

HOLLEY NAVARRE WATER SYSTEM

SPECIAL BOARD MEETING

SEPTEMBER 17TH, 2019

4:30 P.M. - 5:50 P.M.

MIKE KENNEDY, PRESIDENT

KEVIN LANIER, SECRETARY-TREASURER

DARYL LYNCHARD, DIRECTOR

FRED TERASA, DIRECTOR

MARK MILLER, DIRECTOR

ROB WILLIAMSON, CEO HNWS

PHIL PHILLIPS, MESI

ALSO PRESENT:

WILL DUNAWAY, ESQUIRE, CLARK PARTINGTON

DEBORAH KHARUF, COURT REPORTER

1 MR. KENNEDY: All right. Is this just a
2 meeting? Or am I calling something to order?

3 MR. WILLIAMSON: It's -- I think it is
4 going to be a special meeting.

5 MR. KENNEDY: All right.

6 MR. WILLIAMSON: And we will have minutes
7 that the Secretary will receive and the Board will
8 approve those minutes to be released at some point in the
9 future.

10 MR. KENNEDY: Very good. Well, I will
11 just call this meeting to order.

12 Call this meeting to order.

13 MR. WILLIAMSON: And real quick
14 introduction to -- everyone knows Will Dunaway, our
15 outside counsel for this project.

16 The idea today was to let Will go through
17 the entire document. It's really about five pages of
18 meat, and then, a couple on the outside there, signature
19 pages and stuff. Let him roll through that. Write down
20 the questions you have, and then, we will take the last
21 half hour to 45 minutes of Q&A. So, Will, I will turn it
22 over to you.

23 MR. DUNAWAY: I appreciate it.

24 MR. TERASA: Point of order --

25 MR. WILLIAMSON: He's the Chair --

1 MR. TERASA: To be the contrarian --

2 MR. KENNEDY: Yes, sir.

3 MR. TERASA: You know, I have got some
4 minor thing that -- why can't we as we go through the --
5 we are going to go through the letter, there's a -- I
6 have got comments in the letter.

7 And when are we -- it would seem to me
8 some of them are just spelling or whatever. But it seems
9 to me if you go through it, you hit it and it's done. I
10 mean, I don't have a lot of questions. I have a few
11 questions, but --

12 MR. WILLIAMSON: It's just a suggestion.
13 Whichever way the Board would prefer to roll through it.

14 MR. KENNEDY: Fred, are you okay if he
15 just does it and then --

16 MR. LANIER: The only concern that I have
17 is if we keep stopping halfway through, we are going to
18 end up being at the middle and we are going to miss out
19 on the last paragraph where -- as we could always ask the
20 question after the meeting, if it's something that is --

21 MR. TERASA: Okay.

22 MR. KENNEDY: If you will?

23 MR. DUNAWAY: Yeah. I will just jump
24 right in. And for the Board members, we can just jump
25 right into it. I don't have to go through any, you know,

1 background materials. That's up to you. I have the --
2 my tasking was to come on board, aide in drafting, and
3 then, negotiating with Santa Rosa County a memorandum of
4 agreement.

5 Remember, this document has not left the
6 confines of your staff until it came to you. And now, we
7 have -- we told Santa Rosa County that you would be the
8 one who blessed the document before we sent it to them.

9 And then, of course, that will be their
10 first encounter. And so, we will, at the staff level,
11 work to engage and come up with a finalized version,
12 which, you know, there could be terms that change as we
13 move forward.

14 It's important, I think, that if you would
15 indulge me just a bit to know as we set this up, just
16 real briefly, how we get here. It was this actual August
17 21st a year ago when you received -- or your Board
18 received a letter from the County inviting you to
19 participate in this process.

20 You have for 20 years been an integral
21 part of it. That's important to know. You are a partner
22 with the County on this process. I was interviewed and
23 brought on board in the early spring in February. And
24 then, at the staff level, we worked together to put a
25 shell document together.

1 And then, through the summer, we looked at
2 how best to organize that document so that your
3 priorities were paramount but also understood what the
4 concerns are at the County, so we didn't, you know, we
5 met with them what they were looking for.

6 And their big concern was flexibility in
7 their funding stream. You have more flexibility because
8 you have a tighter timeline. They have more concerns
9 about when they actually start based on some timing. And
10 that's what led us to break the project in what we call
11 the phases. That's the Phase 1 and the Phase 2.

12 In the earlier letter that your Board
13 President sent on July 26th to the County staff, he
14 introduced that process and that met with favorable
15 feedback from the County. That was on August 19th.

16 That was presented to the Board of County
17 Commissioners by the County staff. They presented the
18 issue of where the Eglin lease is well on its way to
19 getting approval in Washington, DC, all of the steps at
20 the local level have been completed, and it's just going
21 up for the Secretary to sign.

22 And it is time for us to move forward.
23 And they invited you, which was a little bit different
24 than this time last year. Last year, they said they
25 would draft -- they would make the first draft of the

1 agreement, but in the letter, the Board presentation to
2 the BCC in which they approved, they invited you to make
3 that. And that's where we are now. That's the agreement
4 that we have.

5 I think it's also important -- and based
6 on my observations, both at the staff and at the Board of
7 Commissioners that Mr. Kennedy and I were at, the Board
8 of County Commissioners is, I think, looking forward to
9 working with this Board and moving forward. I think they
10 see you as a partner. And I think all of the documents
11 show that you are an integral part of this. And you are
12 the one that are actually going to be in the lead in
13 getting this thing moving and getting it online.

14 I just -- you know, the first -- the first
15 part of this is the understanding of what the phases are
16 to this process. And that's how we fit into the
17 document. The best way of doing that is to actually show
18 the slide.

19 And the Phase 1, which is the -- that in
20 blue -- is that process from your Pepper Drive plant that
21 goes up the transmission line to the RIB site. That's
22 that outlined in green at the Eglin property.

23 So it's a creation and build of that
24 funding construction of that transmission pipe, and then,
25 the RIBS to service your effluent discharge.

1 Then, Phase 2 would be County -- the
2 County's responsibility at whatever date they come on
3 Board. And that would be from their Navarre Beach plant
4 across the Sound, and then, to connect at the southern
5 terminus of that pipe.

6 Now, importantly, that does not connect to
7 your wastewater treatment plant. It only connects to
8 your pipe. And then, of course, you would be shared --
9 that pipe from your plant north is a shared pipe, their
10 effluent and your effluent.

11 So those are the two phases. And that's
12 how we organize it in the document. If it's okay with
13 you, I was going to go over the MOA first, and then, your
14 letter of transmittal was simply -- we can simply look at
15 it and take your inputs from it.

16 The organization of the memorandum
17 agreement is -- it's a standard memorandum. It's one
18 that they -- the County -- will recognize in form. It
19 sets forth as any other documents, any other agreements
20 that they are used to.

21 You have got the whereas clauses. And we
22 tried to organize those. We put each of these in here
23 for a particular reason. The idea is what's the goal --
24 that's the elimination of the discharge of the
25 wastewater.

1 The second one is it's very important, we
2 think, to highlight that this is a regional solution.
3 This is not just a County solution. With your
4 involvement in it, this is truly a regional. And that's
5 what was the proposed action that the lease is based on.
6 It is a regional solution. And without you, you know,
7 it's not regional. So that's a critically important
8 point.

9 The third whereas clause acknowledges that
10 the County has obtained the operation and construction
11 permit from DEP for the rapid infiltration basins. And
12 so, they have that. You will be working off of that
13 permit.

14 The fourth one is the fact and
15 acknowledgement again that you have been involved and
16 supportive since the inception of this project. And
17 that's important because we specifically called this out
18 later in the agreement. But it is important to note that
19 this agreement -- and we are not contemplating an
20 assignment of the Eglin lease.

21 MR. LANIER: I got you.

22 MR. DUNAWAY: We are -- we are -- instead,
23 this agreement is a joint use agreement. The Eglin lease
24 is not being assigned to you. You're operating it under
25 the County.

1 Obviously, we are entering into this with
2 mutual rights and obligations. Those are standard.
3 That's a standard phrase that, you know, you are fixing
4 to get in business with the County for the next 30 years.

5 The lease term is a 25-year term with a
6 five-year extension, so mutual rights and obligations are
7 part of that.

8 It is the last "Whereas," on page 1 that
9 breaks it and talks about this in Phase 1 and Phase 2.
10 And it clearly defines the Holley Navarre -- Phase 1
11 as --

12 (MR. MILLER ENTERS BOARDROOM.)

13 MR. DUNAWAY: -- being the Holley
14 Navarre -- the construction of the transmission line from
15 the Holley Navarre wastewater treatment plant to the
16 Eglin site and the RIBS to support the Holley Navarre
17 Water System's effluent discharge.

