

Tampa Bay Water
April 18, 2011 Minutes

The Board of Directors of Tampa Bay Water met in their offices, 2575 Enterprise Road, Clearwater, Florida 33763.

BOARD MEMBERS PRESENT:

Present: Chairman – Commissioner Ann Hildebrand, Pasco County
Vice Chairman – Commissioner Susan Latvala, Pinellas County
Commissioner Neil Brickfield, Pinellas County
Councilman Charlie Miranda, City of Tampa
Commissioner Sandra Murman, Hillsborough County
Council Member Karl Nurse, City of St. Petersburg
Commissioner Ted Schrader, Pasco County
Commissioner Mark Sharpe, Hillsborough County

Absent: Mayor Scott McPherson, City of New Port Richey

Staff: Gerald J. Seeber, General Manager
Rick Lotspeich, General Counsel

A list of others present who signed the attendance roster was filed in the permanent files of Tampa Bay Water. Staff and Consultants presenting to the Board are listed below:

Presenters: Koni M. Cassini, Director of Finance & Administration
Jon Kennedy, Senior Manager, Engineering & Projects
Ed Davis, Regional Vice President, CH2M Hill
Ed Crooks, Managing Director, Infrastructure Advisory, KPMG LLP
David Moore, Directing Manager, Public Financial Management
Tom Giblin, Bond Counsel, Nabors Giblin and Nickerson
Paula Dye, Chief Environmental Planner

Chairman Hildebrand called the meeting to order at 8:30 a.m.

BUDGET WORKSHOP - Proposed Fiscal Year 2012 Budget

Prior to the start of the Regular Meeting, a budget workshop was held. Staff presented in detail the proposed budget for FY 2011/2012 at a Uniform Rate of \$2.5590/1000 gallons. Individual budgets for the General Manager's Office, the General Counsel's office, along with the divisions of Finance and Administration, Operations and Facilities, and Science and Engineering were presented.

Staff responded to various questions from the Board including the following issues:

- Projected groundwater pumpage
- Rate increase driven by supply including additional desalination usage
- A budgeted increase as opposed to a mid-year increase

- Professional Services
- Status of Energy Efficiency Program
- Travel and membership costs

Commissioner Brickfield suggested staff prepare a budget without a rate increase by adjusting groundwater up from 80 mgd and allow the Board to see what it would look like.

The Budget Workshop concluded at 9:40 a.m. and Chairman Hildebrand called the Regular Board Meeting to order.

PUBLIC COMMENT

Public comment was duly recorded and is filed in the permanent files of Tampa Bay Water.

EXTRA

Mr. Seeber advised the Board that Dr. Alison Adams and other Tampa Bay Water staff have worked to develop a stronger relationship with the research arm of the University of Florida, namely the Florida Water Institute. As a result, Dr. Adams serves as an advisor to Sye Woon Hwang, a PhD candidate in Engineering. Mr. Hwang, his colleagues at the Water Institute and UF, and Dr. Adams, has recently been advised that one of their research reports, “Quantitative Spatiotemporal evaluation of dynamically downscaled MM5 precipitation predictions over the Tampa Bay Region, Florida” has been accepted for publication in the *Journal of Hydrometeorology*. He congratulated Dr. Adams and her team for their good work and for helping to mentor the next generation of engineers & scientists.

CONSENT AGENDA

A. ADMINISTRATION

1. Board Minutes for February 21, 2011 Board Meeting - *Approve*

B. FINANCE & ADMINISTRATIVE SERVICES

1. Budget Line Item Transfers 5 & 6 - *Approve*
2. Resolution No 2011-2010 Adopting the Revised Investment Policy - *Approve*
3. Increase Management Fees to Public Financial Management, Investment Advisor for a total not to exceed \$83,200 - *Approve*

C. SCIENCE & ENGINEERING

1. Production Update and Hydrologic Conditions Report for February 2011 and March 2011 and the past 12-Month Period (April 1, 2010 through March 31, 2011) - *Status Report*
2. Long-Term Water Supply Planning
 - a. Integrated Source Water Protection Plan - *Status Report*
 - b. Long-Term Demand Forecast and Future Needs Update - *Status Report*
 - c. Demand Management Plan - *Status Report*
3. Regional Demand Management and Member Government Water Conservation Activities - *Status Report*
4. Capital Improvement Program Projects - *Status Report*
5. Real Estate Activities - *Status Report*

