (NO AUDIBLE RESPONSE.)

1 MR. KENNEDY: Those in favor say "Aye"?

2 MR. LANIER: Aye.

3 MR. LYNCHARD: Aye.

4 MR. MILLER: Aye.

5 MR. TERASA: Aye.

6 MR. KENNEDY: Those opposed say "No"?

7 (NO AUDIBLE RESPONSE.)

8 MR. KENNEDY: Motion carries. Good
9 discussion. I love it. That's all good.

10 Okay. We are now onto the next item
11 requiring the Holley Navarre Water System job
12 description.

13 Mr. Williamson?

14 MR. MILLER: You skipped one.

15 MR. KENNEDY: Oh, which one did I miss?

16 MR. MILLER: You are skipping over -- Jim
17 Grace has been patiently waiting.

18 MR. WILLIAMSON: Jim Grace, our insurance
19 provider insurance agent is here with us. This is, we
20 hope, good news. And pretty straightforward.

21 This is the renewal of our insurance
22 policies for Holley Navarre Water System and the DNO for
23 the Club at Hidden Creek.

24 Those policies are set for renewal July
25 1st. The Holley Navarre Water System policy is \$28,000

1 less than prior year. Same coverages. And the Club at
2 Hidden Creek DNO renewal is \$150 less than the prior
3 year, same coverages.

4 Jim is here to answer any questions if you
5 have them. But, here again, we are thinking this might
6 be one of the items we would be able to dispose of pretty
7 easily.

8 MR. MILLER: Motion to approve the renewal
9 of the insurance policy as presented and direct CEO to
10 sign all related documents.

11 MR. LANIER: Second.

12 MR. KENNEDY: All right. Any further
13 discussion?

14 MR. TERASA: Yeah. I have got couple
15 things. On the subject of insurance, underground piping
16 within 100 feet of the schedule crimp. What about the
17 rest of the pipe?

18 MR. GRACE: Not covered.

19 MR. TERASA: Not covered?

20 MR. GRACE: Not covered. Now, you --
21 there is -- yeah --

22 MR. TERASA: Comprehensive liability, \$1
23 million occurrence, \$3 million aggregate. Is that right?

24 MR. GRACE: Yes, sir.

25 MR. TERASA: And I don't know anything

1 about what our exposure is, but I know in my little old
2 home, I have got a pool. I just went to a million
3 dollars.

4 And we are a multi-million dollar company.
5 Is that -- is that the limit that you can --

6 MR. GRACE: No, sir. You have \$1 million
7 dollars per occurrence with a \$3 million aggregate, but
8 then, you have a back-up with an excess umbrella with
9 \$5 million.

10 MR. TERASA: Okay. So there is additional
11 coverage that I didn't --

12 MR. GRACE: Yes, sir.

13 MR. TERASA: Okay.

14 MR. WILLIAMSON: Good question.

15 MR. KENNEDY: Great job.

16 MR. TERASA: All right. Looking at the
17 drivers, it talked -- it listed -- I guess every employee
18 was listed there as a potential driver. 59.

19 And we had 54 vehicles or 50 vehicles and
20 four trailers. Okay. I guess my question is: Does it
21 help us to -- does everybody have to be covered? Because
22 not everybody drives; do they?

23 MR. GRACE: The number of drivers has no
24 bearing on your premium.

25 MR. TERASA: Okay.

1 MR. GRACE: Okay.

2 MR. TERASA: Answered my question, then.
3 Thank you very much. I appreciate that.

4 MR. GRACE: The quality of your drivers is
5 a factor.

6 MR. KENNEDY: And we have great drivers.

7 MR. WILLIAMSON: Great drivers.

8 MR. KENNEDY: Great drivers. All right.
9 Any further questions?

10 MR. TERASA: No, that's it. Thank you.

11 MR. KENNEDY: Those in favor say "Aye"?

12 MR. LANIER: Aye.

13 MR. LYNCHARD: Aye.

14 MR. MILLER: Aye.

15 MR. TERASA: Aye.

16 MR. KENNEDY: Those opposed say "No"?

17 (NO AUDIBLE RESPONSE.)

18 MR. KENNEDY: Motion carries.

19 MR. WILLIAMSON: Thank you.

20 MR. KENNEDY: Now, we go to requiring job
21 descriptions. Mr. Williamson?

22 MR. WILLIAMSON: Thank you, Mr. Chairman.

23 As directed by the Board, we are looking for a policy
24 from the Board that would require staff or require Holley
25 Navarre Water System to have a legally compliant job

1 description for every position that is offered at Holley
2 Navarre Water System.

3 And we can tell you that for all the
4 positions that are currently on -- or that are currently
5 offered at Holley Navarre Water System, we do have a
6 legally compliant job description.

7 MESI and The Club at Hidden Creek are
8 working on their job descriptions. But we would like the
9 Board to have a -- enact a -- consider enacting a policy
10 to where we are moving forward.

11 The Board wouldn't have to worry about
12 that. And they would know that nobody would be hired at
13 Holley Navarre Water System without a legally compliant
14 job description in place.

15 And job descriptions have been forwarded
16 to the Personnel Chair, Ms. Harper. And she was with
17 family tonight is why she couldn't make the meeting. But
18 all indications are that what was provided to her is
19 acceptable. I didn't hear any changes or negative
20 feedback or any recommendations to change anything that
21 was provided.

22 MR. KENNEDY: Okay.

23 MR. MILLER: So are you looking for us to
24 give staff direction to write a policy to that effect?

25 MR. WILLIAMSON: Just for the Board to

1 approve a policy that we don't have. I mean, we have --
2 we have folks -- Barbara has been here 25 years and never
3 had a job description.

4 Nobody here has ever had a -- not
5 everybody here has had a job deposition. So we just
6 think that it is something that maybe got missed before,
7 so we would like to see the Board approve that policy
8 that moving forward, there would have to be a legally
9 compliant job description. That would be the expectation
10 for staff to fulfill.

11 MR. LYNCHARD: Can we get a copy of the
12 job descriptions?

13 MR. WILLIAMSON: Certainly.

14 MR. LYNCHARD: Okay.

15 MR. KENNEDY: All right. So right now, we
16 have a request for -- do we have a motion that someone
17 wants to --

18 MR. LANIER: I make a motion that we
19 approve requiring a legally compliant job description for
20 each position offered at Holley Navarre Water System.