18 And then, Phase 2 being the pipe that
19 comes from the beach and the construction of the RIBS
20 necessary for the County's discharge. That's on the
21 County and that's part of -- that's what is Phase 2.

22 The purpose -- we start out, obviously,
23 the recitals, we just note are true and correct. The
24 purpose starts off. And, again, it is this shared
25 responsibility for the design, permitting, funding, and

1 construction, operation and maintenance and repair.

2 So you are going to be involved in every
3 aspect of it. And the purpose, obviously, is for the
4 permitted disposal of effluent.

5 Number 3 is there for the particular
6 reason for that, and we went back and forth on this, but
7 we felt it very important to acknowledge what was the
8 proposed action that was the basis of the Elgin lease.
9 As you know, with any Federal action, there had to be
10 extensive and environmental work done.

11 This was an environmentally -- considered
12 an environmentally sensitive issue. And so, it had the
13 full Federal environmental NEPA requirements. And those
14 were met with the finding of no significant impact, the
15 FONZI, which the Federal Government put in place and
16 found that it had -- it would not have a significant
17 impact on the quality of the human environment.

18 And that's important because it -- that
19 proposed action is what that environmental documentation
20 was based on. And that proposed action, again, goes back
21 to the regional nature of effluent discharge, the whole
22 concept, being you involved from the very beginning. And
23 that the treated wastewater would be coming from the
24 Holley Navarre plant and County plants.

25 As I mentioned, the memorandum of

1 agreement, the term of agreement is the lease term. It's
2 the same length and the lease term is a 25-year lease
3 term with a five-year option for extension.

4 Now, we specifically put in a little later
5 in the memorandum of agreement, but we specifically put
6 the obligation on the County to make -- to exercise all
7 options and to work diligently for an extension of the
8 lease at an appropriate time.

9 So the idea is that, as you know, the
10 Federal Government -- Eglin was only going to lease to a
11 municipality. That's why they have the lease, not the
12 Holley Navarre.

13 Number 5 gets into some of the real meat
14 of the agreement. This is acknowledging both the project
15 capacity as designed and the percentage use. And this is
16 important for you. Because now it goes from -- as you
17 are aware, the planning for this was done by the County.

18 You provided -- your staff provided input
19 throughout to evaluate how much capacity was needed to
20 be -- to be planned for. And the document contemplates a
21 full RIB disposal facility at 7 million gallons per day.

22 And the allocation of that is, as you see
23 on that slide, the Phase 1 Holley Navarre at 3 million
24 gallons a day and the County at 2.4.

25 Now, obviously, you can add and realize

1 that there is 1.6 that's not -- that's still there. And
2 the way we make -- we take care of that is a little later
3 in the agreement where we acknowledge that there is 1.6
4 that is excess capacity and that either entity might
5 reach out and claim that. They would just have to pay
6 their share of this shared cost.

7 So everything comes back to the shared
8 cost being you have 56 percent of that use, so you would
9 have 56 percent of that cost.

10 County has 44 percent so they would have
11 44 percent of that cost. And we talk about what that --
12 what those costs are a little bit later.

13 First, the second paragraph of 5, we do
14 acknowledge that the County -- and this is an important
15 concept, an important point that they brought up -- the
16 County has already incurred expenses.

17 Now, in the letter that Mr. Kennedy sent,
18 he invited them to share with us what those costs are.
19 And we know their staff are working on that, but we have
20 not seen those total costs. We have seen some estimates.
21 And in some public hearings, the County has been briefed
22 by their engineering consultant, but we have not -- we
23 don't know the full extent of those, but we have a good
24 range.

25 The point is that we have acknowledged and

1 we do acknowledge in the agreement that some of those
2 costs are cost share that Holley Navarre will be
3 responsible for. But the way we calculate that or the
4 way we ask for that to be paid in this agreement is not
5 now, but when the County connects. And as I said, that's
6 some time in the future.

7 The idea is that your priorities are to
8 get Phase 1 financed, designed, constructed, and online
9 so you make your deadline of November 1, 2022. That's
10 the date that we call out here. That gives you urgency
11 and the County understands and acknowledges that urgency.

12 They may not be ready to come online that
13 quickly, and, in fact, have told us that they would not
14 be. What this agreement is saying is that you are not
15 looking for them to pay any of their costs of the shared
16 transmission line until they come online.

17 And, subsequent, you wouldn't reimburse
18 them for your costs that they have incurred until that
19 time. And so, that would be worked out in the County.
20 So you would owe a certain amount of money. Their
21 contribution would be a certain amount.

22 Yours is 56 percent. Theirs is 44
23 percent. And then, the math would work it out as to --
24 as to keep that percentage across the board. The point
25 is that you're getting to move forward with your project.

1 And then, when they come on board, they will pay their
2 cost share, and then, you will pay your section, too.

3 Now, that's a point that we will want to
4 have more discussion about. And we will come back. But
5 that's how this cost sharing in paragraph 5 works. It's
6 designed to cover that.

7 The phasing is in 6. Again, we have
8 alluded to that. It is the key to the entire agreement,
9 this phasing concept, but it was the only way that we
10 could design it so that you could meet the November 2022
11 timeline because the County was not ready to move
12 forward. So this is the only way and this is the way we
13 think it best to organize it.

14 Again, Phase 1 is the design, permit,
15 construction of the RIBS with the capacity to serve your
16 needs, along with the force main that goes from your
17 plant on Pepper Drive to the Eglin RIB. Now, again,
18 recognizing that you are going to build it to capacity --
19 to a capacity that will also accommodate the County when
20 they come into -- in Phase 2. And they will pay their 44
21 percent of that shared pipe at that time.

22 We also acknowledge in 6, and this was a
23 nod to the County, that you will negotiate in accordance
24 with standard engineering fee tables, but you will hire
25 the County's engineering consultant. And that is the

1 person that is Jacobs. That's who put this work
2 together. These are the engineering company that has
3 been involved in this project from the beginning.

4 The comfort that that provides the County
5 was acknowledged to be great in our meetings with staff.
6 They liked that you would be willing to do that. And you
7 may want to put a pin here and we can have more
8 discussion on what that looks like, but that's what is
9 called out in paragraph 2 under Number 6 in that
10 responsibility.

11 Again, in that paragraph, we also -- as if
12 it wasn't clear enough, we just wanted to acknowledge
13 that again when you finish Phase 1 and you start
14 discharging effluent into your RIBS on the property, you
15 will be the only one doing so.

16 And you will be the only one doing so
17 until Phase 2 is complete and that cut-over begins. And
18 at that time, then, effluent will be flowing comingled
19 with you if -- when the County gets it to your plant, you
20 are not responsible for that.

21 But then, once it's comingled,
22 everybody -- the two of you are responsible for getting
23 it up to the RIBS. Of course, they are responsible for
24 building their portion of the RIBS for their effluent.

25 The point is that you will be working --

1 you will be working and flowing together for over that
2 blue line at that point.

3 Paragraph 7, again, is the funding and
4 that is -- I briefed and talked about that, but, again,
5 it calls back to the phasing and the capacity so that
6 it's made as clear as we can make it. And, again, we
7 recognize that everything is not spelled out.

8 We don't know every cost. We don't know
9 every actual thing you might want to do. We think that
10 some shared costs are going to be things like the access
11 road to the RIB site. You will both use it. The fence
12 that goes around the RIBS. You will both benefit from
13 it.

14 But you won't benefit from any of the
15 pumping and piping from Holley -- from Navarre Beach up
16 to your station, but then, you both benefit from pumps
17 that go up from your station up to the RIB.

18 So we have these construction and
19 non-construction costs called out in this paragraph. We
20 call out, for instance, when the land clearing to build
21 the actual RIBS for your capacity, you are responsible
22 for that. And the land clearing for building the RIB
23 capacity for the County, the County is responsible for
24 that.

25 But, of course, again, the access road

1 would be shared, and so, that would be something that you
2 would have to share. The lease fee is another example of
3 a shared -- as you may know, the lease fee was to be paid
4 by the County for the entire term of the lease -- is
5 called out in the lease. And it's two --

6 MR. PHILLIPS: Ten --

7 MR. DUNAWAY: \$210,000 for the 25-year
8 lease. So project funding in 7 is covered. We -- again,
9 the phasing in part one, the percentages in paragraph 2,
10 and we give some examples of construction and
11 non-construction costs in paragraph 3.

12 Note at the end of paragraph 3, which is
13 the bottom sentence of page 3 and the top sentence of
14 page 4, we call out when the County would make its cost
15 share. And we say that's when they connect because we
16 think that will be the sooner. But then, we also say,
17 well, wonder if they never connect it?