6. Lithia Hydrogen Sulfide Removal Facility Project - *Status Report*
7. As-Needed Engineering Services Agreement – First Amendment to Contract No. 2009-037 with Malcolm Pirnie, Inc., to Change Company Name - *Approve*
8. As-Needed Engineering Services Agreement – First Amendment to Contract No. 2009-029 with Gannett Fleming, Inc., in the amount of \$31,424 - *Approve*
9. Updated Operations Plan – Updated Protocol for Interaction between the Environmental Management Plan and the Optimized Regional Operations Plan - *Approve*
10. Regional Supplies and Demands - *Status Report*

D. OPERATIONS & FACILITIES

1. System Configuration II Construction Update - *Status Report*
2. Water Quality Update - *Status Report*
3. Vehicle Maintenance/Fleet Replacement Program for Fiscal Year 2010/2011 - *Approve*

E. GENERAL COUNSEL

1. Tampa Bay Water v. KIR Tampa 003, LLC., et al., Case No. 08-27638, Div. F. (Hillsborough County Circuit Court), Parcels 6401.04, AP, BP, AT and BT - *Approve Settlement of Attorney’s Fees and Costs*

Motion: Commissioner Latvala moved approval of the Consent Agenda. Councilman Miranda seconded the motion. The motion carried unanimously by a vote of 9-0.

REGULAR AGENDA

F1. Regional Reservoir Renovation Project

Jon Kennedy presented an update on the Reservoir Renovation Project. He noted that following two years of project development, staff has received technical and price proposals and are in the process of evaluating them.

Mr. Kennedy reviewed the history of the cracks that first appeared in the soil cement erosion control layer on the inside of the reservoir in 2006, and over time cracking has occurred in nearly 40 percent of the circumference of the facility.

Mr. Kennedy explained in 2008 FEDP imposed a limitation on the amount of water that could be stored in the facility until an extensive short-term repair program was concluded that returned the facility to its current service in the summer of 2009. In June 2009, the System Engineer’s analysis was presented to the Board indicating water is getting trapped in a wedge of dirt between the interior layer and the cutoff wall inside the reservoir. This is an issue when water is withdrawn and the weight of the wedge of dirt becomes heavy and causes the cracking. As a result of that analysis, the Board took action by adopting three resolutions.

- The first resolution directed staff to procure a long-term fix for the facility rather than relying on short-term repairs since the reservoir is an important part of our system.
- The second resolution identified project objectives as recommended by the project team including KPMG, the project’s Strategic Procurement Advisor. The project objectives include procuring a long-term fix in a competitive environment.

- The third resolution directed staff to use a design-build approach to implement the project.

In October 2010, the Board approved short-listing design-build teams and authorized staff to issue requests for proposals. Mr. Kennedy stated three technical proposals for fixing the existing facility at its current volume and three technical proposals to increase capacity by 20 percent or 3 billion gallons were received, adding that these are proposals, not bids. There is bid bond so they are held firm, but they are proposals.

Mr. Kennedy noted that the base proposal cost for fixing the existing facility range from \$120 million to \$170 million. This is within the cost presented to the Board in 2009 as a budgetary estimate for this facility. These cost proposals, however, include things that were not in the 2009 estimates such as five years post-construction maintenance and monitoring, an enhanced financial package regarding project guarantees and a letter of credit.

Mr. Kennedy explained that the cost proposals are based on technical assumptions being evaluated by Tampa Bay Water's team of experts. The design-builders have also submitted alternative proposals for additional storage, at a cost of approximately \$40 million more to add 3 billion gallons of storage. He noted that although \$40 million is a lot of money, 3 billion gallons is a lot of water or approximately an additional 10 foot depth throughout the 1200 acres of that facility.

Mr. Kennedy stated that because these are proposals and not bids, the costs may fluctuate during final negotiations with the selected best value proposer.

Mr. Kennedy reviewed the establishment of the project team in 2009 and stated that project team members were present today to provide an update on the procurement process. Two team members, Mr. Ed Davis, Regional Vice President of CH2M Hill, and Mr. Ed Crooks, Managing Director, KPGM LLP, will be reporting on their activities today.

