

**MINUTES OF SPECIAL MEETING
CORAL SPRINGS
IMPROVEMENT DISTRICT**

A special meeting of the Board of Supervisors of the Coral Springs Improvement District was held on Wednesday, May 2, 2007 at 3:00 p.m. at the District Office, 10300 NW 11th Manor, Coral Springs, Florida.

Present and constituting a quorum were:

Bob Fennell	President
Glen Hanks	Vice President
Sharon Zich	Secretary

Also present were:

Dan Daly	Interim Manager – CSID
Ed Goscicki	Co-Manager – Severn Trent Services
Dennis Lyles	Attorney
John McKune	Engineer

FIRST ORDER OF BUSINESS

Roll Call

Mr. Goscicki called the meeting to order and called the roll.

Mr. Fennell asked was this meeting advertised for a rate increase?

Mr. Goscicki responded this meeting was advertised in the local newspaper more than seven days in advance. We met all of the legal requirements for advertising, which is more than 10 days.

SECOND ORDER OF BUSINESS

**Presentation of Recommended Capital
Improvement Program – Sean Skehan of
CH2M-Hill**

Mr. Goscicki stated at this time, I will give a brief overview of the capital improvement program, the requirements and the need for these improvements. Then we will turn it over to Mr. Green who will talk about the financial impacts and implementation.

Mr. Skehan stated we are looking at undertaking a capital improvement plan and re-investing into the system you have come to depend upon since the entire system was constructed 30 to 35 years ago. On the Water Treatment Plant side for drinking water and on Wastewater Treatment Plant side, you have a system that used and achieved its usable life a number of years ago. The facility is currently in desperate need of being upgraded to current standards so it will

be able to take the utility and your water services out into the future to be able to meet regulatory needs. For your safety, it needs to be updated to protect the water quality there on a continuous basis and provide full reliability overall.

A simplistic way of looking at this is if you had a car for 30 years and get so much life out of it to take you to 150,000 to 200,000 miles. Once you take the car to this level, the question is whether you can re-invest in it to make it worthwhile now or if you need to purchase another car. The Board is currently trying to move forward with the decision to re-invest and not expend good money after bad money and get the new technology and the new facility running.

Mr. Goscicki stated it would be a good idea to define what those major components of this anticipated bond issue are, which are driving the rates.

Mr. Skehan stated there are two primary components to the overall Capital Improvement Plan. One component is on the drinking water side as the current Lime Softening Facility will be replaced with newer technology called nano filtration membrane technology. One such million dollar project is the monitor well for the injection well system, which has some issues to be resolved. The regulatory agencies expect this to be taken care of. The overall system is in need of replacement. The project for the water side is \$24 million, while the remaining projects on the wastewater side are estimated at \$16 million.

Mr. Fennell stated we have been replacing a number of facilities, mostly on the wastewater side. There are continuing to be demands for better wastewater treatment. We plan on accomplishing this with our short-term funding. We had another project for replacing the water purification. However, we decided to put this project on hold and go ahead with the filtration project. This should cost us more capital but break even as far as the operating costs. It will also improve the quality of life in the area as we have significant issues as far as waste products. In order to borrow the money, we are going to have to increase our costs by 14% to 15% per year for the next three years. We will get our facilities up to date in Phase I.

A Phase II project was envisioned having to do with reclaimed facilities in conveyance and whether we can do something better with the 8,000,000 gallons we use for deep water injection. The only way we can do this legally is by a license agreement. We are currently reviewing this and it is under the planning stage. It is a fairly controversial issue. There are only four things we can do with the water; deep well injection, put it out into the ocean, put it out into the everglades or put it back into the canal. We had discussions over the last several months

about where we are going with the capital improvement program. We are now down to a point where we need to fund it.

Mr. Goscicki asked did you want any more presentation on the rate?

Mr. Fennell responded let's discuss what was in the advertisement and then we will take public comments.

THIRD ORDER OF BUSINESS

Presentation of Funding Requirements and Rate Impacts – David Green of CH2M-Hill

Mr. Green stated at this time, we will talk about the rate analysis. At the last meeting, we had a quick overview of how we determined the rates, which is based on the total revenue requirements and what we feel we need to generate through those rates to cover the District's cost. We also need to discuss the proposed adjustments to the rate revenues as well as the impact to those proposed adjustments on typical user bills and how the District's water and sewer bills compare with other communities.