21 MR. TERASA: Second.

22 MR. KENNEDY: Is there any further
23 discussion?

24 MR. MILLER: Can we add Holley Navarre
25 Water System, MESI, and The Club at Hidden Creek to that?

1 MR. WILLIAMSON: Yes. Or its --

2 MR. LANIER: -- affiliates.

3 MR. MILLER: Or its affiliates. Add
4 something to that effect to it.

5 MR. LANIER: I will agree to add that, so
6 with their affiliates.

7 MR. LYNCHARD: Can we add that the Board
8 needs to get a copy of the job descriptions?

9 MR. PHILLIPS: I didn't hear what you were
10 saying --

11 MR. KENNEDY: Well, I believe we can just
12 request those at any time.

13 MR. LYNCHARD: Okay.

14 MR. TERASA: Yeah. But wasn't the
15 impetus --

16 MR. KENNEDY: It won't have to be an
17 omission --

18 MR. LYNCHARD: Okay.

19 MR. TERASA: Didn't we direct staff to do
20 that before? Or not?

21 MR. KENNEDY: Yes.

22 MR. WILLIAMSON: It was definitely
23 important for the Board members. I had several Board
24 members ask about job descriptions, not the least is our
25 Personnel Chair wanting to know if we had job

1 descriptions.

2 I know it was something that Holley
3 Navarre Water System was working on before I came to be
4 the CEO -- was that job descriptions were forwarded to
5 Landrum and were under review for maybe half the
6 positions.

7 But it was just a clarification that the
8 role of the Board is to require staff to have legally
9 compliant job descriptions. It wasn't the role of the
10 Board to create the job descriptions. And I don't think
11 that had ever been clear --

12 MR. TERASA: We were establishing now,
13 then.

14 MR. WILLIAMSON: -- that staff added that
15 directive.

16 MR. LANIER: So we asked you to come up
17 with this list. And now that you have this list, you are
18 basically asking for us to require that you use that
19 list?

20 MR. WILLIAMSON: That we don't hire
21 anybody that doesn't -- without a legally compliant job
22 description.

23 MR. KENNEDY: All right. Any further
24 questions?

25 (NO AUDIBLE RESPONSE.)

1 MR. KENNEDY: Those in favor say "Aye"?

2 MR. LANIER: Aye.

3 MR. LYNCHARD: Aye.

4 MR. MILLER: Aye.

5 MR. TERASA: Aye.

6 MR. KENNEDY: Those opposed say "No"?

7 (NO AUDIBLE RESPONSE.)

8 MR. KENNEDY: Motion carries.

9 Next order of business is the 401-K
10 retirement benefits policy. Mr. Williamson?

11 MR. WILLIAMSON: Thank you. Trying to
12 meet one of the priorities, the critical issues of the
13 Board, of retention for employees.

14 And one of the things that was mentioned
15 in the employee survey as well was retirement benefits,
16 come to look at our retirement benefits.

17 Currently, we have 57 folks that are part
18 of the defined benefit pension plan, 36 of which, I
19 believe, are active right now. But we have a good
20 portion of our employees right now that do not have
21 their -- they have the opportunity to invest in a 401-K
22 or participate in a 401-K plan, but there is no match.

23 And it's going to be difficult for us to
24 stay competitive when we are not offering anything in the
25 way of retirement benefits. So what you see before you

1 is a recommendation to the Board to begin a 401-K match.
2 You see two different vesting schedules. One of them is
3 similar that you have might have in other utilities.

4 Gulf Breeze provides an eight percent
5 match. South Walton, eight percent. I think Pace is to
6 nine percent. And Destin Water Users is three percent,
7 but they also do a two percent of their salary that does
8 not require a match.

9 So, right now, we don't offer any match.
10 So when somebody is looking for a home and -- or looking
11 to compare our employment with somewhere else, that's
12 definitely a weak area for us. So knowing that the Board
13 wanted us to improve in that area for our employees, this
14 is what you have before us. It will not require any
15 change to the defined benefit pension plan.

16 And you have a couple of options there of
17 either five percent or seven percent. And this year, we
18 would recommend that that would be if the Board so choose
19 that we would implement that October 1. So you would
20 only have one quarter this year of the expense.

21 And the numbers that have been provided to
22 you are if every single fulltime employee that was
23 eligible participated. So the numbers you have there
24 would be the ceiling of what the cost would be associated
25 with offering a match.

1 MR. LANIER: I would like to make the
2 motion to approve amending the existing 401-K plan,
3 effective October 1, 2019, and offer a seven percent
4 match with a six-year vesting for each full-time employee
5 across business segments.

6 MR. KENNEDY: Do we have a second?

7 MR. LANIER: Y'all don't all say it at
8 once, now.

9 MR. MILLER: I am more in favor of five
10 percent.

11 MR. KENNEDY: Me, too.

12 MR. LANIER: Well, when our competition in
13 the area for the jobs are all offering eight percent, I
14 think seven percent --

15 MR. LYNCHARD: Destin offers three
16 percent --

17 MR. MILLER: Plus a two percent of
18 their -- it's still five. It's still five.

19 I think we have got to start somewhere on
20 this and there is the defined benefit pension plan that
21 is offered as well. And I just think five percent is
22 more --

23 MR. KENNEDY: So we need to get us a
24 motion first. Do you want to work on that one?

25 MR. LANIER: I will let somebody else make

1 the motion.

2 MR. KENNEDY: Do you want to rescind the
3 motion?

4 MR. LANIER: I would rescind my motion.

5 MR. KENNEDY: I would like to make a
6 motion that the Board -- or a motion for a 75 percent
7 match up to five percent of the annual compensation of
8 the employees with a four-year vesting.

9 MR. TERASA: 70 what?

10 MR. LANIER: You lost them on that first
11 one.

12 MR. PHILLIPS: I will take it.

13 MR. MILLER: 75 percent.

14 (EVERYONE SPEAKING AT THE SAME TIME.)

15 MR. KENNEDY: Before we go anywhere, I
16 need a second. Hang on. Before we go anywhere, y'all --

17 MR. LYNCHARD: 75 percent of five percent.

18 MR. WILLIAMSON: That will accelerate
19 people's retirement choices quickly.

20 MR. LYNCHARD: If you put in ten percent,
21 we will match -- we will match up to -- we will match
22 seven and a half percent.

23 MR. KENNEDY: Okay. So right now, you are
24 changing --

25 MR. LYNCHARD: Five percent of annual

1 compensation.