Mr. Ed Davis stated that CH2M Hill's role on Tampa Bay Water's Advisory Team and the Peer Review Panel is to assist in the evaluation of the proposals. CH2M Hill has assembled a review team of 20 specialists and engineers in various disciplines to review the technical proposals and compare them to the design criteria published in the requests for proposals including passing all pass/fail requirements.

Mr. Davis stated CH2M Hill's review is on-going and if further clarification is required to determine if they meet pass/fail requirements, a list of questions specific to each proposal will be developed to clarify specific issues. Finally, a technical summary for each proposal will be prepared and given to the Peer Review Panel. Once the Peer Review Panel provides their input, that summary document will be given to Tampa Bay Water's Selection Committee for their evaluation and scoring process.

Mr. Davis stated the price proposals are being reviewed by both CH2M HILL and KPMG and turned the presentation over to Ed Crooks with KPMG to discuss the price proposals.

Mr. Ed Crooks stated that KPMG's role is three-fold.

First is a review of each proposal to insure that the financial submittals for the six proposals contain all the required documents in the appropriate form. The requirements are extensive and KPMG is working through those with your external legal counsel.

Mr. Crooks stated the second roll is an update of the work undertaken by KPMG during the qualification stage. Last July when the proposed bidders put forward their financial statements KPMG did an extensive review of their financial capacity. That information is being updated. This is essentially a pass/fail evaluation and the findings of the review will be passed on to the Tampa Bay Water team for consideration.

Mr. Crooks noted the final piece of activity KPMG is engaged in is an evaluation of the financial proposals themselves on a lifecycle cost basis. This evaluation is being conducted on all six proposals, the three baseline proposals and the three increased capacity proposals.

Mr. Crooks noted that last year the Board adopted a resolution containing a set of objectives, one of which was related to cost. That resolution stated that the renovation should be completed in a manner that provides the lowest lifecycle cost to the agency with the highest possible certainty of success. Lifecycle cost in this context is the sum of a number of elements. In terms of this facility, lifecycle cost is the summation of upfront design and engineering costs as well as capital and construction costs, plus long-term maintenance and monitoring and major renewal and replacement cost. Consequently, the lowest up-front price is not necessarily going to give you the lowest lifecycle cost. Each proposal includes inherent trade-offs and the KPMG analysis is to determine the total cost to Tampa Bay Water over the life of these projects.

Mr. Crooks explained that renewal and replacement costs are essentially the normal and expected costs of maintaining a facility of this nature over the passage of time. There are a couple of underlying assumptions. First each technical proposal offers a unique solution to renovation requirements of the facility. Therefore each one may have specific renewal and replacement cost features that need to be understood. Another assumption is that over time the agency is going to want to make sure that this facility is maintained to a comparable standard. The analysis looks over a 53 year window, 1 year of design, 2 years of construction and 50 years of operation. The assumption is that at the end of that 53 year period, under whatever technical solution is selected, you have a facility that is at a comparable level of quality and maintenance with the remaining life across these technical alternatives. He stated it is important to note the contracts being proposed do not include a responsibility to the contractor for taking on the long-term life-cycle renewal and replacement costs. However, it is important for the Board to be able to evaluate these proposals knowing what those long-term obligations will be for the agency.

In terms of how these proposals will be scored, Mr. Crooks turned the presentation over to Mr. Kennedy.

In response to a question from Councilman Nurse, Mr. Kennedy explained the current permit does not limit the capacity of the reservoir or the volume we are allowed to store, which is 15.5 billion gallons; it limits the rate at which we can withdraw water.

Councilman Nurse stated if there is an addition of 3 billion gallons more storage capacity, in a wet year like this we may not need to use the desal plant as much. He wanted to make sure staff had a conversation with the Southwest Florida Water Management District who has an interest in this.

Commissioner Schrader stated that keeping in mind litigation issues, he was a little cautious about the questions he asked. But using an analogy of building a house, he asked how the expansion can be completely vetted; how is the real value of the expansion determined. If it should have been that big when it was initially built? Since it all comes down to costs, how do you really evaluate and make a true recommendation the Board can be comfortable with. Commissioner Schrader added that his primary goal was to make sure the reservoir we have today is fully functional.

