

**PALM BEACH COUNTY  
BOARD OF COUNTY COMMISSIONERS  
AGENDA ITEM SUMMARY**

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Meeting Date: June 16, 2009 Consent [ ] Regular [ ]  
Public Hearing [X]  
Submitted By: Water Utilities Department  
Submitted For: Water Utilities Department  
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**I. EXECUTIVE BRIEF**

**Motion and Title:** Staff recommends motion to: **A) adopt** a Resolution determining that the transfer of certain utility assets to the Glades Utility Authority (GUA) is in the public interest, as required under Section 125.3401, Florida Statutes; **B) approve** an Interlocal Agreement with the City of Belle Glade, the City of Pahokee, and the City of South Bay for the establishment of the GUA; **C) approve** a Transition Agreement with the City of Belle Glade, the City of Pahokee, and the City of South Bay; and **D) appoint** Shannon LaRocque-Baas and Jimmy Beno as County members of the GUA Board and Michael Jackson as the County member of the GUA Board who must be a resident of the GUA service area.

**Summary:** This Interlocal Agreement will establish the GUA pursuant to Chapter 163, Florida Statutes. The GUA is a regional partnership established for the purpose of providing water, wastewater, and reclaimed water services to the residents of Belle Glade, Pahokee, and South Bay and surrounding areas in an efficient and fiscally responsible manner. Under the Agreement, the GUA will assume the existing utility debt of the cities, establish sustainable financial policies, assume ownership of all utility assets, including the Lake Region Water Treatment Plant (LRWTP) and the Belle Glade wastewater plant, rehabilitate the systems, correct regulatory violations, improve revenue collections, and decrease costs through economies of scale. The Agreement provides for a Governing Board of seven members, one each from Pahokee and South Bay, two from Belle Glade, and three from the County, each of whom shall be appointed by their respective entity, except that one member appointed by the County must be a resident of the service area. No elected officials may be appointed to the Board. Initially, the Board members from the three Cities and the resident of the service area appointed by the County shall have one vote and each of the other County members shall have two votes each. The voting will change after five years provided that the system has had two consecutive years generating sufficient revenue to pay all expenses, has met all debt service requirements, has been in substantial compliance with all material health and environmental laws, all indebtedness related to the County System has been assumed, refinanced, or paid by the Authority, and any debt incurred by the County as a backup pledge for the GUA has been retired. When these conditions have been met, each Board member thereafter will have one vote, provided that one vote from a County appointee would be required for passage of any resolution or motion. An Executive Director will be appointed by the GUA Board. The Water Utilities Department's financial consultants have developed a Business Plan that illustrates the financial feasibility and sustainability of the proposed authority. (Continued on page 3)

**Attachments:**

- 1. Original Resolution with attached Public Interest Statement
- 2. Four (4) Original Agreements
- 3. Four (4) Transition Agreements
- 4. Glades Utility Authority Business Plan and Supplement
- 5. FDEP Correspondence Regarding Consent Orders
- 6. Location Map

Recommended By:  6/10/09  
Department Director Date

Approved By:  6/15/09  
Assistant County Administrator Date



**Summary (continued from page 1):** Initially, the Agreement provides for the GUA to contract with the County to provide all utility services, and all City utility employees would become employees of the County, provided that they meet minimum hiring requirements. Transferred employees would be subject to the same probationary status as any County new hires. The Agreement further requires the GUA to pay an annual host franchise fee to the three Cities of 7% of the GUA's gross revenues from within each Cities' service area. It also commits the County to a backup pledge in an amount not to cumulatively exceed \$10 million for start-up capital or other operating requirements plus a backup pledge for State Revolving Fund Loans. As conditions precedent to establishment of the GUA on October 1, 2009, the following must be met by August 1, 2009: (1) The existing State Revolving Fund (SRF) loans of the Cities that are assumed by the GUA must be restructured for a 30-year term with the first 5 years interest only with an interest rate not exceeding 4½%; (2) at least \$1 million in grant/loan (85%/15%) stimulus funding from the American Recovery and Reinvestment Act of 2009 to fund system improvement projects; (3) the GUA receives a \$10 million bank loan with level principal and interest payments for a 10-year term with interest not exceeding 6%; and (4) verification that the combined utility operating revenue of the three cities is equal to or greater than 90% of baseline revenues (\$13,467,000) for the period May 1, 2008, through April 30, 2009, as assumed in the Business Plan. The State has indicated a willingness to restructure the SRF loans, and Federal stimulus funds have been approved for the GUA for capital improvements in South Bay (\$724,126 grant; \$67,874 loan) and Pahokee (\$4,535,268 grant; \$976,302 loans). Appointments to the GUA Board at this time are necessary to ensure that the Board is in place to secure the grant funds. Also, the Florida Department of Environmental Protection has prepared a draft consent order that will allow the GUA to address previous enforcement actions against the Cities over a 10-year period. The Transition Agreement sets forth the details for transferring assets, customer accounts, and employees, and provides for cooperation and exchange of information needed for a smooth transition. Countywide (MJ)