2 MR. KENNEDY: You are changing vesting
3 schedules, so we have a motion. Does anyone want to
4 second his motion?

5 MR. LANIER: I will second it for
6 discussion.

7 MR. LYNCHARD: Does anybody need more
8 clarification?

9 MR. LANIER: It would help.

10 MR. KENNEDY: Well, we have this in front
11 of us, so I think we all understand this. So now --

12 MR. LYNCHARD: All right. In other words,
13 if you put in ten percent, we will match up to 75 percent
14 of that -- seven and a half percent.

15 MR. LANIER: Okay. So if we put in five
16 percent --

17 MR. LYNCHARD: Then, we will match up to
18 75 percent of that.

19 MR. LANIER: 75 percent of five percent?

20 MR. LYNCHARD: That's right.

21 MR. LANIER: Okay.

22 MR. LYNCHARD: Up to five percent of your
23 annual compensation. So if you do 10 percent, we will
24 match seven and a half percent of that until you get to
25 five percent of your annual compensation and then we shut

1 it off.

2 MR. WILLIAMSON: And we have Jeff Weeks
3 here --

4 MR. LYNCHARD: That's right. And Jeff
5 can -- Jeff understands what I am talking about.

6 MR. MILLER: Is that doable --

7 MR. WILLIAMSON: There is a cap that's
8 going to be involved with the Government, a total that
9 you can contribute, so --

10 MR. WEEKS: Well, what you are going to --
11 some of that is going to come down to what a third party
12 administrator does. It's going to be a little bit
13 outside of my main area of expertise on that.

14 So when Mr. Williamson and I and the TBA
15 had a pretty lengthy discussion and kind of came up with
16 this game plan on a five to seven percent, right now, one
17 of the things we don't have to spend a whole lot of time
18 worrying about is testing, because we don't have anybody
19 or we don't have anybody, for the most part, that is
20 considered a highly compensated employee.

21 So, right now, we are okay on that from a
22 testing standpoint. If we start getting too complicated,
23 you know, that could mess some of that eventually, but
24 right now, that shouldn't really be a problem. But I
25 mean, I guess the short answer to your question, Director

1 Lynchard, would be that, yeah, there is a lot of
2 flexibility as far as matching programs are concerned.
3 We will just have to go back and do the math on it and
4 see what --

5 MR. TERASA: Explain testing to me. I am
6 not sure what you mean.

7 MR. LYNCHARD: Compliance testing.

8 MR. WEEKS: Well, what is a --

9 MR. TERASA: That's what I am thinking --

10 MR. WEEKS: This is really probably not
11 going to be a big deal to you guys at this stage of the
12 game. And, again, I am paraphrasing here -- these 401-K
13 plans have to be tested. So what they are trying to do
14 is prevent top -- what they call "Top heavy testing."

15 And it wouldn't so much be an issue in a
16 non-profit organization like this, but if you and I owned
17 a business out there and we were highly compensated and
18 perhaps we had employees that were working for us that
19 were not as highly compensated, what ERISA does not want
20 to have happen is a situation where you and I are
21 maximizing and maybe not allowing our employees to
22 participate, looking out for them.

23 So it's a way to look out for that.
24 There's something called Safe Harbor 401-K Plan that
25 would eliminate testing. And so, that's a work-around.

1 If you and I were to maximize our -- our savings -- that
2 we could do that work-around, but we would be required to
3 automatically match and immediately vest our employees.
4 That's really not an issue for you guys at this
5 particular point in time.

6 Highly compensated employees start out at
7 about \$125,000. It's been going up recently about \$5,000
8 a year, so just kind of looking at things.

9 You guys are probably going to stay ahead
10 of the game and I am assuming it will continue to
11 escalate at about five grand per year.

12 MR. KENNEDY: And it is Mr. Weeks?

13 MR. WEEKS: Weeks. Yes, sir.

14 MR. KENNEDY: Yes, sir. So this right
15 here, were you involved in helping developing this
16 information here?

17 MR. WEEKS: I was involved in the
18 discussion with our third party administrator and
19 Mr. Williamson.

20 MR. KENNEDY: Okay. So the reason I ask
21 is so we have a recommendation from staff here. And now,
22 what, we have a motion that Director Lynchard has given
23 us, which is different from here.

24 MR. LANIER: Don't let me repeat that
25 again.

1 MR. WILLIAMSON: If I understand Director
2 Lynchard's request, you are saying we would match up to
3 five percent of the annual salary.

4 MR. LYNCHARD: That's right.

5 MR. WILLIAMSON: So our annual salary
6 right now is the \$3.3 million. That's total salaries
7 right now. So if we are going to match up to five
8 percent of that, then the maximum match of that you would
9 be talking about would be, what, \$165,000; right?

10 MR. LYNCHARD: And that's assuming that
11 the employees put in --

12 MR. KENNEDY: 100 percent --

13 MR. LYNCHARD: -- eight percent of their
14 salary.

15 MR. WILLIAMSON: But you were saying that
16 you would match up to 75 percent of the employee's match
17 up to five percent.

18 MR. TERASA: Five percent.

19 MR. WILLIAMSON: So the ceiling would be --

20 MR. LYNCHARD: So your --

21 (DIRECTORS SPEAKING OVER EACH OTHER.)

22 MR. WILLIAMSON: That serves as a
23 significant reduction in what the match would -- the net
24 match would end up being --

25 MR. LYNCHARD: No, it wouldn't.

1 MR. WILLIAMSON: -- looking at a max of
2 five percent of salaries would be the most you could --
3 it's the most you would match.

4 MR. LYNCHARD: Isn't that what you just --
5 isn't that what you recommended was five percent?

6 MR. WILLIAMSON: Right. But you are
7 recommending 75 percent of --

8 MR. LYNCHARD: My recommendation is -- no,
9 no, no, no.

10 MR. WILLIAMSON: That's where I am losing
11 you.

12 MR. LYNCHARD: That's where you are
13 missing me.

14 MR. TERASA: Yeah. I am lost, too.

15 MR. LYNCHARD: Okay. I am saying that if
16 you put in a dollar, I am going to put in 75 cents.

17 MR. WILLIAMSON: Right. But --

18 MR. LYNCHARD: Okay. Up --

19 MR. WILLIAMSON: The most you would be
20 willing to contribute is?

21 MR. LYNCHARD: But the most I would be
22 willing to contribute would be five percent of your
23 annual salary. So in order for me to --

24 MR. WILLIAMSON: So if all annual salaries
25 were added up to \$3.3 million, five percent of that would

1 be \$165,000.