Mr. Kennedy responded it would be a combination of things. One involves an analysis that Dr. Adams is undertaking regarding the surface water system reliability. Another, which Councilman Nurse addressed, would be the frequency with which we would be using other supply sources. The third consideration will be based on capital costs. Since Tampa Bay Water's long-term plan contemplates building a second reservoir, the consideration will be whether you want to spend that amount of money at that point in time or this amount of money at this point in time.

After noting the Board has a problem they need to fix, Councilman Miranda stated that going forward you should not be looking just 10 years out into the future because without all components working and functioning together the area will have no growth or production coming into this area. He stated that he saw figures showing a population growth of 425,000 Hillsborough County alone over the next 20 years. Look at all the factors; you have to realize we are not doing this for today's population, but for future populations.

Continuing his presentation, Mr. Kennedy stated the elements of the best value fix are consistent with elements that were evaluated by the Board when it selected the Surface Water Treatment Plant provider. He emphasized that this is not a low bid; it is a best value which is consistent with the Board's direction by resolutions for this process.

Mr. Kennedy noted the Selection Committee is comprised of seven Tampa Bay Water employees, taking input from the Peer Review Panel and from CH2M Hill. The technical score is up to 60 points for each of the proposals. KPMG is leading the effort to evaluate and score the lifecycle costs and the cost consideration up to 40 points.

Mr. Kennedy reviewed the next steps as follows:

- April 25-26, 2011 Peer Review Panel Workshop #2
- May 16, 2011 Board Workshop
- June 2, 2011 Advisory Team Evaluations & Selection Committee Scoring Complete
- June 18, 2011 Request Board Approval to Negotiate with Best Value Design-Build Proposal
- Aug.15, 2011 Approve Negotiated Agreement
- Sept.1, 2011 Notice to Proceed for Design & Permitting
- Sept.1, 2012 Notice to Proceed for Construction

Councilman Nurse questioned how to score the relative reduction in risk due to having two reservoirs holding the same amount of water vs. one reservoir based on the theory that two facilities are unlikely to both have trouble at the same time.

In response to a question from Dr. Polmann seeking clarification of his question, Councilman Nurse stated he was assuming that in total, whether you had one reservoir or two, the quantity of water was the same but that it was just two different facilities. So if one is down you still have another one operating. He stated he did not realize the second reservoir involved a more expensive version of water and included a treatment plant, which was a whole different animal.

Councilman Nurse asked staff to provide the Board with numbers that will help clarify the relative cost of each way.

In response to questions from Commissioner Brickfield, Mr. Kennedy confirmed the base proposal costs are \$120 to \$170 million and with the additional capacity it would be \$160 to \$210 million. Lifecycle estimates will be provided for fixing the reservoir as well as lifecycle estimates for fixing the reservoir with the additional storage to compare these to the proposal costs.

Commissioner Brickfield asked for that information to be provided for the June 18 meeting so the Board will be fully informed in order to make a long-term decision based on what it is going to cost over the next 53 years.

F2. Resolution No. 2011-009 Adopting the 2011 Strategic Plan

Mr. Seeber stated that today he was asking the Board to adopt a resolution approving the 2011 Strategic Plan designed to focus the attention of the Board and staff on issues of most importance to the agency over a 10-year planning horizon.

Mr. Seeber reviewed the agency's accomplishments since 1998 following Governance and the establishment of Tampa Bay Water. He stated that the organization has arrived at a place where it needs to renew its efforts at broad range, strategic planning. Staff's effort over the past several months has resulted in the development of a mission statement, a listing of organizational values, and a series of overarching goals and strategies. He noted that changes to the plan have been made following the January 31 workshop to reflect the Board's input.

Mr. Seeber then reviewed the Mission, Vision and Value statements as follows:

Mission statement:

Tampa Bay Water reliably provides clean, safe water to the region now and for future generations.

Vision:

- Be a model for regional water supply in the nation'
- Be a leader in innovation and best practices; and
- Be a respected member of the Tampa Bay community.

Values:

- Our employees and their safety are the keys to agency success.
- We strive for continuous improvement in everything we do.
- We fulfill our mission in partnership with our stakeholders in a responsible, efficient and environmentally sustainable manner.

Mr. Seeber stated that with the Mission, Values and Vision in mind, four goals and 19 strategies were developed. He then reviewed each of the following goals along with the implementation strategies.