**Background and Justification:** In 2008, the Department completed construction of the LRWTP to provide potable water on a wholesale basis to the Cities of Belle Glade, Pahokee, and South Bay, which had previously relied on Lake Okeechobee for their water supply. The cost of the LRWTP was approximately \$58.5 million with \$ \$33.7 million of the cost provided by federal, state, and local grants, including a \$12.5 million grant from the County's General Fund. The remainder of the cost was to be repaid by the cities to the Department over 50 years in proportion to the capacity reserved for each city. Under the interlocal agreement, the GUA will assume the debt relating to the LRWTP as well as the remaining outstanding utility debt of the three cities. Currently, residents of the three cities pay the highest water utility rates in the County due to heavy debt burdens, and the cities do not have the financial resources to make the necessary system repairs and comply with various consent orders. A regional approach to provide water utility services has the best chance of providing a stable source of water and wastewater services at the lowest possible cost.

**RESOLUTION NO. R-2009-**

**RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF PALM BEACH COUNTY, FLORIDA, DETERMINING THAT THE TRANSFER OF CERTAIN UTILITY ASSETS TO THE GLADES UTILITY AUTHORITY IS IN THE PUBLIC INTEREST, AS REQUIRED UNDER SECTION 125.3401, FLORIDA STATUTES.**

**WHEREAS**, the County has the power to provide and regulate waste and wastewater collection and disposal, water supply, and conservation programs pursuant to Florida Statutes and other applicable law; and

**WHEREAS**, the County has the power to purchase, own, operate, and maintain water and wastewater utilities pursuant to Chapter 125, Florida Statutes and other applicable law; and

**WHEREAS**, the Board of County Commissioners ("Board") has considered the feasibility of transferring certain utility assets to the Glades Utility Authority in order to provide sustainable water utility services to the citizens of the Glades area of Palm Beach County. In so doing, the Board has employed engineering, legal and financial consultants to advise and make recommendations, in the form of a Public Interest Statement and other information, to the Board with respect to the transfer of the utility assets; and

**WHEREAS**, the Board has held a Public Hearing and received public comment on the transfer of the utility system assets pursuant to Chapter 125.3401, Florida Statutes and has determined that the transfer is in the public interest.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF PALM BEACH COUNTY, FLORIDA, that:**

**SECTION 1:** That the Public Interest Statement, which is attached hereto and incorporated herein as "Exhibit A", and which includes a summary of the County's experience in water, wastewater and wastewater reuse utility operation and a showing of the County's financial ability to provide such services, is acknowledged and accepted into the record as the County's statement, as required by Section 125.3401, Florida Statutes.

**SECTION II:** That the transfer of certain utility assets to the GUA is in the public interest and necessary and desirable to maintain and improve the quality of public water supply and sanitary wastewater utility service provided to the residents who live, work, or visit within the Glades area and the businesses that operate within the Glades area. In determining that the transfer is in the public interest, the Board considered information that included, but was not limited to, the following (if applicable):

- (1) The most recent available income and expense statement for the utility;
- (2) The most recent available balance sheet for the utility, listing assets and liabilities and clearly showing the amount of contributions-in-aid-of-construction and the accumulated depreciation thereon;
- (3) A statement of the existing rate base of the utility for regulatory purposes;
- (4) The physical condition of the utility facilities being purchased;
- (5) The reasonableness of the purchase price and terms;
- (6) The impacts of the purchase on utility customers, both positive and negative;
- (7) Any additional investment required and the ability and willingness of the County to make that investment;
- (8) The alternatives to the purchase and the potential impact on utility customers if the purchase is not made; and
- (9) The ability of the County to provide and maintain high-quality and cost-effective utility service.