2 MR. LYNCHARD: That's right.

3 MR. WILLIAMSON: So that's the most Holley
4 Navarre Water System would be willing to contribute.

5 MR. LYNCHARD: Five percent. Yes.

6 MR. MILLER: I think what Director
7 Lynchard is proposing is instead of a one-to-one match,
8 it's one to 75 percent --

9 MR. LYNCHARD: Yeah. One to 75 percent.

10 MR. MILLER: Which is encouraging the
11 employee to put in more than we are matching.

12 MR. KENNEDY: I guess, Director Lynchard,
13 why are --

14 MR. LYNCHARD: To encourage savings. Is
15 that what I am --

16 MR. KENNEDY: No. My question is
17 actually why -- what is wrong with the recommendation
18 from staff versus what you're suggesting?

19 MR. LYNCHARD: Okay.

20 MR. KENNEDY: I guess one of the things I
21 would be interested in working with staff to be having
22 this option ahead of time so that they can work out what
23 it is that they are going to have to do.

24 MR. LYNCHARD: I told everybody in an
25 email over a month ago and I was going to bring things up

1 at Board meetings and I was no longer to discuss them in
2 emails. Remember? Well, I kept getting accused of
3 being -- nevermind.

4 MR. KENNEDY: We will work on this.

5 MR. LYNCHARD: So that was my motion.

6 MR. KENNEDY: Yes. Okay. So first I am
7 not sure because it is a completely different thing,
8 whether or not staff would even -- do you need time to
9 analyze what his motion even is?

10 MR. WILLIAMSON: No. I mean, there were
11 options to the Board. And if the Board wants to choose
12 another option, then, obviously, staff would implement
13 that. I am just trying to figure out how, you know, if
14 it's five percent is the ceiling, but you are only going
15 to contribute up to 75 percent of that, then, really,
16 it's not -- it's not going to end up being five percent.

17 MR. LANIER: No. What he is saying is
18 if -- if he puts -- if you put in \$10 --

19 MR. WILLIAMSON: I understand --

20 MR. LANIER: Then, you would get \$7.50
21 worth of reimbursement or investment from the company.
22 But if you did that every month, if it reached up to --
23 if you got to the part where the company provided a
24 portion equal to five percent of your yearly salary, then
25 the company contributions would stop at the point.

1 MR. PHILLIPS: I think specifically what
2 Daryl is saying is if an employee wanted to receive their
3 maximum benefit of the five percent match, they would
4 have to put in 6.67 percent of their salary to get that.

5 MR. LYNCHARD: There you go. Yes.

6 MR. PHILLIPS: So instead of a one-to one
7 match at five percent, it's \$6.67 to get \$5.00. That's
8 what you are saying.

9 MR. LYNCHARD: That's it.

10 MR. MILLER: I know Phil and Daryl can do
11 math, but that's going to be very confusing to a lot of
12 people. I would rather keep it simple --

13 MR. PHILLIPS: It hurt my head.

14 MR. KILPATRICK: And you are an engineer.

15 MR. KENNEDY: So, right now --

16 MR. LANIER: I mean, eventually, all of
17 this we are going to --

18 MR. LYNCHARD: Right now, we have Daryl's.
19 All right. We have this as a staff recommendation, and
20 then, Daryl's, but we have a motion right now for
21 Daryl's.

22 MR. LANIER: I would ask that the Board
23 consider making that five percent cap slightly larger,
24 just to be -- it's an investment in the future of our
25 retention of employees and showing that, you know, "We

1 want you to stick around."

2 And, you know, I am okay with a four-year
3 vest on this. If we could bump back up for --

4 MR. KENNEDY: Just one second. Mr. Weeks?

5 MR. WEEKS: If it makes you feel better,
6 and this is something that came up in our discussion, if
7 you are thinking longer term out and concerned about a
8 higher percentage. And, you know, the example I use, and
9 I clearly don't understand everything that might be
10 involved in this from an insurance standpoint what might
11 be covered.

12 But, Heaven forbid, there was some sort of
13 catastrophic event, you know, we had a Hurricane Ivan or
14 something like that that came through and you had an
15 unexpected capital outlay to take care of that.

16 You will have some flexibility that you
17 could say, "Well, maybe we can't do that match at this
18 point in time -- that amount." So don't feel like you
19 are going to be long-term locked into that, unless we
20 were to get into a situation where testing became an
21 issue, and, you know, had to enter into like the Safe
22 Harbor. But I guess what I am trying to tell you is that
23 you would have some flexibility there.

24 MR. KENNEDY: We can go up and down based
25 on economics.

1 MR. WEEKS: At the Board's discretion.

2 I think that, you know, Mr. Williamson
3 would probably agree with me on this, I think it makes
4 the most sense to set, you know, whatever that percentage
5 is that the Board is comfortable with, and, you know, try
6 to stick with that for an extended period of time. But I
7 just saying in a crisis-type situation that would become
8 a concern.

9 MR. TERASA: So, Daryl, what you are
10 trying to do is instead of advising me as an employee to
11 put more in, but I am only going to give you -- I am not
12 going to match you one-for-one. I am going to give you
13 75 percent of what you put in.

14 MR. LYNCHARD: That's right.

15 MR. WILLIAMSON: The ceiling --

16 MR. LYNCHARD: I am going to give you five
17 percent if you will put in 6.6 percent.

18 MR. WILLIAMSON: So the commitment for the
19 company is still the same for the five percent.

20 MR. LYNCHARD: That's right.

21 MR. WILLIAMSON: So our numbers --

22 MR. LYNCHARD: -- numbers stay the same.

23 MR. WILLIAMSON: Fiscally, we can handle
24 that.

25 MR. KENNEDY: Is it confusing?

1 MR. TERASA: Okay. And then, if you said
2 six -- did you say six years?

3 MR. LYNCHARD: Jeff, question for you:
4 How often -- annually, what time of the year can the
5 Board change the matching contribution?

6 MR. WEEKS: Yeah. I believe so.

7 MR. LYNCHARD: I mean when. I know they
8 can. But when during the year?

9 MR. WEEKS: That has to be notified. You
10 have to have a certain amount of, like, I don't know, 60
11 days or whatever. Please don't hold me to that.