18 We don't think that's the case. We think
19 they are committed to do so, but we didn't want that to
20 be the only trigger. So we say, "Or ten years from the
21 effective date of the existing FDEP permit."

22 Why did we choose that number? An FDEP
23 permit for the discharge of this effluent is a five-year
24 permit with the five-year renewal. So the County has
25 that permit now. It's in operation. So they -- we

1 anticipate that they would be connecting prior to the
2 expiration of that term of that permit.

3 But if they -- whatever -- something
4 changed -- some other circumstance, you would have enough
5 time to realize they are not going to be online. You
6 will need to go get the permit, but they should have to
7 pay their costs because they got you into this. And
8 y'all have been working as if they were coming in to
9 share these costs, so they ought to have an opportunity
10 to pay, so we put that in.

11 That has not been discussed with the
12 County, so we don't know that, you know, what their
13 thoughts are on that. But it seemed reasonable. You
14 know, they would be the potential of you not having
15 control over when they would pay if they never hooked up.
16 And you couldn't force them to hook up. So we thought it
17 was sensible to have another date that would absolutely
18 be triggered. It's just triggered later in time.

19 In Number 8, we contemplate that there
20 might be improvements or modifications. We don't know
21 what those are. We are not designing it to immediately
22 need to be improved or modified. But in the event that
23 such modifications or improvements were there, we call
24 for a process by which they could be approved in writing,
25 and then, the cost share would apply there, also.

1 The next paragraph is there because of the
2 issue of the use of the premises. Remember, this is a
3 military -- an operational military base. And so, it is
4 the terms of the lease and the lease -- I hope you have
5 had an opportunity to review some of the terms of it,
6 because all of its lease terms are incorporated in this
7 agreement. Because we can't operate in -- not in
8 accordance with the lease. That trumps.

9 So the use of the premises, we are gaining
10 the same right of access and use as the County has. And
11 again, we are doing that under the joint use of the
12 proposed action for the effluent discharge. We don't
13 have any other rights to be on there doing anything else.
14 We are only there using the property for the stated
15 purpose, and that's for the effluent discharge. And so,
16 that's -- that's called out.

17 It is also -- and this is the paragraph
18 that I referred to earlier, the one that we would discuss
19 later, and that's the second paragraph of 9. It is where
20 we contemplate what we would happen or what could happen
21 to the additional 1.6 million gallons per day of the
22 designed capacity.

23 Again, as I mentioned, the environmental
24 documents in the lease contemplates the maximum capacity
25 of the facility, the land that they are leasing, you

1 could accommodate a seven million gallons per day rapid
2 infiltration.

3 Your only claimed allegation of the 5.4,
4 so that additional 1.6 is available. So you may recall
5 that in the early phases -- and I am talking about years
6 and years ago -- one of the contemplated partners in that
7 was going to be the South Santa Rosa.

8 They are not contemplated at this time to
9 be a part. So it looks like it is going to be either you
10 or the County who would have to be -- to be able to use
11 it. And instead of trying to figure out who should get
12 which or you should -- we just thought, well, let's just
13 leave it out there, and then, the idea of being, for
14 instance, let's just make the math real easy.

15 If the County decided they want another .6
16 million gallons of discharge, then you would both be at 3
17 and the cost share is 50-50. So it makes it real easy.
18 Do you see what I am saying? That cost share goes up or
19 down depending on how -- who utilizes it.

20 If you utilize it, you pay for it. If the
21 County utilizes it, they pay for it in the same cost
22 share that we have. The utilities are the same way.
23 Again, it refers back to the cost share in paragraph 5.
24 We are not exactly sure what utilities would, you know,
25 might be. The facility doesn't need electricity for

1 discharge. But there is an access road, and there is a
2 gate and lighting. There may be some necessity there.

3 We call for permitting, surrender,
4 standard terms. 14 on the back, we have a -- you know, a
5 pretty detailed indemnification paragraph for both Holley
6 Navarre and the County. Again, the lease is very
7 specific on its indemnification clause.

8 We are all -- the County is holding the
9 Government harmless for, you know, any of the actions on
10 board. And we can, you know, we can anticipate the
11 County paying attention to that.

12 Standard defenses in paragraph 15.
13 Insurance is a cost. That's a shared cost. We call it
14 out here to say that you would bear the cost of the
15 insurance until the time that the County connects,
16 because you would be the only one using the facility.
17 That seemed fair.

18 And then, of course, when they connect,
19 the shared cost would kick in at the percentages that
20 would have already contemplated in Number 5. But that
21 would be one of the areas of cost that you would not get
22 back from the County.

23 So, for instance, if they don't connect
24 for five years, the five years of the insurance cost when
25 you were alone operating would be yours alone. Their

1 costs of insurance would be when they were using going
2 forward. That's what that paragraph says.

3 Environmental contamination is actually
4 prohibited in the lease, so you can't, you know, you are
5 permitted for this discharge, so it's not an unauthorized
6 discharge. It's a permitted discharge. That's what the
7 permit allows. But, obviously, that would be borne by
8 you and the County based on use.

9 As I said, the termination. In this case,
10 the agreement says that -- what we are trying to get to
11 make sure that the County can't unilaterally terminate
12 the lease. We don't want them to terminate it out from
13 under us. And so, then we also say that they will
14 exercise all options on the lease and exercise for lease
15 renewal when they have the opportunity.

16 Standard notices to the County
17 Administrator and to Phil here at the Board. Then, the
18 right of entry. Now, the right of entry is a little bit
19 tricky, because, again, it's an active military base.
20 And the County can't grant us anything that they don't
21 have.

22 And, again, as I said, this is not an
23 assignment of the lease, but we have all rights to access
24 and use as the County has. I do want to point out,
25 because there was a question, the lease does have a

1 provision and acknowledgement, because all leases on
2 military bases do. I know that from my time as the Staff
3 Judge Advocate in the Naval Air Station in Pensacola.

4 But there is a provision that says in
5 national emergencies, you might not get access to this
6 facility. There are two things about that. One, you
7 know, there is not a switch, an "On" "Off," switch up
8 there on the RIBS, and so, that's not an immediate
9 emergency.

10 Plus, the other point is that the Eglin
11 and the environmental documents that refer to this use,
12 they understand what's happening up there, so they
13 know -- and this is an area that's not part of the
14 controlled access area for the Base.

15 You are not going through a main gate.
16 You are going to have your own access, actually, which
17 you will, I mean, I am certain that Security at the Base
18 will have access also, because they have a right. But
19 you are not going through a front gate. I just wanted
20 you to know, though, that this access is subject to the
21 terms of the lease. It is a military base. The
22 Government can shut the place down. It's just something
23 to be aware of.

24 Compliance with the law, paragraph in 21,
25 is standard. You know, we are going to apply -- we are

1 all going to comply with the law. Again, the
2 relationship to the parties, we are not entering into a
3 joint venture with Government. We are not entering into
4 a joint venture with the County.

5 They have a mission. You have a mission.
6 We have a use. They have a use. That use is at some
7 point joint. But, otherwise, we have our
8 responsibilities. They are responsible for their
9 responsibilities.

10 Paragraph 23, it just says that you don't
11 have any side agreements with them, although the
12 agreement does contemplate that if we wanted to enter
13 into some operating agreement or some of type of
14 agreement to further clarify responsibilities, we may.

15 And then, Paragraph 24 is just very, very
16 important because we know we are going to get some push
17 back from the County on this because the attorney has
18 already mentioned this. We point out very clearly, and
19 we have written it in such a way that it's clear, this is
20 not an assignment of the Eglin lease.

21 We are not asking the County to grant --
22 to give -- to assign that lease to us. One, because the
23 lease cannot be assigned. It says that very
24 specifically. Although it does -- and I want to point
25 out for you -- the second paragraph after it says, "You

1 can't assign this." It says, "If you do, you have to get
2 our permission."

3 So it does contemplate that they would
4 grant you permission, but, again, this is -- you have
5 been working with Eglin for about 20 years to get this in
6 place, so you don't have to go to DC twice.

7 So this is not an assignment of the lease.
8 What we say is it is an agreement for joint use of the
9 property as set forth in the lease. And that's why I had
10 the references earlier to the proposed action and I try
11 to call out every place where Eglin acknowledges that
12 Holley Navarre Water System is a part of this process and
13 there are several.

14 Governing law is Paragraph 25 is, of
15 course, the State of Florida, and then, you, as Santa
16 Rosa County, and then, just miscellaneous captions in 26.

17 So that is an admittedly quick run-through
18 a detailed document. Again, in overview, I will remind
19 you that County has not seen this document. So you -- we
20 ask that you get a chance to review it, get the document
21 the way you want it, the way you are comfortable with it.

22 No pride in ownership here. If you don't
23 like something, we change it. It's easy to do now. And
24 then, when you tell us it's ready, then we will send it
25 to the County.