We start out this process by determining the amount of money the utility needs to generate to cover its cash needs or expenses for the year. We did this as a projection out to 2012. Once we determined the amount of money the utility needs to generate through utility rates and other sources of income, we looked at how much money we need. We looked at the total cash needs of the system, subtracted out any other sources of funding and collected the amount we have to generate through the rates in order to cover our utility costs. We then go through a cost allocation process and design the rates to generate the amount of money from each of the different user groups.

In terms of the development of the revenue requirements, we use what we refer to as the "cash basis", which is a summation of the cash needs of the system over a certain period of time. In this case, we total the annual operating expenses of the utility, through our Renewal and Replacement Fund for replacing plant equipment as it wears out, any existing debt service requirements and any new debt service requirements associated with funding the capital improvement program. In addition to any strict principal and interest payments on the loan, it also carries a requirement the utility have net revenues, which are gross revenues and less operating expenses. They have to be 110% of the annual debt service payment. This is usually what is put into this renewal and replacement account. We forecasted this out to 2012, including a projection of the operating expenses.

Mr. Hanks stated we are going to have people look at the District from a financial standpoint. You are going to have people who look at the details and others who are going to look at the big picture. We need to benefit from the loan.

Mr. Green stated I am hearing it is going to be 2011 when the new nano filtration system comes online. We are expecting some savings in operating expenses, which will amount to \$400,000 per year to help offset the 5% increase in operating expenses. The District's existing debt service on the water and sewer system amounts to \$2 million per year and we are continuing at this level to 2014. The Wastewater Treatment Plant will involve solids handling and a monitoring well. We anticipate issuing a second bond for purposes of this analysis, towards the end of the 2011 fiscal year, which amounts to \$14.7 million and will pay for the reclaimed water system and some operation expenses. The total cost of the first bond issue is \$44.6 million, which includes the cost of issuance. We are anticipating a 30 year repayment schedule at a 4.2% interest rate. We are also capitalizing interest, which means we are not going to make any payments on the loan for the first two years after we issue the bonds.

Mr. Fennell asked can those bonds be re-called?

Mr. Green responded it was not a key element of our analysis but it will be set up in this manner. The life of the expected improvements should be 30 years or longer. This is why we can issue a 30 year bond for these improvements. The chart shows the debt service on your existing debt at \$2 million per year, interest payments on the new bond issue and the principle payments. We have no payments for the next two fiscal years and then have total debt service payments of \$4 million until 2012 when it drops off to \$3 million on this first bond issue. We anticipate issuing the second bond issue in 2011 in the amount of \$15.2 million. In 2011 we pay the existing debt for the first bond issue and the first payment for the second bond issue, which means our payment will be \$4.4 million. It will then decrease to \$3.5 million.

In regards to the total revenue requirements, we have the existing debt, operating expenses, renewal and replacement funding and debt service. In fiscal year 2007, the total revenue was \$8.9 million, which we see growing to \$13 million by 2012. We show the projected revenues under the District's current rates at \$8.2 million. We made no changes to the District's current rates and will continue generating \$8.2 million per year. If we follow the schedule, we could take a 5% increase in 2011 and another 3% increase in 2012 to cover the debt service on the second bond issue.

We considered several options on how to adjust the District's revenues to accomplish this. One option was to keep the current rate structure and apply the 15% and two 14% rate increases to accomplish the additional revenue. In other words, we will implement an institutional charge or assessment. We are revising the rate structure based on the result of our cost allocations.

We then apply the uniform percentage fee to the rates over time, at different levels of consumption, either 1,000 gallons or 10,000 gallons for usage. Then you see how large of a rate increase in the overall bill is. In other words, if a customer is using 5,000 gallons per month and paying \$29, they will end up paying \$33.33 whereas the customer using 10,000 gallons will see their bill go from \$49 to \$56 per month.

The next chart shows 7,000 gallons of usage, which is your average consumption of multi residential customers. It shows in fiscal year 2007, you are paying \$37 and using 7,000 gallons. In 2008, this will jump up to \$42.50.

Mr. Fennell asked what is your assumption of the savings?

Mr. Green responded the assumption is each fiscal year, those rates will take effect in July so you get some revenue ahead if time. When I say end of fiscal year 2008, it really starts in July or you have two to three months of the prior fiscal year.

Mr. Hanks asked when does the next fiscal year start?

Mr. Goscicki responded October 1, 2007.

Mr. Green stated this is how your District was set up. The analysis shows CSID's current rates compared to other utilities in the South Florida area for 7,000 gallons, which is \$37 per month under the current rates. If you looked at the proposed 2008 rates, you go up to \$42 and \$48 in 2009. You can see how the District rates compare with other utilities.