12 MR. LYNCHARD: Oh, yeah, definitely. But
13 it is before the end of the year. So like --

14 MR. WEEKS: Yes. Yes. And I could get an
15 exact answer for you on that with a third party
16 administrator to communicate with staff on that.

17 MR. LYNCHARD: What I am trying to figure
18 out is can we change it at this point during the year?

19 MR. WEEKS: Can you change what now?

20 MR. LYNCHARD: For -- can we amend our
21 plan at this point during 2019 for 2019?

22 MR. WEEKS: Oh, yes. Because we discussed
23 that, because the 401-K document does not allow for a
24 match.

25 MR. LYNCHARD: Okay. So if we add it --

1 MR. WEEKS: So what would happen is
2 assuming Board approval, Rob, I guess, at this point I
3 would pretty much take it and we would start the process
4 of having the 401-K document amended. And then, there
5 will be forms and what not sent out to all of the
6 employees letting them know eligibility requirements, so
7 on and so forth.

8 There will be custom made retirement
9 booklets that explain to the employees what they will be
10 getting, what they can expect. And then, I will
11 personally come out and conduct meetings, educational
12 meetings, things of that nature.

13 MR. LYNCHARD: And one other thing
14 whenever you are talking about it being confusing and
15 being a disadvantage to employees, actually, this year,
16 if an employee were to say, "I want to put away 20
17 percent of my salary into the 401-K."

18 Well, we are going to match that up to 75
19 percent up to five percent of their salary; correct? You
20 get it?

21 MS. CALLEN: I guess.

22 MR. MILLER: But it's only for one
23 quarter, though, so it's --

24 MR. LYNCHARD: But it's -- well, but in
25 your scenario, if they put away five percent, they get

1 five percent.

2 MR. MILLER: Right.

3 MR. TERASA: Are you telling me, if I sign
4 up, if I put \$20,000, I am going to get --

5 MR. LYNCHARD: \$10,000. Or --

6 MR. TERASA: No. On that, it would be 15.

7 MR. LYNCHARD: Yeah. 15. You are right.

8 MR. KENNEDY: No.

9 (EVERYONE SPEAKING AT THE SAME TIME.)

10 MR. TERASA: All right, Daryl, I would
11 sign up for that.

12 MR. LYNCHARD: Yeah. You have got to be
13 able to -- well, no, you -- it's got -- it's got -- it's
14 a percentage of your salary --

15 (DIRECTORS SPEAKING OVER EACH OTHER.)

16 MR. LYNCHARD: Yeah. It's got to be a
17 percentage of what you make.

18 MR. KENNEDY: He has already calculated it
19 for the end of the year. It's only going to cost us
20 \$41,000. If everybody jumped in at the same time. And
21 if everybody jumped in at that number, we would be like
22 at a million bucks real quick.

23 MR. LYNCHARD: No, we wouldn't.

24 MR. KENNEDY: I am just saying if we gave
25 away \$10,000 in a quarter.

1 MR. LYNCHARD: There are limitations.

2 MR. MILLER: I am in favor of keeping
3 it -- keeping it simple at the five percent rate. And,
4 you know, that's something that can always be increased
5 down the road, but, you know, the other discussion is,
6 you know, that's part of the overall compensation package
7 that the employees are getting and I know there is a
8 review of what the wages are across the industry and what
9 we are paying people to retain them.

10 You know, that may be coming up down the
11 road, too, a decision on salaries and wages. So I think
12 we need to be a little bit conservative and keep it at
13 five percent.

14 MR. KENNEDY: All right.

15 MR. LYNCHARD: How about a six-year
16 vesting?

17 MR. KENNEDY: Right now, we have got a
18 motion with Daryl's math that we need to vote on. Or we
19 need to then go to another motion that if -- we are going
20 to go with Daryl's --

21 MR. LYNCHARD: I will rescind my motion.

22 MR. KENNEDY: Okay. All right. So
23 Daryl's motion is rescinded.

24 MR. LYNCHARD: If somebody will rescind
25 their second? Or do we need to vote on that?

1 MR. LANIER: I think you can rescind it.

2 MR. LYNCHARD: Okay. I will rescind it.

3 MR. KENNEDY: Mr. Miller?

4 MR. TERASA: Third time the charm.

5 MR. KENNEDY: Would you like to --

6 (EVERYONE SPEAKING AT THE SAME TIME.)

7 MR. MILLER: Would you want a six-year
8 vest?

9 MR. LYNCHARD: Yeah.

10 MR. MILLER: What's the advantage of a
11 six-year vest?

12 MR. LYNCHARD: It just means they have to
13 keep it there.

14 MR. MILLER: Okay. I agree with that.
15 That's smart. Okay. I am going to make a motion that we
16 approve amending the existing 401-K effective October
17 1st, 2019, to offer up to a five percent match for
18 eligible, fulltime employees across all business segments
19 with a six-year vesting schedule.

20 MR. LYNCHARD: I will second the motion.

21 MR. KENNEDY: We have a second. Any
22 further discussion? Actually, I do have a question
23 for -- so I have been lucky enough and blessed that I
24 have been part of a 401-K plan ever since I have been in
25 the industry.

1 So when I first got a 401-K plan, I didn't
2 know the difference between a mutual fund, an index fund,
3 putting my money under a mattress. So the way that I
4 look at this 401-K is we are, like you, are passionate
5 about. We are trying to help employees invest in the
6 future.

7 I guess the question is I have is: What
8 skills will we be able to provide to the employees,
9 because if they have never been involved in this, this is
10 a scary thing.

11 I mean, I am giving someone money and I
12 have no clue what a mutual fund is.

13 MR. WEEKS: Yeah. Great question. And
14 that's where I am going to really come in to play. I am
15 going to be at their disposal as far as I am, you know,
16 phone calls, if they want to.

17 But we will schedule however many staff
18 thinks is appropriate, what we would refer to as
19 education meetings. So I will be out -- come out and
20 spend some time with the employees. I have done that
21 some when we started the 401-K. But because there was no
22 match, I think we had three people in there.

23 Historically speaking, I will take you
24 back many many years when Holley Navarre Water System was
25 much smaller. But probably members this year, they had

1 something called a simple IRA plan, which you may have
2 heard of that.