1 To address the Board, the transmittal
2 letter was simply a quick document to put forth to say
3 what we think should be highlighted in it. But any and
4 all comments and changes and corrections, we will be
5 happy to make those for you, too.

6 So I will open it up to questions. Or you
7 tell me how you want to submit changes to me. Or we just
8 hash them out.

9 MR. LANIER: Do you want to do this page
10 by page?

11 MR. KENNEDY: To start with.

12 MR. TERASA: Let's start with the letter.

13 MR. DUNAWAY: All right.

14 MR. TERASA: Again, some of these are
15 minor, but if you look at the last sentence in the first
16 paragraph, it should be BOCC, not BCC. Okay.

17 MR. DUNAWAY: Well, no -- we --

18 MR. TERASA: You have in other places
19 BOCC.

20 MR. DUNAWAY: Okay. Well, we will make it
21 standard, standard BCC.

22 MR. TERASA: Whichever, yeah. Standard.
23 One way or the other. BCC is standard. Okay. Cool.

24 MR. DUNAWAY: Okay.

25 MR. TERASA: The next paragraph talks

1 about the importance -- talks about Phase 1 and our
2 completion deadline of November 1, 2022.

3 MR. LYNCHARD: Where?

4 MR. DUNAWAY: Second paragraph, last
5 sentence.

6 MR. TERASA: And I am thinking, we just
7 say that's our completion date. And I wrote a word like
8 required, needed, drop dead date, something that puts a
9 little more emphasis on the fact that there is a timeline
10 that is, at least in our estimation, somewhat finite.

11 If nothing else, just to again remind them
12 of the tightness of our timeline. I don't know. That's
13 just a comment. Paragraph --

14 MR. WILLIAMSON: Mandatory completion date
15 or necessary completion date.

16 MR. TERASA: Mandatory or something. I
17 don't know. I mean, again, just put some emphasis on the
18 word.

19 MR. PHILLIPS: It's not mandatory, but it
20 is necessary.

21 MR. WILLIAMSON: Necessary completion
22 date.

23 MR. KENNEDY: Necessary completion date.

24 MR. DUNAWAY: Okay. Necessary.

25 MR. TERASA: The whole point of it is to

1 put some emphasis on them --

2 MR. PHILLIPS: Critical. Necessary.

3 MR. KENNEDY: Yeah. Critical.

4 MR. TERASA: Critical. Yeah.

5 MR. KENNEDY: Okay.

6 MR. TERASA: Paragraph 3, you come down,
7 and it's real good. Then, you come down to the last two
8 sentences, the second to last is: Now that we have
9 succeeding in securing approval of the lease, we can
10 finally build this project.

11 I think that's a point in which there
12 ought to be a paragraph.

13 MR. DUNAWAY: Okay.

14 MR. TERASA: That's Fred Terasa's -- it
15 just seems to --

16 MR. KENNEDY: Were you an English major?

17 MR. TERASA: No. I flunked English. I
18 did the CLEP test and I flunked it. I had to take it.

19 All right. Going down to the second to
20 last paragraph, again, just a minor thing. There is no
21 space in the second sentence, the percentages in the
22 draft follow the same concept of fairness, and there is
23 not a lot a space between "The," and "Planning."

24 MR. DUNAWAY: Uh-huh. Very good.

25 MR. TERASA: I mean, it's pretty minor.

1 MR. DUNAWAY: Yeah.

2 MR. TERASA: And you are going to change
3 BO --

4 MR. DUNAWAY: Got it -- to BOCC.

5 MR. TERASA: I'm on a roll. Can I keep
6 going?

7 MR. MILLER: Are we going to go one at a
8 time? Or are we going to go paragraph to paragraph and
9 just chime in as we are -- if we see anything?

10 MR. TERASA: We are on the letter. We
11 mind as well finish the letter.

12 MR. DUNAWAY: Let's do the letter, the
13 input for the letter.

14 MR. MILLER: That's fine. I don't have
15 anything else. I just --

16 MR. LANIER: I have a question on the
17 letter. We talk about being a partner with the County,
18 but the contract of the MOA states that we are not
19 creating a partnership.

20 MR. DUNAWAY: Yeah.

21 MR. LANIER: What's the difference between
22 the words?

23 MR. DUNAWAY: That's a good point and it's
24 a finessed point. Partnership in the agreement where I
25 am talking about joint venture or a partnership is more

1 in the legal term. The -- where I am saying, "We are
2 partnering with you," like we are arm-in-arm, you know,
3 school yard playmates.

4 So the technical term is distinctive, but
5 I see your point. And there is a better -- there are
6 other words for "Partnering with," we can come up with if
7 you want to --

8 MR. KENNEDY: Well, actually, I had
9 written this down because -- and I kind of just want to
10 make sure I use the right terminology when we are talking
11 about this, because I like the idea of being able to say,
12 "We are becoming partners with Santa Rosa County."

13 But if that's an invalid comment, is it
14 better to say, "We are developing a joint solution,"
15 or --

16 MR. PHILLIPS: You're partners. You are
17 just not forming a partnership.

18 MR. KENNEDY: Right. So we are partners
19 in the sense of partners, but in a legal side, you have
20 that --

21 MR. TERASA: There's the English major
22 right here.

23 MR. PHILLIPS: The person with the English
24 language here --

25 MR. DUNAWAY: But the point is well-taken,

1 especially in the sense that, you know, the paragraph 22,
2 you know, clearly indicates, "We are not creating a
3 partnership that is a legal entity in which we are going
4 to do this." And that's true. The --

5 MR. WILLIAMSON: The letter, I would also
6 throw out there. Keep in mind that the letter, we are
7 not necessarily communicating with -- the letter is going
8 to be public record, so we are communicating with the
9 media here and kind of saying, you know, you have the
10 legal document. But is the media -- or would there
11 necessarily be questions that are formed from somebody
12 reading an eight-page legal document? Or are they going
13 to be looking at this more?

14 So this is kind of where we are setting
15 the tone and kind of telling our story. And so, that's
16 why some of the language in here may not necessarily be
17 legal language, but it's language that we were trying to
18 use that would help frame this agreement in a way that is
19 consistent with what the Board has said they wanted to
20 accomplish.

21 MR. KENNEDY: This is a summary.

22 MR. WILLIAMSON: If that makes any sense.
23 We are trying to be a little bit nuanced. This is really
24 going to be the first thing that people are going to read
25 when they go to it. They are not going to read the

1 agreement first. They are probably going to go to this
2 letter.

3 MR. MILLER: I like that it calls it a
4 joint use relationship in the first paragraph of the
5 second page. I like that terminology, as opposed to
6 partnership or contract. That's just my take on it.

7 MR. WILLIAMSON: Keep in mind, I don't
8 think that the letter says, "Partnership."

9 MR. TERASA: It says, "Partners."

10 MR. DUNAWAY: Partners. Yeah.

11 MR. MILLER: Where does it say that?

12 MR. TERASA: Yeah.

13 MR. WILLIAMSON: We can --

14 MR. TERASA: The first sentence of the
15 third paragraph. "Grateful had been a partner with the
16 County."

17 MR. WILLIAMSON: Yeah. Are we comfortable
18 now that we have heard the difference between partners
19 and partnership? Or, Kevin, do you still --

20 MR. LYNCHARD: Can we discuss corporations
21 now?

22 MR. WILLIAMSON: Now, we are going to go
23 over corporations.

24 MR. KENNEDY: Okay. Next questions?

25 MR. MILLER: My only comment on the letter

1 in the last paragraph just -- it mentions staff's review
2 and negotiations with Phil and Will.

3 I would formalize that a little more and
4 say, "Mr. Phillips and Mr. Dunaway," instead of Phil and
5 Will.

6 MR. TERASA: Yeah. But that doesn't have
7 a ring to it.

8 MR. MILLER: Phil and Will sounds a lot
9 better than -- but --

10 MR. WILLIAMSON: That's what I call them,
11 so --

12 MR. TERASA: Okay.

13 MR. WILLIAMSON: Are you fine with that,
14 Mr. Phillips?

15 MR. PHILLIPS: I don't care. Yeah.

16 MR. KENNEDY: Cool. Okay.

17 (EVERYONE SPEAKING OVER EACH OTHER.)

18 MR. TERASA: Are we ready for the
19 agreement?

20 MR. KENNEDY: Are we off the letter?

21 MR. DUNAWAY: Yes, sir. Anyone else on
22 the letter?

23 MR. LANIER: Are we just going to do this
24 page by page?

25 MR. DUNAWAY: Yes, sir. We can do that.

1 MR. TERASA: Okay. Just -- that's a good
2 way. All right. Paragraph 1. Goal -- has a goal to
3 eliminate wastewater from effluent to environmentally
4 sensitive -- I think it should be "Into."