- **Goal: Achieve a reliable water supply and delivery system.**
- **Goal: Continue to improve the efficiency of Tampa Bay Water's Operations**
- **Goal: Maintain the Agency's Financial Stability and Sustainability**
- **Goal: Develop, improve and maintain collaborative relationships with stakeholders**

In conclusion, Mr. Seeber requested Board approval of Resolution 2011-009 approving the 2011 Agency Strategic Plan.

Motion: Commissioner Latvala moved approval. Commissioner Schrader seconded the motion.

Commissioner Latvala complimented staff stating the Plan was very well written, beautifully done and although the Board participated, a lot of work was done by staff. She did not believe anybody could disagree with those goals.

Commissioner Brickfield stated that after reading the document he agreed with everything adding staff did an excellent job. He noted there was one strategy in the plan, "Fix the reservoir to its intended use; complete current Board Direction" which obligates the Board to spend money while everything else is a concept, such as measuring efficiencies, creating a new model, etc. This strategy gives specific direction which was of concern to him since the Board always refers back to the plans it adopts. Knowing the Board will be receiving lifecycle costs regarding the cost to fix the reservoir in two months, he would be more comfortable with that strategy if knew all those answers before putting it in the strategic plan.

Vote: The motion carried by a vote of 7-1 with Commissioner Brickfield voting nay. (Mayor McPherson was absent.)

H1. Resolution No. 2011-006 allowing for full or partial termination of the 2001A Swaption Agreements and 2001B Swaption Agreements

H2. Refunding of the 2001A and 2001B Bonds to assist in terminating the swaptions:

- a. **Supplemental Bond Resolution No. 2011-007 Refunding Series 2001A Revenue Bonds**
- b. **Supplemental Bond Resolution No. 2011-008 Refunding Series 2001B Revenue Bonds**

Ms. Cassini stated she would be requesting Board action on three items to enable the agency to potentially terminate the Swaptions and refund the bonds associated with the Swaptions.

Referring to a graphic, Ms. Cassini directed the Board's attention to the Notional Amount of \$286,195,000 the outstanding Swaption associated with the 2001 Series A & B Bonds. She noted that although previously the Swaptions did not have a budget impact, today they did. She next referred the Board to the sum of \$15,380,000 received for these transactions by the Agency in upfront cash to help off-set the cost of the Capital Improvement Program. When the market

started to go down, knowing there was a strong likelihood the Agency would need to get out of the Swaptions; staff stopped spending those dollars so most of those dollars are in hand. She noted that the termination payment is still a bit higher than just returning the dollars.

Ms. Cassini stated that in December 2010 the Board approved the agency's efforts to get out of the Swaption market. She referred to a chart outlining three different options that she and her financial advisors have been investigating for the 18-24 months. She stated that although interest rates have been coming up, they are not high enough to enable the agency to get out by just returning what was received. They are, however, almost to a place where a part of the Swaps could be terminated, but in December she did not request the Board's approval to terminate just a portion of the swaps. She stated that if interest rates come up a little more a portion of the Swaptions could be terminated, and the agency's variable rate and derivative exposure can be reduced by returning a portion of the dollars, she would like to do that and was asking Board approval of this action today.

Ms. Cassini explained that because the possibility of getting out of the Swaps based upon the December approval was relatively remote, Raymond James had an idea that would enable the agency to still get out of the Swaptions without a budget impact. It was a two part deal: by moving into some fixed rate debt (mid-term bonds) that takes advantage of today's low interest rates and eliminating our variable rate exposure for about the next five years. Then in five years, refinance to spread the debt out over the same remaining life of the original term of the bonds and not extend it. This two-step transaction would create savings today to help pay the termination fees without changing our debt service payment allowing the termination and still no impact to the uniform rate.

Ms. Cassini further explained that refinancing today would lower the payment enough that the agency could borrow money (which would be used to pay the remaining termination fee) and not change the debt payment. This would then change our risk exposure, eliminating our variable rate debt and derivative exposure, and leaving us with just fixed rate debt. However, since the termination payment changes every day as interest rates change, Ms. Cassini stated she may not have the opportunity to complete this transaction and may have to seek Board approval of another set of documents this summer in preparation for going into the Swaps.