3 And so, I spent a lot of time with you
4 guys over the years and established some relationships,
5 so I am very familiar with the core group of Holley
6 Navarre employees, not as much with the golf course side
7 and some of the additional stuff. But that's my wheel
8 house. I enjoy doing that.

9 So that's -- I am available to basically
10 whatever they need within -- and on top -- I will add
11 just one more thing, on top of that, they will have a
12 very robust kit, enrollment kit and access online, so on
13 and so forth, but I think we all know that when the day
14 is done, if they can pick up the phone and ask someone a
15 question, that's worth more than all the online stuff.
16 And I am available for that.

17 MR. LYNCHARD: Jeff is great. At the
18 beginning of the conversation or the beginning of this
19 discussion, it seemed like we were talking about the
20 401-K and the defined benefit plan as being one or the
21 other and having -- or having something to do with one
22 another.

23 And just in case any of our employees read
24 the transcripts or look at the minutes, I want to make
25 sure that everybody is aware that they have absolutely

1 nothing to do with one another. They are completely
2 separate.

3 If you are in the defined benefit plan,
4 you are in the defined benefit plan. You can also be
5 part of the 401-K, but they have nothing to do with one
6 another.

7 Thank you, Mr. President.

8 MR. KENNEDY: Thank you, sir.

9 MR. KENNEDY: Any further discussions?

10 (NO AUDIBLE RESPONSE.)

11 MR. KENNEDY: All right. Those in favor
12 say "Aye"?

13 MR. LANIER: Aye.

14 MR. LYNCHARD: Aye.

15 MR. MILLER: Aye.

16 MR. TERASA: Aye.

17 MR. KENNEDY: Those opposed say "No"?

18 (NO AUDIBLE RESPONSE.)

19 MR. KENNEDY: Motion carries.

20 Finally Hidden Creek.

21 Next item is the Hidden Creek General
22 Manager's report. Ms. Callen?

23 MS. CALLEN: Thank you so much. We had
24 another good month, I am excited to say.

25 MR. KENNEDY: Good.

1 MS. CALLEN: Revenue was \$182,353. Total
2 expenses were \$131,349, which give us, of course,
3 operating income of \$51,005. We have actually exceeded
4 the \$19,500 per month that you have given us, so --

5 (APPLAUSE)

6 MR. TERASA: Yay.

7 MR. LYNCHARD: When are we going to get
8 that check?

9 MS. CALLEN: Soon. Soon. We already
10 overcame from 39,500 to 19,500, so we are getting there.

11 So, yeah, we are real happy with 51,000.

12 MR. KENNEDY: Amazing.

13 MS. CALLEN: We did an application this
14 month of mole cricket and pre-emergent fertilizer all at
15 the same time, so the course right now in in great shape.
16 We have some pictures, a couple of pictures. The course
17 is in beautiful shape right now.

18 Our tee sheet is full. Sunday, we did 193
19 players. So even with the price increase, we are doing
20 great.

21 MR. KENNEDY: It's amazing.

22 MS. CALLEN: Let's see here -- do we need
23 to approve the financials?

24 MR. KENNEDY: Yes. If you are ready for
25 that.

1 MR. MILLER: Motion to approve the
2 financials as presented.

3 MR. LYNCHARD: Second.

4 MR. KENNEDY: Any further discussion?

5 MR. MILLER: I have a discussion. On the
6 income statement, after it lists all of the income, it
7 lists total income and then net income right underneath
8 that as being the same as total income.

9 In my experience, net income is income
10 after expenses. So why is that referred to as net
11 income?

12 MR. KENNEDY: Where are we?

13 MR. MILLER: On the income statement.
14 That's gross income.

15 MR. LYNCHARD: Yeah. That's gross or
16 that's --

17 MR. MILLER: \$182,353.

18 MR. LYNCHARD: Yeah. That's net income.

19 MR. MILLER: I believe it should be
20 referred to as gross income. You know, net income is the
21 \$29,246.

22 MS. CALLEN: Yeah. That's our computer
23 software that does that -- the Sage computer software
24 that their report that we are putting it on. So we will
25 check into it.

1 MR. MILLER: Okay. And it's a little
2 confusing. Net income of \$182,000, that's really, really
3 good.

4 MS. CALLEN: Yeah.

5 MR. MILLER: Anyway, that was just a
6 comment on that.

7 MR. WILLIAMSON: Yeah. And right after
8 that, it has gross profit.

9 MS. CALLEN: Look at net profit at the
10 very back.

11 MR. MILLER: Right. It's just semantics,
12 but if we could change that, that would make it a little
13 better.

14 MS. CALLEN: I will see if we can.

15 MR. WILLIAMSON: Do you see at the end
16 where we have the net profit of \$29,246?

17 MR. MILLER: Yes.

18 MR. WILLIAMSON: So the net income is
19 accurate at \$182,000. You are --

20 MR. MILLER: When I went to Accounting
21 101, net income was income minus expenses.

22 MR. WILLIAMSON: Okay. So you would just
23 prefer -- where we had total income -- Barbara, is it
24 possible -- it seems, you know, this report basically
25 prints the -- I totally understand these, but it prints

1 the exact same thing three times. It has total income,
2 then net income and gross profit.

3 MR. KENNEDY: All the same number.

4 MR. WILLIAMSON: Yeah. We will work on
5 seeing if we can just get the one that says total income
6 and eliminate the other two.

7 MR. MILLER: Yeah.

8 MR. WILLIAMSON: And I do feel the need to
9 notify the Board, the Board approved \$235,000 for subsidy
10 of the golf course and that we had additional capital
11 expenditures on top of that through five months of the
12 year.

13 We have allocated \$234,000 roughly to the
14 golf course. We anticipate -- our forecast will be
15 around \$370,000 total max contribution this year,
16 including capital expenditures. That will be roughly
17 \$177,000 lower than any previous year since the course
18 was acquired, but it is still an extraordinary amount of
19 money.

20 And that's definitely funding that. We
21 are heading in the right direction, but I want to make
22 sure that we temper that excitement with the
23 understanding that that's money that we need to work on
24 applying back toward the reason why we are here, which is
25 the water and wastewater side of things.

1 I think it's a great story. Cindy is
2 doing a great job. Like I said, almost \$200,000 lower
3 than we have ever had it. We anticipate that getting
4 better throughout the year, but we still have got work to
5 do.