5 Shouldn't "To," be an "Into"?

6 MR. PHILLIPS: Hey, if that's your worst
7 comment --

8 MR. TERASA: Well, that's my best comment.
9 What are you talking about?

10 MR. PHILLIPS: Done.

11 MR. TERASA: No. I don't know --

12 MR. KENNEDY: He can make it look --

13 MR. DUNAWAY: Yes, sir. I hear what you
14 are saying.

15 MR. TERASA: Okay. Third. Let's see --
16 okay. Fourth paragraph, we were talking about -- it says
17 "Operate the RIBS."

18 Now, I know we clarify a little later on,
19 but it seems like if we are going to operate the RIBS, at
20 least initially we are going to do that, but it
21 doesn't -- it almost leaves it like we are going to
22 operate it forever.

23 Now, that may be the case, but --

24 MR. PHILLIPS: I think that's
25 well-clarified in the further paragraph down the

1 letter --

2 MR. TERASA: Okay.

3 MR. PHILLIPS: -- down below. It says in
4 a later paragraph under 10 that we will operate and
5 maintain everything until they join. And once they join,
6 the County has got to pay their fair share.

7 And I will point out at this point in time
8 that we have left that as they pay their fair share to
9 us. There is really -- it's not like Fairpoint.
10 Everyone has got this hang-up about the fact that the
11 three parties own and operate Fairpoint. And they are
12 not a member.

13 There is really no operation of this
14 facility. There is no day-to-day person that goes out
15 and checks everything, so there's not that type of
16 operation. But we, again, we would love to continue to
17 operate and maintain the facilities in emergencies and as
18 required after they do join up, mainly because, one, we
19 think we can do it cheaper, whether they pay their fair
20 share or not.

21 MR. TERASA: And better.

22 MR. PHILLIPS: And, two, we can do it
23 quicker. We operate much quicker than any other entity
24 can.

25 MR. DUNAWAY: But your point is -- it's a

1 very important point that we very specifically address
2 and look at -- look at the last sentence of the first
3 paragraph of Paragraph 9.

4 So go to 9 and look at that there -- it
5 says, "Once the County completes Phase 2, the parties
6 will fully cooperate with each other for the continued
7 operation and maintenance of the project."

8 So that's where we contemplate and we know
9 we will have been out there operating already.

10 MR. TERASA: Okay.

11 MR. MILLER: I do think under paragraph
12 10, it should go into a little more detail because it
13 mentions operating and maintaining Phase 1, but it
14 doesn't cover operating and maintaining Phase 2.

15 And I would like to see a little more
16 expansion on that as, you know, how is Phase 2 operation
17 and maintenance going to be handled. Because there are
18 -- you know, with Greskovich, we had to run the tractor
19 through and scrape the roots out of them from time to
20 time. The roads are going to have to be maintained. The
21 fence is going to have to be maintained. You know, this
22 is a long-term project.

23 MR. DUNAWAY: And we think -- we think
24 that's going to be a comment coming back from the County
25 that we are anticipating that it will come. We didn't

1 put it in 10 because we had in 9 and -- but it's a -- I
2 am making a note, because we think the County is going to
3 want to clarify that, also.

4 But we are wanting to hear from them.
5 Because we weren't sure what they were going to say, but
6 the point is good. I made a note of it. It's a good
7 point.

8 MR. WILLIAMSON: This may be a good time
9 to jump in and remind everyone that no matter what this
10 Board decides to put forward to the County, this
11 agreement will come back to you before it goes to the
12 Board of County Commissioners.

13 The only request that staff is putting
14 forward to the Board today is that given the changes,
15 once we incorporate the changes the Board would like to
16 make, that we would forward the draft onto staff.

17 We are forwarding it onto BOCC as this is
18 our final draft, and that's kind of reflected in the
19 introductory letter -- that before any agreement goes to
20 your Board, our Board needs to approve it.

21 MR. TERASA: Right.

22 MR. WILLIAMSON: So it's just trying to
23 get the ball on the other side of the net.

24 MR. KENNEDY: And they are comfortable
25 with --

1 MR. DUNAWAY: Yes.

2 MR. KENNEDY: They understand this; right?

3 MR. DUNAWAY: Yeah.

4 MR. KENNEDY: I am just making sure
5 everybody knows the flow.

6 MR. LANIER: We are still on page one.

7 MR. KENNEDY: Go ahead, Fred.

8 (EVERYONE SPEAKING OVER EACH OTHER.)

9 MR. TERASA: Back up. The last paragraph,
10 page 5, I wrote down when I read this last night,
11 "Clarify the RIBS." There's RIBS in two different
12 places.

13 And then, in your conversation with us,
14 you described it in one case. I thought it was -- we are
15 going to build Phase 1 with 3.0 or 4.6, if we decided to
16 take the 1.6.

17 Then, later on, you talked -- you came to
18 a point where we were actually going to build the whole
19 5.4. And I --

20 MR. KENNEDY: That's a good question.

21 MR. TERASA: And so, I mean, I --

22 MR. WILLIAMSON: We only want to do the 3
23 now because it allows us to pay 56 percent. If we tried
24 to reserve the entire, that additional 1.6, then we would
25 be paying a larger percentage. And we don't want to do

1 that up front.

2 MR. TERASA: I am not arguing that point.
3 My point is what are we building in Phase 1? 3.0? Is
4 that what we are saying? Because later on, we say 1.5 --

5 MR. PHILLIPS: 1.5 to to 3.0.

6 MR. TERASA: -- to 3.0.

7 MR. WILLIAMSON: It's between 1.5 and 3.0.

8 MR. KENNEDY: What we want as the Board to
9 fund. Right?

10 MR. WILLIAMSON: But basically, we are
11 only building up to the capacity that Holley Navarre
12 Water System needs.

13 MR. TERASA: That's -- that's -- okay. I
14 just got confused.

15 MR. KENNEDY: Actually, to Fred's
16 question, because, actually, it came into -- for me, so
17 that I understand, we are sharing a pipe all the way up
18 to the RIBS. Right?

19 MR. PHILLIPS: Correct. From our plant to
20 the RIBS.

21 MR. KENNEDY: Right. So when they tie in,
22 if they tie in, do -- will all the effluent dump into one
23 RIB? Or, like, will they have their own RIB?

24 MR. PHILLIPS: No. They will not. We
25 will construct a RIB capacity that we decide in Phase 1.

1 That might be one pond. That might be ten ponds. I
2 don't know. When they decide to join up, they will come
3 up there and build other ponds that would bring the total
4 capacity of the RIBS to the combined capacity.

5 But, practically speaking, once they tie
6 in, our water and their water is mixed, and it's not our
7 RIBS and their RIBS. It is RIBS that both parties have
8 constructed with a combined capacity to meet both
9 parties' requirements.

10 MR. DUNAWAY: And that was tricky, because
11 we -- it would have been easier for us to say in Phase 1,
12 "We are going to build our pipe and our RIBS. And they
13 will build their pipe and their RIBS."

14 MR. PHILLIPS: Yes.

15 MR. DUNAWAY: But we are using the same
16 pipe and we are actually going to use the same RIBS.

17 MR. PHILLIPS: Correct.

18 MR. DUNAWAY: If you look at Paragraph 7,
19 that's where you see that "The RIB constructed in Phase 1
20 shall be of sufficient capacity to serve Holley Navarre's
21 Water System's effluent discharge needs (Any capacity
22 from 1.5 to 3.0.) And then, we will consult and
23 coordinate with the County on all aspects of Phase 1."

24 And then, Phase 2 will just say, "Their
25 pipe," because it is their pipe -- that we will never use

1 the red going from the beach. We don't want to pump to
2 the beach. But the capacity, the RIBS of sufficient
3 capacity for their discharge.

4 MR. LANIER: Question on page 1. We talk
5 about the creation of a regional effluent disposal
6 system.

7 MR. DUNAWAY: Yes, sir.

8 MR. LANIER: From what I understand,
9 that's kind of just discussing the actual plant
10 facilities, not the partnership in this. Correct?

11 MR. DUNAWAY: Correct.

12 MR. LANIER: So we are not looking at
13 creating a Fairpoint-type situation?

14 MR. DUNAWAY: No, sir. The proposed
15 action -- the actual proposed action went back to the
16 concept of the regional utility. But this is not what we
17 are -- we are not creating such a legal entity. When we
18 talk about the system, we are talking about the pipes
19 that connect to -- and the pumps associated with those
20 pipes to get the effluent up to the RIBS.