Mr. Fennell asked will they be subject to the same increases?

Mr. Green responded yes.

FOURTH ORDER OF BUSINESS

Public Hearing to Consider Amendments to the Existing Utility Rates, Fees & Charges

Mr. Fennell stated at this time I will open the meeting for public comments.

Mr. Green stated I have a handout of what those changes in the rates mean to the typical customers in terms of their monthly bills. At the 7,000 gallon level, this amounts to a \$5.54 increase starting in July. There will be a \$5.95 increase the following year, followed by a \$6.00

increase in the third year. We are only recommending implementing the rates through 2010 as the timing of the re-use system; those improvements and the second bond issue are unknown at this time with some flexibility and potential changes. Therefore, we only recommend implementing the rates out to 2010.

Mr. Dan Clark stated we serve on a Board of a local conservation group. Most of my interest has been with discharge to ocean outfalls. I commend the Board for taking a step in the right direction. I am not here to complain about the rate increase. My understanding is you do not discharge but are using deep well injections. We are also members of the South Florida Coral Reef Initiative, which is a task force. Our last task force meeting was held in St. Thomas when the Secretary of DEP announced they were going to do away with all of these ocean outfalls in the next 10 years. In fact there are some challenges to a couple of permits currently pending in Delray Beach. There are six in the tri-county area; two in West Palm Beach, two in Broward and two in Miami-Dade. The biggest one is at the Hollywood Plant. Their permit is currently up for review. These permits may be challenged and as a result, they are issuing rate increases. I hope this will help with your analysis to show you are justified in what you are doing and we are all in favor. Do you have any industrial permits? We were shocked to find out when we were researching the outfall pipes, there are a number of industrial facilities licensed to pump to those pipes. The North Regional Plant has 38 pipes. You pump 8 million gallons of water per day. We have been involved in several deep well issues. We understand there is migration from some of these wells.

Mr. Fennell stated we watch this carefully.

Mr. Clark stated I thought you pumped to the Northwest Regional Facility.

Mr. Fennell stated we pump to the CSID facility. Every other Wednesday they have City Hall meetings. They do not have a Board like this.

Mr. Clark stated you may want to go to the SFWMD website to research these issues. Down the road we are hoping to put this water down holes and pump out into the ocean. Recently the state approached Broward County and asked them to drop their numerical standard for monitoring canals. Ms. Christine Jacobs and some of the commissioners said, "We do not want people to change our numerical standard. We need this numerical standard for our water bodies." If we get rid of the numerical standard and treat the water to where we can get the nutrients out, we could use it. Sooner or later this is going to happen. Eventually this is where

we are headed in South Florida. We pump 300 to 500 million gallons per day and SFWMD is claiming we are short. In regards to the injection wells, eventually we are going to come to a time and place here in South Florida where we are going to be looking for some of this water for recharge and reuse. We do not have pipes in the ground to sufficiently pump this water to golf courses or wherever it may be needed. This is definitely something to be looked at and given consideration. The fact is the other municipalities are going to have to increase their costs unless they are pumping into pipes. I hope this helps you and I am offering to help. Perhaps someone should attend the next South Florida Ecosystem Restoration Task Force meeting to see what they are discussing about recharge or reuse. Their next meeting is scheduled for either May 16th or May 17th at the SFWMD office in Palm Beach County.

Mr. Fennell stated I attended a couple of their meetings.

Mr. Clark stated I am sure with the drought conditions, they are asking for SFWMD to pump the restoration areas down below the flood threshold levels of the floor. They are allowed to remove water from conservation areas 2A, 2B and 3. There is currently a petition asking SFWMD to pump below the threshold levels.

Mr. Fennell asked where is this water going?

Mr. Clark responded they want to use it to recharge the canals. Everyone is worried about saltwater intrusion. It is not so much of a problem here but if those wells become filled with saltwater, there is talk about asking CSID for water. They want to be able to take water from the western part of the county if those wells become brackish. It might help if someone from here was involved with the South Florida Ecosystem Restoration Task Force.

The condos on Galt Ocean Mile along the beach have cooling towers to cool their facilities. Some of their discharge pipes are 24" in diameter. They pump cold water out of the ground 24/7 to cool their air conditioning systems. They are working without NPDES permits, which they are supposed to have to discharge the surface water to the ocean. We have been working with DEP to try to get them to enforce these issues but this is something that may come up to you in the future. If all of those wells go brackish, they may start asking the western municipalities to pump water east. Saltwater intrusion is going to become a problem with these drought conditions. Ask yourselves if you are going far enough in the process.