6 MR. MILLER: I would love to see it become
7 self-sufficient, maybe even profitable without the
8 subsidy.

9 MR. TERASA: Right.

10 MR. WILLIAMSON: That's the goal.

11 MR. KENNEDY: And you guys are firing on
12 all cylinders. I mean, you are doing a great job. I
13 mean, the numbers are coming in -- I know that this is
14 probably a wonderful month for all golf courses, but you
15 guys are -- I mean, look across all your segments. You
16 were up 10, 20 percent. And on your expenses, you were
17 down. So your guys are --

18 MR. WILLIAMSON: Rounds are up.

19 MR. KENNEDY: Yeah. The number of rounds
20 were up huge as well, so congratulations.

21 MR. TERASA: Just a couple comments for --
22 Cindy is doing a great job managing, but, you know, we
23 have a grounds keeper doing great. Lupe is doing great
24 bringing -- doing tournaments almost every month making
25 money. Jamie is doing a wonderful job, got the crew out

1 there working the course.

2 If you haven't been out there to eat, you
3 need to go look at it and go to the restaurant by the
4 way. So thank you so much for what is going on there.
5 It's just really really wonderful what is happening out
6 there.

7 Correct me if I am wrong, but my
8 understanding now with our increase, less rounds, but
9 high revenue from a golf standpoint. Accurate?

10 MR. WILLIAMSON: Compared to prior year,
11 green fees, cart fee revenue is up over, I want to say
12 \$50,000 and 30 in one -- so it's around \$50,000 through
13 five months of the year over prior year rounds -- 380
14 some rounds over prior year increase.

15 MR. TERASA: But I was just speaking of
16 June now is looking good based even with the --

17 MR. WILLIAMSON: They have added five --
18 how many members have we added so far?

19 MS. CALLEN: In May, we added four new
20 members, and in June, I know we have had at least three
21 more.

22 MR. TERASA: Yeah.

23 MR. KENNEDY: That's great. So we will
24 get to see those June numbers and see if the price
25 increase causes our rounds to go down or if everybody

1 went, "Yeah. It's still a great little golf course."

2 MR. WILLIAMSON: Yeah.

3 MR. KENNEDY: Now, we do have a motion for
4 the financial as presented. We were going to wait for
5 you.

6 MR. LYNCHARD: Me?

7 MR. KENNEDY: Yeah. All right. Those in
8 favor say "Aye"?

9 MR. LANIER: Aye.

10 MR. LYNCHARD: Aye.

11 MR. MILLER: Aye.

12 MR. TERASA: Aye.

13 MR. KENNEDY: Those opposed say "no?"

14 (NO AUDIBLE RESPONSE.)

15 MR. KENNEDY: Motion carries.

16 MS. CALLEN: A couple small little things
17 that you wanted in the report. You asked about the net.
18 We did seek legal counsel. He met with our guy that
19 installed the net. That did not come to fruition at all.

20 We are alone on this now, but we have
21 secured the bottom of the net. It is holding back the
22 balls like it is supposed to. There is a slit in it. we
23 are working on getting somebody to sew that slit up and
24 we still can't retract it, but right now, it is doing its
25 job.

1 MR. KENNEDY: So the installer has -- he
2 has thrown his hands -- he is done?

3 MS. CALLEN: He is done.

4 MR. KILPATRICK: There was almost an
5 altercation between -- who was it?

6 MS. CALLEN: Chip.

7 MR. KILPATRICK: Chip and him. If I
8 wasn't there, then there would have been an altercation.

9 MR. KENNEDY: Thank you. That saved us
10 from a --

11 MR. KILPATRICK: He is not invited back on
12 the property. He didn't want to help. There was nothing
13 in writing to force him to help. He was more of a hinder
14 than anything.

15 MS. CALLEN: Very aggressive.

16 MR. KILPATRICK: I personally went out
17 there -- very aggressive gentleman.

18 MR. MILLER: He did all the fencing too;
19 right?

20 MS. CALLEN: On 399 right there. That
21 part.

22 MR. KENNEDY: Yeah.

23 MR. MILLER: There was other fencing that
24 he was considering.

25 MS. CALLEN: Bidding for. He was bidding

1 for other fencing. He was bidding for the bathrooms.

2 MR. MILLER: So needless to say, he won't
3 be hired to do anything else.

4 MR. KENNEDY: And needless to say, this is
5 our lesson learned that when we are in --

6 MR. KILPATRICK: Put it in writing.

7 MR. KENNEDY: We are putting it in writing
8 and we are going to cover all of our bases so that we --
9 so where does this leave us, Cindy, as far as --

10 MS. CALLEN: We are in good shape right
11 now as far as the balls are not going out into the street
12 near as much. The bottom of the net is secured. And we
13 are trying to find someone to upkeep the maintenance for
14 us.

15 MR. KENNEDY: Cool.

16 MR. LYNCHARD: Can I ask a question about
17 this?

18 MR. KENNEDY: Of course.

19 MR. LYNCHARD: Okay. Keith, what kind of
20 liability do we have if this fence comes down, you know,
21 at some point in the future when we have a tropical storm
22 or a hurricane, if this fence -- fencing comes down and
23 tears something up?

24 MR. KILPATRICK: Are you talking about
25 like if a hurricane comes in and grabs the --

1 MR. LYNCHARD: Yeah. Grabs the structure
2 and --

3 MR. KILPATRICK: It would almost be like
4 an act of God. And so, I really see little to no
5 liability.

6 MR. LYNCHARD: Okay.

7 MR. KILPATRICK: I can't imagine what a
8 net would do to a surrounding house. Almost any
9 homeowner's insurance would fix anything.

10 MR. LYNCHARD: Okay.

11 MR. KILPATRICK: It is kind of similar to
12 like a tree in someone else's yard that falls down
13 because of an act of God. Your own insurance is going to
14 cover that unless that neighbor has said, "Hey, listen,"
15 "Hey, listen," in writing, "Your tree needs to be trimmed
16 up or something."

17 You put them on notice that there
18 potential that it could fall on your house. Well, at
19 that point, you could sue and --

20 MR. LYNCHARD: All right.

21 MR. KILPATRICK: I don't see anything.

22 MR. KENNEDY: Correct. Thank you. Next
23 order of business is the monthly operations report.

24 MR. PHILLIPS: We have waived our magic
25 wand and I&I and rainfall went away for the month. I

1 will yield the rest of my time to whoever is next.