The foregoing Resolution was offered by Commissioner \_\_\_\_\_ who moved its adoption. The motion was seconded by Commissioner \_\_\_\_\_ and upon being put to a vote, the vote was as follows:

|   |   |
|---|---|
| Commissioner John F. Koons, Chairman      | - |
| Commissioner Burt Aaronson, Vice Chairman | - |
| Commissioner Karen T. Marcus              | - |
| Commissioner Shelley Vana                 | - |
| Commissioner Steven L. Abrams             | - |
| Commissioner Jess R. Santamaria           | - |
| Commissioner _____                        | - |

The Chair thereupon declared the Resolution duly passed and adopted this \_\_\_\_\_ day of \_\_\_\_\_, 2009

PALM BEACH COUNTY, FLORIDA, BY ITS  
BOARD OF COUNTY COMMISSIONERS

SHARON R. BOCK, CLERK & COMPTROLLER

By: \_\_\_\_\_  
Deputy Clerk

APPROVED AS TO FORM AND  
LEGAL SUFFICIENCY

By: \_\_\_\_\_  
Assistant County Attorney

**PALM BEACH COUNTY, FLORIDA**

**TRANSFER OF UTILITY ASSETS TO THE  
GLADES UTILITY AUTHORITY**

**Public Interest Statement Pursuant to Section  
125.3401, Florida Statutes**

**Public Hearing Held On June 16, 2009**

## Public Interest Statement

The Board of County Commissioners is considering whether to enter into an Interlocal Agreement with the Cities of Belle Glade, Pahokee, and South Bay to establish a Glades Utility Authority (GUA) to provide potable water and sanitary wastewater distribution and collection systems and related facilities to the residents of those cities and the surrounding area. Significant points of the proposed transaction are as follows:

- The County will transfer the Lake Region Water treatment Plant (LRWTP), associated wells, and distribution facilities and equipment to the GUA.
- The GUA will assume the existing utility debt of the Cities, including the capital recovery costs due the County for the construction of the LRWTP.
- The County will operate the GUA under a service contract with the GUA until certain financial and operational milestones have been achieved.
- Closing will occur on or before September 30, 2009.

In considering whether to enter into the Agreement with the Cities, the County has considered, at a minimum, the following:

**1. THE MOST RECENT AVAILABLE INCOME AND EXPENSE STATEMENT FOR THE UTILITY.**

Attached are the audited income and expense statements of the Palm Beach County Water Utilities Department for the fiscal year ended September 30, 2008. Audited income and expense statements for the three cities are not available beyond September 30, 2006. The lack of recent audited financial statements has demonstrated the need for a utility authority to provide utility services in a fiscally responsible and sustainable manner.

**2. THE MOST RECENT AVAILABLE BALANCE SHEET FOR THE UTILITY, LISTING ASSETS AND LIABILITIES AND CLEARLY SHOWING THE AMOUNT OF CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION AND ACCUMULATED DEPRECIATION THEREON.**

Attached is the audited balance sheet of the Palm Beach County Water Utilities Department for the fiscal year ended September 30, 2008. Audited balance sheets for the three cities are not available beyond September 30, 2006. The lack of recent audited financial statements has demonstrated the need for a utility authority to provide utility services in a fiscally responsible and sustainable manner. Contributions-in-aid-of-construction are not shown in these statements since this system is not subject to regulatory oversight by the Florida Public Service Commissions.



**3. A STATEMENT OF THE EXISTING RATE BASE OF THE UTILITY FOR REGULATORY PURPOSES.**

There is no determined rate base for County's utility system or the Cities' utility systems, since the counties and municipalities are not subject to the Florida Public Service Commission's regulation. The term "rate base" is only applicable to a private, investor-owned utility, regulated by the Florida Public Service Commission.

**4. THE PHYSICAL CONDITION OF THE UTILITY FACILITIES BEING PURCHASED, SOLD, OR SUBJECT TO A WASTEWATER FACILITY PRIVATIZATION CONTRACT.**

The facilities being transferred to the GUA are new and in excellent condition. Construction of the plant was completed in 2008. The utility systems of the Cities are in poor condition and require an estimated \$500,000 in emergency repairs and will require approximately \$12.5 million during the first five years in capital improvements to address regulatory compliance issues and renewal and replacement requirements.