21 MR. KENNEDY: And we're specifically
22 stated in the Eglin lease to be part of this.

23 MR. DUNAWAY: Yes.

24 MR. KENNEDY: We won't call it a
25 partnership, but we are in here saying --

1 MR. PHILLIPS: Regional --

2 MR. DUNAWAY: Regional effluent discharge.

3 MR. WILLIAMSON: And we are showing them
4 right before that in paragraph 4 of the lease, that Eglin
5 lease. It says the current growth projections
6 anticipated, blah, blah, developing the regional
7 wastewater treatment effluent disposal.

8 The County met with other water utilities
9 in the area to develop a joint strategy. And one of the
10 utilities recently approved an increase in the usage
11 rates to help fund the RIBS project. They are talking
12 about us. We are referenced in the lease.

13 MR. LANIER: Do we have any provisions for
14 a third party to join into this?

15 MR. KENNEDY: Like Gulf Breeze?

16 MR. LANIER: Gulf Breeze or Midway?

17 MR. WILLIAMSON: What do you mean by
18 "Provisions to join in"?

19 MR. DUNAWAY: This agreement is between
20 you and the County. It does not, however, the lease
21 doesn't and this agreement doesn't rule out the
22 possibility of that 1.6 that is out there, if not claimed
23 by you or the County, could be used by a regional area.

24 So in concept -- or not -- or in
25 actuality, when it was first envisioned, as I mentioned,

1 it was envisioned that the third party would be Gulf
2 Breeze.

3 MR. LANIER: Well, who would make the
4 determination to add that third party if that situation
5 was to come about? Would it be between them and the
6 County?

7 MR. DUNAWAY: It would be between you and
8 the County.

9 MR. PHILLIPS: Between us and the County.

10 MR. DUNAWAY: It would be between you and
11 the County. Not -- Eglin wouldn't have a play because
12 they -- the 7. You can't exceed 7. They don't care if
13 you get to 7 or not.

14 But it would be between you and the
15 County. And that would come about with the idea of what
16 that capacity is, and, you know, I would anticipate it
17 being part of the good working relationship that y'all
18 developed for the approved operation.

19 MR. PHILLIPS: We would anticipate the
20 third party now being Eglin themselves.

21 MR. LYNCHARD: But doesn't the agreement
22 say that either/or the County or Holley Navarre Water
23 System can take the 1.6?

24 MR. DUNAWAY: It does.

25 MR. PHILLIPS: If they reimburse the other

1 parties for it.

2 MR. WILLIAMSON: Yes.

3 MR. LYNCHARD: So if we saw something like
4 that coming down the pike, we could say, "We want the
5 other 1.6."

6 Or the County could also do the same
7 thing. Then, they could give the 1.6 to whoever they
8 wanted to.

9 MR. DUNAWAY: They could.

10 MR. PHILLIPS: We have got to --

11 MR. WILLIAMSON: When they wanted to --

12 MR. DUNAWAY: They have to pay you.

13 MR. WILLIAMSON: They have pay to us for
14 the portion of what we have already paid.

15 MR. LYNCHARD: The County would have to
16 pay us for the portion we already paid when they took the
17 1.6.

18 MR. WILLIAMSON: Correct.

19 MR. DUNAWAY: That's correct.

20 MR. LYNCHARD: So whoever has been brought
21 in --

22 (DIRECTORS SPEAKING OVER EACH OTHER.)

23 MR. DUNAWAY: And then, the percentages
24 would flip.

25 MR. TERASA: Flip. Yeah.

1 MR. DUNAWAY: Right.

2 MR. WILLIAMSON: And we would get our
3 money to be made whole for what we have paid so far. But
4 we don't necessarily have any right to deny --

5 MR. DUNAWAY: Correct.

6 MR. WILLIAMSON: -- who they would choose,
7 you know. If East Milton wants to run a pipe down or
8 something --

9 MR. DUNAWAY: You would have -- there
10 would be an engineering discussion depending on where
11 they came in to the pipe, unless they piped directly to
12 Eglin.

13 MR. PHILLIPS: If it was Eglin themselves,
14 of course, it would cut right at the RIBS.

15 MR. DUNAWAY: Right.

16 MR. PHILLIPS: If it was East Milton, they
17 would tie in so close.

18 MR. TERASA: Just to beat a dead horse.
19 What -- are we just creating flexibility when we say 1.5
20 to 3.0?

21 MR. WILLIAMSON: Yes.

22 MR. TERASA: What we want to build? Is
23 that just giving us more time to decide?

24 MR. PHILLIPS: Originally, we anticipated
25 building 1.5 MGD in capacity. There may be political

1 reasons to build more up front. We have -- we have
2 reserved up there 3 MGD.

3 The Board can decide to build any capacity
4 they want, quite frankly, from zero. We put in 1.5
5 because that's what we have told them we would build as a
6 Phase 1. And that's what I told you -- not you
7 specifically, but this Board, that we ought to build in
8 Phase 1 as a minimum.

9 MR. WILLIAMSON: Here's what we were
10 thinking is that if the maximum capacity for us initially
11 was going to be 3, and it's always been contemplated to
12 be 3, that we should go ahead and budget for the
13 agreement -- the agreement should provide for having that
14 3 capacity built initially.

15 And also, for us to have flexibility as a
16 company moving forward, if we only put in 1.5 million
17 gallons, then we lose any flexibility that we might have
18 with some of our assets that we currently own, like the
19 golf course.

20 But even at 3 million gallons a day, Eglin
21 comes online with 3, it's not as though we would be able
22 to get rid of the golf course and get rid of that 1.2
23 million gallons. That wouldn't happen until -- if we
24 went ahead and we got the whole 4.6.

25 That's the only way that we could

1 eliminate the need for the golf course.

2 You course at least make the argument for
3 it. But other than that, it just seemed like it was in
4 the best interest of the company to have the most
5 flexibility to go ahead and build the RIBS for the 3.

6 MR. TERASA: Okay. I don't want to
7 belabor this conversation. We need to have a real good
8 conversation about 1.5 and 3 and 4.6 some other time, not
9 right now.

10 MR. LYNCHARD: It needs to be 3.

11 MR. DUNAWAY: The other reason is because
12 you are building a pipe for 3.

13 MR. KENNEDY: Plus it's cheaper to do, I
14 guess, like Phil has said, economy to scale, at least if
15 we are going to be moving dirt, and we are going to be
16 doing everything, 3 million gets us where we need to be
17 for --

18 MR. WILLIAMSON: Plus it's expensive to
19 construct.

20 MR. KENNEDY: Right.

21 MR. WILLIAMSON: Because your transmission
22 pipe, that's your money.

23 MR. LYNCHARD: You build a pipe with 7.
24 Don't you?

25 MR. PHILLIPS: No. The pipe is -- the

1 pipe -- if I say a pipe is designed for 3 MGD, I am
2 really -- that's really a story. It's not a lie, but
3 it's a story.

4 MR. LYNCHARD: Well, lie to me and tell me
5 it's going to be 7.

6 (DIRECTORS SPEAKING OVER EACH OTHER.)

7 MR. PHILLIPS: The size -- the size of the
8 pump determines what flow I can put through a pipe.
9 There is a size of a pipe that would get too small that I
10 just physically can't make a big enough pump to put
11 through it. That pipe size for 3 MGD is sized best
12 economics for 5.4 MGD.

13 Could you put 7 through it? Absolutely.
14 You could put 7.

15 MR. TERASA: Okay.

16 MR. KENNEDY: So this is the reason for
17 when they come online, we may need to upgrade our booster
18 pump to be able to --

19 MR. PHILLIPS: Not our booster pump, but
20 somebody's booster pump --

21 MR. DUNAWAY: A shared -- that's where we
22 contemplated a shared. That was one of the reasons we
23 put it there.

24 MR. DUNAWAY: Yes. That was one of the
25 reasons we are building it for 7.

1 MR. PHILLIPS: Yeah.

2 MR. DUNAWAY: All right. I think we are
3 still on page 1.

4 MR. LANIER: We have only got 30 more
5 minutes to this meeting --

6 (EVERYONE SPEAKING OVER EACH OTHER.)

7 MR. WILLIAMSON: Actually, should we go
8 back to --

9 MR. KENNEDY: Hang on one second --
10 Daryl?

11 MR. LYNCHARD: Mine was more of a nuts and
12 bolts question on the cost-sharing arrangement.

13 MR. KENNEDY: Yes.

14 MR. LYNCHARD: And I noticed that where we
15 talk about costs we talked about the construction
16 permitting and engineering work under the cost and we are
17 going to -- I am assuming that we are contemplating
18 paying for 100 percent of it up front.

19 And then, the County will come in
20 afterward and pay their fair share of those costs. Will
21 we get any -- will there be more detail as to what those
22 costs are whenever you get to the final arrangement?
23 Because, you know, if the County waits ten years, and
24 there is an argument on the County's side for this also
25 with their cost-to-date is that if we build this pipe for

1 the full capacity, we are not going to write a check for
2 it. We are going to finance it.