2 MR. KENNEDY: Just a quick question,
3 though. When we had that -- those few days, the big
4 deluge of rain, did you have a big whoop of I&I?

5 MR. PHILLIPS: I only know how bad it is
6 by how late in the middle of the night Chris sends me a
7 text and tells me what the flow is. And, yes, we had
8 one.

9 We had one weekend that at 1:30 in the
10 morning, I get a ding ding on my phone and Chris is
11 telling me how much flow went through the plant.

12 MR. KENNEDY: Okay.

13 MR. PHILLIPS: But we survived it, so --

14 MR. KENNEDY: Very good. Thank you, sir.

15 MR. LYNCHARD: Because of Chris.

16 MR. PHILLIPS: It's all about Chris.

17 MR. LEGG: No, it ain't.

18 MR. WILLIAMSON: We are not sure Chris
19 ever sleeps.

20 MR. LYNCHARD: And not when he hears rain
21 for --

22 MR. PHILLIPS: When it is raining, he does
23 not enjoy life.

24 MR. WILLIAMSON: If we could back up,
25 Cindy had one more thing to --

1 MR. KENNEDY: Oh, I'm sorry. Yes, ma'am.

2 MS. CALLEN: I had two more. The
3 bathrooms that we remodeled. This is a picture. They
4 are complete.

5 MR. KENNEDY: And they are amazing.

6 MR. MILLER: Who did the work on that?

7 MS. CALLEN: Absolute Steam. It's an AC
8 company. He is a member of the golf course. They did a
9 wonderful job.

10 MR. MILLER: Yeah. They look great.

11 MR. KENNEDY: And they smell amazing.
12 They have got pine in there. I'm sorry. I don't usually
13 say that when I go to a bathroom, but that's what we keep
14 hearing -- they smell amazing.

15 So any other --

16 MS. CALLEN: My last item is the Black
17 Skimmer Grill is open and --

18 MR. MILLER: Delicious.

19 MR. KENNEDY: Another amazing.

20 MS. CALLEN: There are pictures of the
21 food right there. I have eaten there several times.

22 MR. KENNEDY: Yes.

23 MR. LYNCHARD: When are we going to have
24 samples at the Board meeting?

25 MR. KENNEDY: That's a good point.

1 (EVERYONE SPEAKING AT ONCE.)

2 MR. KENNEDY: All right. Ms. Callen, are
3 you done?

4 MS. CALLEN: I am all done. Thank you so
5 much.

6 MR. KENNEDY: I want to thank you again.
7 A great job.

8 MR. TERASA: Thank you. Congratulations.
9 Keep up the good work.

10 (APPLAUSE.)

11 MR. KENNEDY: All right. Next item is
12 Clarifier 4. Mr. Snyder?

13 MR. SNYDER: Everything is still going as
14 planned. They have been forming up steel for the
15 Clarifier 4 floor to be poured. That was going to happen
16 this week. I don't think they are ready yet, so I am
17 guessing the next week they are going to pour that slab
18 for the clarifier.

19 They haven't asked me to come look at the
20 steel yet, but I bet I will be asked to do that at the
21 end of this week or early next week. Besides that, we
22 are still looking good to finish on time. That's
23 actually from a week ago. Now, there is a ton of steel
24 right where that is pictured. You can barely even see
25 the ground.

1 MR. KENNEDY: Cool. All right. Any
2 questions on that?

3 (NO AUDIBLE RESPONSE.)

4 MR. KENNEDY: All right. So we are onto
5 our member forum. If a member would like to speak,
6 please -- we will have Secretary Lanier call your name.
7 State your name and address. You have five minutes to
8 discuss anything that you would like. And we value your
9 input.

10 MR. LANIER: All right. Ms. Kemp, the
11 floor is yours.

12 MS. KEMP: All right. So when I called on
13 the agenda, we were talking about the bills. I just
14 happened to get my bill in the mail yesterday. And it
15 said at the bottom, "Do not pay. Account will be
16 drafted."

17 Because I have draft. But in every bill,
18 I get an envelope and I buy envelopes, and they are
19 expensive. So for 20 years, I have been getting an
20 envelope, even though it's drafted. So I think you can
21 save money by getting rid of your envelope. That's all.

22 MR. KENNEDY: Excellent suggestion. Thank
23 you, Ms. Kemp.

24 MR. LYNCHARD: I like that.

25 MR. KENNEDY: I do, too.

1 MR. TERASA: That's a good idea.

2 MR. KENNEDY: All right. If we have no
3 further discussion, do I have a motion to adjourn?

4 MR. TERASA: So moved.

5 MR. MILLER: Second.

6 MR. KENNEDY: Second.

7 Those in favor say "Aye"?

8 MR. LANIER: Aye.

9 MR. LYNCHARD: Aye.

10 MR. MILLER: Aye.

11 MR. TERASA: Aye.

12 MR. KENNEDY: Meeting adjourned. Thank
13 you, everyone.

14 WHEREUPON, THE HOLLEY NAVARRE WATER SYSTEM
15 AND THE CLUB AT HIDDEN CREEK BOARD OF DIRECTORS MEETING
16 CONCLUDED AT 8:22 P.M.

17

18

19

20

21

22

23

24

25

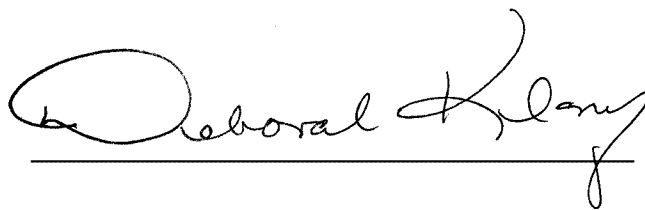
CERTIFICATE OF REPORTER

STATE OF FLORIDA

COUNTY OF SANTA ROSA

I, DEBORAH G. KHARUF, Court Reporter and Notary Public, State of Florida at Large, hereby certify that I was authorized to and did stenographically report the following combined Board of Directors meetings of the Holley Navarre Water System and the Club at Hidden Creek Golf Course. I further certify that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any attorney or counsel connected with the action; nor am I financially interested in this proceeding or its outcome.

Dated this 16th day of May, 2016.

A handwritten signature in black ink, reading "Deborah G. Kharuf", is written over a horizontal line. The signature is cursive and stylized.

DEBORAH G. KHARUF

Court Reporter and Notary Public,
State of Florida at Large.

Commission number GG 310633

My commission expires July 6, 2023.