Mr. Fennell stated thank you very much for your comments. This is an important item but there are other important items to deal with. I know 8 million gallons a day sounds like a

great deal but it is not. When you figure out the number of canals and what 1" of rain looks like across all of our canals, this is actually a small amount.

Mr. Clark stated as far as other facilities, you are a small facility compared to Hollywood and the East Regional Plant.

Mr. Fennell stated nonetheless, we still are concerned about if there is adequate water in our canal banks. What is needed and what was proposed some time ago is for the greater storage of water. This was proposed by SFWMD before the last drought five or six years ago.

Mr. Clark stated I have been driving around North Lauderdale and some of the canals need to have locks or additional gates.

Mr. Fennell stated I attended some meetings a few years ago regarding regional water issues with the county. One of the issues was regarding storage, which we are doing fairly well in this District.

Mr. Clark stated I wish to remain in contact with someone on this Board. I guarantee you the rates are going to increase in these other districts and there are going to be some challenges to the outfall pumps, which will greatly increase their cost. Maybe this will help the District.

FIFTH ORDER OF BUSINESS

Public Comments

Mr. Fennell stated at this time, we will close the public comment portion of the public hearing. The Board has heard some input. My own opinion is the first rate increase was needed in order to balance our books.

Ms. Zich stated I think it is amazing in 15 years we have not increased our rates. This needs to be done, especially if we are going to expand all of our plants. We have no choice.

Mr. Fennell stated this is a viable part of the City of Coral Springs and the county for the next 20 to 30 years.

Mr. Hanks stated we are only looking at a 5% annual increase in operating expenses. Our costs have gone up 100% over the last 15 years and we kept our rates the same.

Mr. Green stated over the last four or five years, your operating expenses have actually been increasing closer to 18% per year.

Mr. Hanks stated what we are really looking at is trying to make up for the past several years of having rates not reflect our needs.

Mr. Green stated correct. You have been holding on your own with the rates until now.

Mr. Fennell stated this is due to the price of oil. Four years ago, the cost was \$20 per gallon. It is now \$60 per gallon. This is directly related to electricity, which is our main operating expense. We also had the structured rate to conserve water. This provided us with sufficient funds. We encourage water conservation. The less water you use, the more money you save. Not only do you save water, but you have a lower rate.

Mr. Hanks stated I think we should revisit these rates. Has Mr. Lyles reviewed the resolution?

Mr. Lyles responded I participated in the preparation of the resolution as well as the notice of public hearing. We believe this resolution is ready for the Board's adoption.

On MOTION by Mr. Hanks seconded by Ms. Zich with all in favor Resolution 2007-4 Adopting Certain Rates, Fees and Charges for its Water and Wastewater Utility System and Authorizing the Preparation of Amended Schedule "A" to be Attached to Resolution 91-1, Reflecting Such Changes and Providing for an Effective Date was adopted.

SIXTH ORDER OF BUSINESS

Other Business

Mr. Fennell stated the only issue I had with this was putting off paying for things because we did not have the funds. In the bonds, it would be nice to have some flexibility.

[This portion of the tape was inaudible]

Mr. Goscicki stated we will see what the structure of the bond looks like as we move forward. The key is to get the rates in place to meet the short-term needs, get our short-term financing in place and we will be able to move on the long-term debt at a more normal pace. We need to make sure we get input from the Board.

Mr. Fennell asked when do these rates go into effect?

Mr. Goscicki responded on July 1st.

Mr. Fennell stated our PR firm should prepare a statement in regards to what is taking place, how we are going to re-build the water plant and how we are going to switch to nano filtration.

Mr. Hanks asked is our next meeting on May 21st?

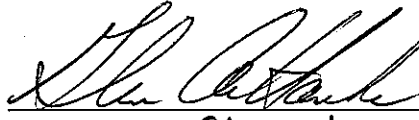
Ms. Zich responded yes.

SEVENTH ORDER OF BUSINESS

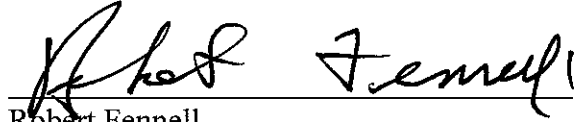
Adjournment

There being no further business,

On MOTION by Mr. Hanks seconded by Ms. Zich with all in favor
the meeting was adjourned.



~~Sharon Zich~~ **Glen Hanks**
Secretary



~~Robert Fennell~~
President