Ms. Cassini showed a graphic of the range termination values since January 2008 stating that staff has run the numbers several times to make sure there is no negative impact on the agency's debt as we try to unwind these documents. Staff recommends capping the payment level at \$45 million, returning the dollars in hand, \$15 million plus about \$1 million in interest earned over time, leaving a balance of about \$28 million in borrowed funds. This would not impact the uniform rate. However, due to the volatility of the market she was not sure there would be an opportunity to get the deal done and she would be reporting back to the Board either for approval of documents to go into the Swaps or reporting on the successful transaction requested today.

Ms. Cassini turned the presentation over to David Moore, Financial Advisory from PFM.

Mr. Moore stated that for over a year staff has been working through how to manage the Swaps, concerned about rate payers today and the debt structure over time. The goal will be to terminate the Swaps but, if we are not able to do that we would enter into a Swap transaction. We would prefer not to enter into the Swaps because of the inefficiencies in the market. The debt service would increase by approximately \$1.7 million per year because some of the costs in the financial market that have been stable for the past 15-20 years are no longer stable. Banks that provided

liquidity have gone out of business, and others have reduced the amount of liquidity they are willing to provide. He noted that although the fundamentals of the financing are still fine, the ancillary costs have gone up and we are trying to work around this. The reality is we would prefer to terminate but are prepared to move forward.

Mr. Moore stated in December after working with the attorneys and the bankers on these financings for most of the year, the first resolution was brought to the Board. Although we felt it was unlikely, we wanted to be proactive and be ready to terminate the swaps if conditions were such that we could. Today you have a resolution that sets up three scenarios. The first adds a little clarification to some of the terms and conditions allowing us to terminate the swaps. The second pieces of the resolution allows for two different kinds of fixed rate bonds, a regular fixed rate bond and fixed rate bond structured with medium term notes. The second recommendation is by far the most cost effective way to prepare your debt portfolio for the long term, the next 20 or so years. He stated that if this cannot be accomplished in the next 60 or 90 days, we will be back in June to put into place the transaction that was contemplated 5 years ago.

Mr. Moore explained that the financing will be divided into pieces. Staff contemplates about \$45 million of the financing would be structured as a regular refinancing since there is actually savings in doing just a straight refinancing with the current maturity and no structural changes. The remainder would be structured with Medium Term Notes. The principle that would have been paid off between the late 2020's out to 2031 is set up to mature between 2016 and 2019 reducing interest expense materially allowing you to roll over those financings and lock them into maturity at that point in time, then in 2016 to 2019 refinance (rollover) those balances over the remaining 15 years of the original bond issue.

Mr. Moore referred to a chart showing historical interest rates over the last 12 years. In order to break even during the refinancing in the future, interest rates between 2016 and 2019 would need to be below 5 percent. The vast majority of time, even though the difficult financial markets, interest rates have been lower than that.

Mr. Moore stated that under Ms. Cassini's direction the analysis has been based on very conservative assumptions. While there are no guarantees what will happen, looking at historical interest rates, if you get anywhere near the averages, between 2016 and 2019 when you do the rollover, your debt service would actually go down a couple million dollars a year. He added that 1 percent would be about \$2.5 million a year. Again, thinking long term, the idea is to get the financing as tight as possible today, move out of the swaps if the market allows, putting the agency in a position where it can capture and reduce rates to members in the future.

Regarding the agency's outstanding debt, Mr. Moore stated that 30 percent is the portion in Swaps. The swaps have various exposures such as dealing with banks, letters of credit, etc. If the financing as discussed today can be completed, about 25 percent of the debt will still have some exposure until 2016- 2019 when it is rolled. However, it will be a fixed rate between now and then, and by 2019 the agency would be back to 100 percent fixed rate, long-term obligations. Mr. Moore turned the presentation over to the Agency's Bond Counsel, Tom Giblin.