**5. THE REASONABLENESS OF THE PURCHASE OR SALE OF WATER OR WASTEWATER FACILITY, PRIVATIZATION CONTRACT, IN BOTH PRICE AND TERMS.**

The LRWTP assets are being transferred to the GUA at no cost. However, the GUA will be assuming the Cities' debt to the County Water Utilities Department, and the County has a greater chance of collecting the debt from the GUA. The Agreement further provides that the LRWTP facilities will revert to the County upon termination of the Agreement if the indebtedness related to the facilities transferred from the County have not been assumed, refinanced or paid by the GUA and if any backup covenant ~~pledge~~ by the County has not been retired or otherwise paid in full.

**6. THE IMPACT OF THE PURCHASE, SALE OR WASTEWATER FACILITY PRIVATIZATION CONTRACT ON UTILITY CUSTOMERS, BOTH POSITIVE AND NEGATIVE.**

The impact of the proposed GUA on the Glades area utility customers will be substantially positive. The County's operation and maintenance contract with the GUA will result in a more stable, dependable and secure level of service. As part of a utility system with a larger customer base, administrative expenses per customer will be less, and certain economies of scale will be attainable when addressing future regulatory requirements. The financial backing of the County as a secondary covenant ~~pledge~~ for required loans will insure that funds are available to make necessary improvements. There should be no negative impact on the customers of the system.

7. **ANY ADDITIONAL INVESTMENT REQUIRED AND THE ABILITY AND WILLINGNESS OF THE PURCHASER, OR THE PRIVATE FIRM UNDER A WASTEWATER FACILITY PRIVATIZATION CONTRACT, TO MAKE THAT INVESTMENT, WHETHER THE PURCHASER IS THE COUNTY OR THE ENTITY PURCHASING THE UTILITY FROM THE COUNTY.**

Significant capital expenditures will be required if the proposed GUA is established. Major repairs and replacements are necessary to satisfy existing consent orders, and water loss issues must be addressed to reduce costs and improve revenue collections. The Business Plan addresses these issues and provides the framework for establishing a financially sustainable utility.

8. **THE ALTERNATIVE(S), IF ANY, TO THE PURCHASE, SALE OR WATER AND/OR WASTEWATER CONTRACT, AND THE POTENTIAL IMPACT ON UTILITY CUSTOMERS IF THE PURCHASE, SALE OR WATER OR WASTEWATER PRIVATIZATION CONTRACT IS NOT MADE.**

The alternative to the County's transfer of assets is to maintain the status quo with each of the Cities' to continue ownership and operations of their individual systems, while buying bulk water from the County. However, existing customers should receive better service through the establishment of the GUA, with the long term potential to stabilize and or reduce rates. As a result, the better alternative is for the County to participate in the establishment of the GUA.

9. **THE ABILITY OF THE PURCHASER OR THE PRIVATE FIRM UNDER A WATER OR WASTEWATER FACILITY PRIVATIZATION CONTRACT TO PROVIDE AND MAINTAIN HIGH-QUALITY AND COST-EFFECTIVE UTILITY SERVICE, WHETHER THE PURCHASER IS THE COUNTY OR THE ENTITY PURCHASING THE UTILITY FROM THE COUNTY.**

The Palm Beach Water Utilities Department employs professional operation and maintenance staff, who provide high quality and cost effective service in accordance with applicable standards and practices. The Palm Beach Water Utilities Department also employs full time personnel with various certifications to operate its water, wastewater and reuse systems and as a condition of the Agreement and transfer of assets, the Department will offer employment to the Cities' existing water and wastewater system employees. The Palm Beach Water Utilities Director and Deputy Director are professional engineers and the Department has available to it or retains engineering, legal and financial services.

There is no wastewater privatization contract, since all operations will be provided by county staff.

10. **ALL MONEYS PAID BY A PRIVATE FIRM TO A COUNTY PURSUANT TO A WATER OR WASTEWATER PRIVATIZATION CONTRACT SHALL BE USED FOR THE PURPOSE OF REDUCING**

**OR OFFSETTING PROPERTY TAXES, UTILITY SERVICE RATES, OR DEBT REDUCTION OR MAKING INFRASTRUCTURE IMPROVEMENTS OR CAPITAL ASSET EXPENDITURES OR OTHER PUBLIC PURPOSES; PROVIDED, HOWEVER, NOTHING HEREIN SHALL PRECLUDE THE COUNTY FROM USING ALL OR PART OF THE MONEYS FOR THE PURPOSE OF THE COUNTY'S QUALIFICATIONS FOR RELIEF FROM THE REPAYMENT OF FEDERAL GRANT AWARDS ASSOCIATED WITH THE UTILITY SYSTEM AS MAY BE REQUIRED BY FEDERAL LAW OR REGULATION.**

Not Applicable

### **FINDING OF PUBLIC INTEREST**

Based upon the foregoing, the Board of County Commissioners of Palm Beach County hereby finds that the transfer of utility assets to the Glades Utility Authority is in the public interest.