3 So you have got those carrying costs. And
4 46 percent -- 44 percent of that interest, we pay every
5 month is on the County's equipment.

6 MR. PHILLIPS: We have all read this
7 agreement many times. And, ironically --

8 MR. DUNAWAY: It's a conversation we had.

9 MR. PHILLIPS: -- the term,
10 "Non-construction costs," is a pretty general term in
11 agreements that refer to any non-construction costs.
12 However, I told Will right before we sat down, I said,
13 you know --

14 MR. LYNCHARD: "Daryl is going to ask this
15 question."

16 MR. PHILLIPS: No. I didn't say, "Daryl,"
17 but Mike's conversation with us probably did ring this
18 bell maybe a little bit.

19 MR. DUNAWAY: Yeah.

20 MR. PHILLIPS: I read this thing twice
21 again since this morning. And the one thing I mentioned
22 to Will was --

23 MR. DUNAWAY: -- carrying costs.

24 MR. PHILLIPS: "You know what? The one
25 thing I am not comfortable with is the term

1 non-construction costs.

2 I think we ought to expand that the way we
3 expanded some other terms and said these might be some of
4 those, but not exclusive or not inclusive.

5 Because the one thing I wanted that I
6 think ought to be clear is the cost of money in this
7 thing.

8 MR. DUNAWAY: And if you look at the
9 bottom of page 3, that last paragraph, we say in the
10 middle of that paragraph, it says, "Examples of
11 non-construction costs that benefit both parties are such
12 items as the lease fee and engineering consulting fees.
13 The list is not inclusive."

14 But Daryl said put a comma right after
15 "Lease, financing, and consulting fees."

16 MR. WILLIAMSON: I had looked at the --
17 the last changes that I made to the document, I added
18 some of the language that the County had -- had in there
19 from their consultant where I put in access road and
20 chains. I put signage and those other things.

21 MR. DUNAWAY: Right. Fencing, access
22 roads, signs, operations --

23 MR. WILLIAMSON: I want to put that in
24 there but leave it -- put it in there but leave it broad
25 still to where -- I think we mention it, but we don't

1 drill down too deep just yet.

2 MR. PHILLIPS: Let's just say, "Cost of
3 money."

4 MR. LYNCHARD: Accessibility costs.

5 MR. WILLIAMSON: I think that's a good
6 add.

7 MR. DUNAWAY: Good. Okay.

8 MR. PHILLIPS: It was funny, we talked --
9 that's the one thing we kept bouncing around my brain is
10 that one thing is not mentioned in here.

11 MR. DUNAWAY: Sir, back to you. You were
12 guiding us through.

13 MR. TERASA: I am probably tripping
14 everybody up.

15 Paragraph 5 on page 2, "For the purpose of
16 this agreement," is in there twice.

17 MR. DUNAWAY: Okay. Yes, sir.

18 MR. TERASA: Do you see that?

19 MR. DUNAWAY: I don't. Tell me, you are
20 on page 2 --

21 MR. TERASA: Page 2, paragraph 5 --

22 MR. PHILLIPS: The second begins with "For
23 purposes of this agreement," --

24 MR. DUNAWAY: Okay.

25 MR. TERASA: I think it's just a

1 duplicate.

2 MR. DUNAWAY: Oh, I see what you are
3 saying. Okay.

4 MR. PHILLIPS: We eventually combine two
5 separate paragraphs into one.

6 MR. DUNAWAY: Yeah. And I will tell you
7 what we did. And you would think -- you would go --
8 well, the numbers are the same. But Phil and I were
9 talking, they might change. So that's what -- we
10 separate out, even though the numbers are the same, one
11 is talking about the pipe and one is talking about the
12 RIBS.

13 And we think it is very important because
14 it could change, but we wanted to have it accounted for
15 both of them. That's why it's there. It looks like it's
16 two different things.

17 MR. TERASA: Okay. That's cool.

18 MR. WILLIAMSON: You have an E on Eglin on
19 your third line --

20 MR. TERASA: Also Eglin has got an extra E
21 on it. Is that where you --

22 MR. DUNAWAY: Okay. Yeah.

23 MR. TERASA: And I guess you left a blank
24 on the last paragraph --

25 MR. DUNAWAY: That's right.

1 about the term, when it talks about us and also the
2 County, but what happens to us in the Air Force contract,
3 it says they can pull the plug if they just feel like it.

4 MR. DUNAWAY: Yeah. No. The Secretary of
5 the Air Force can cancel the lease at will.

6 MR. LANIER: If we are \$20 million into
7 this and they pull the plug, is there a mechanism to
8 where we can bond against loss, kind of protect our
9 interests?

10 MR. DUNAWAY: Yeah. You certainly -- and
11 this is a -- and this goes back to, you know, it's like
12 working with the County on anything. The County can do
13 these kinds of things, too.

14 In dealing with the Air Force and the
15 military lease, you are subject to that restriction and
16 you are going to make commitments, you know, money -- in
17 fact, essentially betting a farm on this.

18 MR. KENNEDY: It's a trust.

19 MR. DUNAWAY: Yeah. It's a trust.

20 MR. WILLIAMSON: What other alternative do
21 we have --

22 MR. PHILLIPS: Actually -- and that's a
23 point, but I don't even go there. Look, there's
24 utilities from here until the end of Eglin that use
25 theirs, and never once has one of them been terminated,

1 including those that are right in the middle of the most
2 important part of their mission.

3 MR. DUNAWAY: Well, the other thing that
4 is important and you heard Phil mention it -- is that
5 Eglin has effluent discharge needs, also. And so --
6 because they have people and they are flushing, also.

7 And, again, it goes back to where I was
8 contemplating, this thing has always been conceived as a
9 regional effluent discharge. So you are not going to
10 hear me ever say, "Never."

11 But it is a good question. You need to
12 know going in that there is a great amount of trust in
13 it.

14 MR. WILLIAMSON: We have got about six
15 minutes before we have to get prepared -- that doesn't
16 mean --

17 MR. TERASA: I've got nothing else.

18 MR. WILLIAMSON: -- we can't continue this
19 conversation --

20 MR. KENNEDY: Well, let me ask then, does
21 anybody have any big picture questions here?

22 MR. MILLER: I do. On Section 6, we are
23 agreeing to work with the County's engineering firm. And
24 my question is: You know, which is Jacob's Engineering,
25 how were they chosen to be the County's engineering firm?

1 Do we have any costs or estimates of what
2 they are going to charge? If they know that, "Hey, we
3 have got this job," what's -- how do you control their
4 costs?

5 MR. PHILLIPS: I will take a stab at this
6 first --

7 MR. DUNAWAY: Well, first, look, before
8 you do -- look at the paragraph in which we had tried to
9 do that. And that is: "Subject to suitable fees and a
10 scope of work being negotiated in accordance with
11 standard engineering fee tables, you will then
12 engage," --

13 MR. PHILLIPS: And that was part 1 of what
14 I was going to say, but here is part 2 --

15 MR. KENNEDY: And I am going to -- the
16 reason I want to just hold you is that I would like Daryl
17 in here on this conversation.

18 MR. PHILLIPS: Okay.

19 MR. KENNEDY: Because this was --

20 MR. PHILLIPS: He is coming down the hall.

21 MR. LANIER: Daryl, hurry up.

22 MR. KENNEDY: This is a problem that he --

23 MR. LYNCHARD: Keep going.

24 MR. PHILLIPS: Okay. So part 2 of this,
25 Mark, is this: You are never going to select the

1 consultant based on costs.

2 MR. MILLER: Yeah.

3 MR. PHILLIPS: Never going to do it.

4 MR. MILLER: CCNA and the State of Florida
5 requires you to select first on experience, and then, on
6 costs. You can't even cost compare afterwards.

7 So let's decide that this Board decides
8 that they don't want to hire Jacobs per this -- what this
9 agreement says. That would put you in some type of RFQ
10 process.

11 Now, Holley Navarre is not subject to CCNA
12 in and unto itself. You can go whatever you want up to
13 do. You can call someone up and get prices. You can
14 call five people up. But the County is not going to let
15 you do that.

16 The County is going to maintain any
17 possibility of reimbursement in the future from any
18 funding source. And, quite frankly, if you are going to
19 go RFQ, it would be in your own best interest to do CCNA,
20 because some funding sources will not pay you back unless
21 you did that.

22 Now, we don't contemplate using one of
23 those sources, but you would protect yourself as much as
24 you could, which means you are going to comply with CCNA,
25 which means you are going to solicit proposals from

1 different firms. Who is going to have the most
2 experience here?