Mr. Tom Giblin, Nabors & Giblin, stated that he would review the three resolutions before the Board today. The first is Resolution 2011-006 and is the Swaption termination resolution. As was mentioned earlier, in December the Board adopted a resolution allowing for the termination of the

Swaptions but it was done on a whole basis, if you terminated you would terminate the entire amount of the Swaptions. This resolution gives some flexibility and allows the Board to delegate to the General Manager the ability to choose whether to terminate all or a part of the Swaptions. That is the chief difference between this resolution and the one adopted in December. He stated that one of the parameters was also changed. He reviewed the various conditions for the Swaption being terminated as noted in the resolution:

1. If the Swaptions are terminated on an aggregate basis, both for the 2001A and the 2001B, the termination payment, which is the total amount paid to get out of the Swaptions, could not exceed \$45 million.
2. Also, as in the 2010 resolution, you have to get a reasonability opinion. Your financial advisory has to say that the amount that you pay is reasonable considering market conditions.
3. Have the appropriate legal documents.

Commissioner Schrader asked if terminating a portion of the Swaptions would make the remaining balance easier or more difficult to terminate.

Mr. Giblin responded would be an economic issue in terms of what is most beneficial. If you only terminate a part of the Swaption, the underwriters or providers of the swap may want to exercise the remaining part of the swap.

Ms. Cassini clarified that it was pretty much interest rate based, the value and the confirmation of the value between us and the swap providers. If we have the opportunity to terminate a portion of the Swaption it will be much easier for the agency to manage. She did not believe having less would cause the agency to be viewed negatively or make it more difficult to get out of.

Mr. Moore stated that although it does require some cooperation from the swap counterparties, it is something that is managed every day and did not expect it to be a problem to take away 50 percent if that makes sense. However if we can't get rid of all of it today through the process, the rationale is to narrow down the agency's exposure so that it is easier to manage over time.

Ms. Cassini confirmed for Councilman Nurse that the goal is to get rid of the Swaptions and then convert that into long-term debt if the rates are low enough.

Motion: Commissioner Latvala moved approval of Resolution No. 2011-004 (Agenda Item H1). Commissioner Schrader seconded the motion. The motion carried unanimously by a vote of 8-0. (Mayor McPherson was absent.)

Mr. Giblin state the next Resolution, No. 2011-007, is authorization for Series 2011A Bonds and that will be used to refinance the 2001A Bonds. He referred to Page 7, Section 6 of the resolution containing the parameters under which the General Manager is permitted to sign the purchase contract between the authority and the underwriters. Item A states the principle amount cannot exceed \$170 million, the true interest cost cannot be greater than 5.5 percent and the maturities for the 2011A Bonds cannot be later than October 1, 2028, the last maturity on the bonds being refinances so as not pushing the debt any further out. There are various provisions in terms of redemption of that debt. The General Manager is delegated the ability to choose which bonds to

refund, which are most beneficial based on advice received from the financial advisor in terms of that issue.

Mr. Giblin briefly reviewed the various attachments to the resolution:

- Exhibit A - the bond purchase agreement. The agreement between the authority and the underwriters which lays out the terms under which the underwriters will purchase the bonds from the authority.
- Exhibit B - the preliminary official statement. Every bond issue that is offered to the public has to provide disclosure material that provides all the pertinent disclosure material from the authority to the investors.
- Exhibit C – escrow deposit agreement. Because you cannot call the bonds immediately you have to set aside monies in an escrow for a short period of time until the bonds are called and you can take them out.
- Exhibit D – a continuing disclosure certificate. This is an SEC requirement that you update bond holders on an annual basis so that future bond holders have a good idea in terms of what’s going on with the authority.

Mr. Giblin stated that adoption of this resolution puts in motion the transaction. The Board must approve each of the attachments described in terms of execution of those documents.

Motion: Commissioner Schrader moved approval of Resolution 2011-007 (Agenda Item H2a). Commissioner Latvala seconded the motion. The motion carried unanimously by a vote of 8-0. (Mayor McPherson was absent.)

Mr. Giblin stated that Resolution No. 2011-008 is virtually a mirror of Resolution No. 2011-007 just adopted. He again referred the parameters listed on Page 7; Section 6 which states this is the 2011B Bonds refunding the 2001B Bonds. The amount is a not to exceed amount of \$180 million and 5.5 percent is the not to exceed interest rate. The outside maturity is October 1, 2031 which is the outside maturity of the bonds being refinanced. He stated the exhibits are identical to those approved with the 2011A Bonds.

Motion: Commissioner Latvala moved approval of Resolution 2011-008 (Agenda Item H2b). Commissioner Schrader seconded the motion. The motion carried unanimously by a vote of 8-0. (Mayor McPherson was absent.)

II. Pinellas County Points of Connection –

a. Memorandum of Understanding to Modify Points of Connection

b. Exhibit C of the Master Water Supply Contract – Modifications

Ms. Paula Dye stated her presentations pertained to a modification to the Pinellas County Points of Connection and she would be making a recommendation to the Board.

Ms. Dye stated there are 21 points of connection between Tampa Bay Water and the member governments and these are covered in the Interlocal Agreement under the Master Water Supply Contract (MWSC), specifically Exhibits C and D. The MWSC defines these locations including Tampa Bay Water’s obligation to the members for pressure and water quality.

Several modifications have been made to the points of connection since 1998 when Tampa Bay Water was formed. We made changes with Hillsborough County, Pasco County and the cities of New Port Richey and Tampa. Overall, the cost of these changes has been about \$170 million and of that, about \$100 million has been paid by Tampa Bay Water. The cost is paid for based on who asks for the change and who benefits by the change. Often it is mutually beneficial and then the costs are shared according to benefit.

There are many reasons changes occur. In this instance, Pinellas County needs to replace the Keller Treatment Plant and will need a new regional system point of connection. This will allow them to blend water and improve the consistency and quality of delivery to their citizens. Tampa Bay Water needs to be sure we are meeting Exhibit C pressure and that requires us to re-establish the location at the Eldridge-Wilde Point of Connection, update the existing transfer pump station and add a new bypass line to it. The cost estimates for this are about \$3.3 million for Tampa Bay Water and about \$4.7 million for Pinellas County. The cost for Pinellas does not include the cost to replace their Keller Pumping & Treatment Plant.

Ms. Dye stated that two of the several steps to implement changes and modifications to points of connection are before the Board today. The first is the Memorandum of Understanding that sets out the policy commitments that each Board would be making to implement these changes. The second step is an amendment to Exhibit C, officially amending the Interlocal Agreement Master Water Supply Contract showing the new location of the points of connection. Ms. Dye stated that in June staff expects to seek Board approval of a Joint Project Agreement that has more technical and financial details and is generally the next step after approval of a Memorandum of Understanding. Should the Board approve all these documents, design is expected to begin in 2012 and construction to be completed in the spring of 2016.

Ms. Dye stated staff recommends approval of Agenda Item I1a the Memorandum of Understanding, and Agenda Item I1b the Exhibit C Update.

Motion: Commissioner Latvala moved approval of Item I1a. Councilman Miranda seconded the motion. The motion carried unanimously by a vote of 8-0. (Mayor McPherson was absent.)

Motion: Commissioner Latvala moved approval of Item I1b. Councilman Miranda seconded the motion. The motion carried unanimously by a vote of 8-0. (Mayor McPherson was absent.)

K. General Manager's Annual Evaluation

Chairman Hildebrand stated she received a number of positive reports regarding Mr. Seeber's performance and thanked him for all he was doing for the agency and for maintaining a cheerful attitude.

While his contract provided for a change in compensation, Mr. Seeber stated that he was not asking for any change in compensation given the current economic situation.

Extra:

Councilman Nurse referred to the book "The Big Trust" which stated that one out of six gallons of water that leaves a water facility does not make it to the tap. He asked staff to provide some numbers regarding this in the future since it would be useful to know how much water is sold to the member governments and how much the member governments sell to their customers, and the difference, or

what we are losing in between. He stated over the long-term, a potentially cheaper source of water supply may be pipe repair. He hoped this might become a conversation with SWFWMD since it might be a logical place to jointly invest money.

Councilman Miranda was glad the matter was brought up noting that the City of Tampa currently sells water for less than they pay for it to Tampa Bay Water. He stated he would like to see if it could be worked out where they buy and sell at the same price.

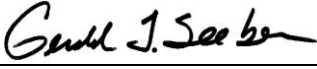
Commissioner Brickfield stated Pinellas County's line loss was 6 percent and St. Petersburg's was about the same.

L. Receive & File

Motion: Councilman Miranda moved approval of Receive & File. Commissioner Schrader seconded the motion. The motion carried unanimously (8-0). (Mayor McPherson was absent.)

Adjournment:

The Board adjourned at 10:58 a.m.

Attest: 
Gerald J. Seeber, Secretary

Date: June 20, 2011