3 MR. MILLER: Yeah.

4 MR. PHILLIPS: Jacobs. I mean, it's not
5 even -- I can't even contemplate how -- I wouldn't even
6 go after the work. And I am probably the next most
7 experienced engineer.

8 If it were not Holley Navarre, I wouldn't
9 even go after it. There is no way anyone is going to
10 select anyone but Jacobs. The County themselves
11 privately have said, "We are going to have to do an RFQ,
12 because that's the requirements of the funding, but
13 Jacobs is going to be our engineer."

14 So, I mean, if you are not -- if you can't
15 select on price, what difference does it make? You have
16 got the language in there now that protects you, in my
17 opinion, as best as you can be protected.

18 MR. WILLIAMSON: So then it comes down to,
19 you know, is that consistent with our Board policies?
20 Because it's -- you know, there is a Board policy that
21 says if something is over \$25,000 that has to go out for
22 bids.

23 But it's not a -- it's not something that
24 is part of our governing documents in talking with our
25 General Counsel. It's not something that's mandated

1 through the non-profit statute, Florida Statute 6.17. It
2 is an internal Board policy.

3 So just like the Board just approved the
4 Raven lining for Clarifiers 1, 2, and 3, and we only had
5 two bids. Now, that went against the stated Board
6 policy. We didn't get three bids. But the Board
7 approved the \$98,000 expenditure.

8 You know, here's another example of that
9 where, you know, it's -- you could argue -- the Board
10 could argue, but they have to vote, and that's why Staff
11 is not making this decision. This is up to the Board.

12 And this is a part of this overall process
13 that, you know, the Board, as the policy makers is going
14 to decide is this agreement with Jacobs -- and using
15 Jacobs is in the best interest of the Water System as it
16 relates to this project. And Staff believes that it is
17 for all the reasons that Phil has mentioned.

18 MR. PHILLIPS: And I will add one other
19 thing --

20 MR. WILLIAMSON: And the most important is
21 the one he is going to hit you with right now is that you
22 are going to use Jacobs whether you do a bid or not.

23 MR. PHILLIPS: Yeah. Because if we get
24 thrown out, that's right. The County is going to use
25 Jacobs, anyway. And we are going to pay our fair share.

1 But that's not exactly the point I was going to make.

2 MR. MILLER: But doesn't the County have
3 to actually go through the process to say --

4 MR. PHILLIPS: Absolutely.

5 MR. MILLER: -- even though it's going
6 through the motions to say --

7 MR. PHILLIPS: And they told us behind
8 closed doors who they are going to select already. I
9 mean, they would never admit to that, but they did.

10 But here's the other point. Dan Sheppard
11 made it very clear that no matter who did Phase 1 that
12 Jacobs was not going to be allowed to unfairly charge.
13 And they were going to give credit for all the work that
14 they had done before.

15 Now, that sounds great as in the County's
16 protecting us, but, really, he is just protecting his own
17 self-interest. Because, don't forget, no matter what
18 they charge us, they are going to pay 44 percent of it.

19 MR. KENNEDY: Yeah. That's true.

20 MR. WILLIAMSON: So they are trying to get
21 the most credit they can for what they have paid to
22 consult in our --

23 MR. PHILLIPS: Right.

24 MR. WILLIAMSON: So any of those design
25 fees, any of the work that they have already done that

1 could reasonably be applied toward Phase 1 of our
2 project.

3 MR. PHILLIPS: They want credit for that.

4 MR. WILLIAMSON: Right. They want to take
5 that off the total they would owe, so --

6 MR. LANIER: Is the County going to lump
7 sum the lease payment?

8 MR. KENNEDY: Yes.

9 MR. WILLIAMSON: They have already paid.

10 MR. LANIER: They have already paid it?

11 MR. PHILLIPS: Yes.

12 MR. DUNAWAY: The check went up to DC.

13 MR. LANIER: Will that settle up with us
14 once they connect into the system?

15 MR. PHILLIPS: He covered that. He
16 covered that when he went through it.

17 MR. LANIER: Okay.

18 MR. PHILLIPS: And, yes, we don't settle
19 up on that until we come in.

20 MR. LANIER: Okay. I am done.

21 MR. MILLER: One other thing under
22 indemnification, County would like to see -- the County
23 shall hold Holley Navarre Water System and its officers,"
24 -- add Directors in there -- and their agents and
25 employees harmless."

1 MR. DUNAWAY: Okay.

2 MR. MILLER: It mentions Officers, but not
3 Directors. I don't see why --

4 MR. TERASA: This is not in there, but
5 early on y'all mentioned that the Secretary of the Air
6 Force has not approved the County's lease.

7 MR. PHILLIPS: To the best of our
8 knowledge, the lease has not been signed by the
9 Secretary.

10 MR. LYNCHARD: Well, it's been approved.
11 It just hasn't been signed off on.

12 MR. DUNAWAY: It's been approved at the
13 local level. It just hadn't gone up to the Secretary.

14 MR. WILLIAMSON: They issued the
15 \$210,000 --

16 MR. PHILLIPS: They always require the
17 other party to execute first.

18 MR. DUNAWAY: Right. And the County has
19 done so.

20 (EVERYONE SPEAKING OVER EACH OTHER.)

21 MR. DUNAWAY: It's typically a pro
22 forma -- but there is no reason to anticipate he won't
23 sign off.

24 MR. TERASA: Okay.

25 MR. MILLER: I did have another note.

1 Under 16, insurance, where it mentions Holley Navarre
2 Water shall bear the cost of insurance as required in
3 paragraph 10 of the lease.

4 I think we should just go ahead and add
5 with the County and Federal Government as named insurers
6 because the lease requires it and the County is going to
7 want that in there, anyway.

8 MR. DUNAWAY: Yeah.

9 MR. KENNEDY: Do we need to specify that
10 in there? Is there anybody else that would be in --

11 MR. DUNAWAY: The lease does. The
12 reason -- it's a good point. It's a good point because
13 we will be operating it. The County is responsible for
14 the insurance, so they will want to be --

15 MR. MILLER: -- named insurer.

16 MR. DUNAWAY: -- named insurer.

17 MR. WILLIAMSON: Is there anything in here
18 left that when this hits the agenda here in about 45
19 minutes that you would not feel comfortable -- how do we
20 want to -- what I was going to recommend -- the Board
21 meetings that when we get the final draft, we would
22 submit it to the Board again with a Board action without
23 a meeting, because it would likely be sometime between
24 now and the October meeting and -- because we do have a
25 few things.

1 We have had some comments tonight, so we
2 are going to have another draft. We have to wait for the
3 numbers from the County to insert -- you know, the part
4 where we have that is -- the County has spent X amount so
5 far.

6 And then, we would send that back out to
7 the Board for you to give it your one last blessing
8 before we forward that draft on to the County. Is
9 anybody fine with that?

10 MR. TERASA: Yeah. Sound like a good
11 plan.

12 MR. LYNCHARD: Do we need to do anything
13 with it tonight at this point?

14 MR. WILLIAMSON: That's what I was going
15 to say, if we are -- if we have some changes we need to
16 make --

17 MR. LYNCHARD: Acknowledge that we got it
18 and we are --

19 MR. WILLIAMSON: So the agenda is
20 published. When we get to this update portion, I am just
21 going to say very little --

22 MR. KENNEDY: It's just an update.

23 MR. WILLIAMSON: -- and we will kind of
24 move on.

25 MR. TERASA: Okay. Now, you mentioned the

1 idea in your email that the County has got very few
2 meetings coming up.

3 MR. LYNCHARD: Uh-huh.

4 MR. KENNEDY: Do we need --

5 MR. TERASA: And, again, what I got out of
6 that was, "Hey, we had better get to the County ASAP."

7 So, obviously, we want to keep this
8 rolling. Okay.

9 MR. WILLIAMSON: I will mention that
10 tonight if you want to when we get --

11 WHEREUPON, THE SPECIAL BOARD MEETING OF
12 THE HOLLEY NAVARRE WATER SYSTEM CONCLUDED AT 5:50 P.M.

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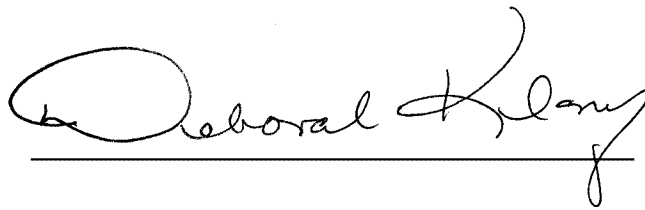
CERTIFICATE OF REPORTER

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 foregoing Special Meeting of the Board of Directors for the Holley Navarre Water system and the transcript is a true record of said meeting. 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 2nd day of September, 2019.

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.