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Honorable Board of County Commissioners  
Palm Beach County, Florida

We have audited the accompanying financial statements of the Palm Beach County, Florida Water Utilities Department (the "Department") as of and for the years ended September 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to above present only the Department, an enterprise fund of Palm Beach County, Florida, and do not purport and do not present fairly the financial position of Palm Beach County, Florida, as of September 30, 2008 and 2007, and the changes in its financial position and where applicable, cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of September 30, 2008 and 2007, and its change in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2009, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey & Pullen, LLP is a member firm of RSM International,  
an affiliation of separate and independent legal entities.

The Management's Discussion and Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Department's financial statements. The introductory section, supplementary information contained in the financial section, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information contained in the financial section has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*McGladrey & Pullen, LLP*

West Palm Beach, Florida  
March 16, 2009

**WATER UTILITIES DEPARTMENT OF PALM BEACH COUNTY, FLORIDA**  
**Management's Discussion and Analysis**

This section of the Department's annual financial report presents our discussion and analysis of the Department's financial performance during the fiscal years ended September 30, 2008 (FY 2008) and September 30, 2007 (FY 2007). Please read it in conjunction with the preceding transmittal letter and the financial statements that follow.

**FINANCIAL HIGHLIGHTS**

- The Department's net assets increased by \$33.6 million, or 3.9%, during FY 2008 and \$51.8 million, or 6.4%, during FY 2007.
- Long-term debt (net of the current portion) decreased by \$14.4 million, or 7.8%, in FY 2008 and decreased by \$13.8 million, or 6.9%, in FY 2007.
- Operating revenues in FY 2008 totaled \$115.3 million, a 13.9% increase, and \$101.2 million, or an increase of 12.7%, in FY 2007. FY 2008 included the effect of a 15% water restriction surcharge effective for five months beginning in May 2008 and a 0.7% increase in the customer base. FY 2007 included the effect of an 18% on-line rate increase effective in May 2007 and a 1.6% increase in the customer base. These were offset by the effects of mandatory water restrictions imposed by the South Florida Water Management District.
- Operating expenses before depreciation and amortization and equity interest in net loss of joint venture totaled \$81.9 million, an increase of \$8.1 million, or 11.0%, in FY 2008 compared with \$73.8 million, an increase of \$8.3 million, or 12.7%, for FY 2007.
- Nonoperating income decreased by \$10.5 million, or 91.3%, in FY 2008 compared with a FY 2007 increase of \$0.3 million, or 2.7%.

- The Department showed a net loss before contributions of \$4.0 million for FY 2008, a decrease of 175.6% from net income before contributions of \$5.3 million for FY 2007 which represented a 1.9% decrease from FY 2006.

**FINANCIAL STATEMENTS OVERVIEW**

Financial Reporting Entity - The Water Utilities Department is an enterprise fund operation of the Palm Beach County Board of County Commissioners (BCC). As such, the Department's financial operations are maintained on the full accrual basis of accounting; revenues are recognized when earned, and expenses are recognized when incurred. The Department provides potable water, wastewater, and reclaimed water services to approximately 510,000 people located within approximately 1,200 square miles of the rapidly urbanizing, primarily unincorporated area of the County. In addition to serving unincorporated areas, the Department provides services directly to the residents and businesses of the Village of Royal Palm Beach, the City of Greenacres, and the Town of Haverhill. Through wholesale agreements, the Department also provides services to the Village of Palm Springs and the Cities of Lake Worth, Boynton Beach, Belle Glade, South Bay, Pahokee, and Atlantis.

Palm Beach County is a political subdivision of the State of Florida and is governed by the State Constitution, general laws of the State of Florida, and the County's Charter. The legislative and governing body of the County is the seven-member BCC. In accordance with the County's Charter, the Clerk & Comptroller is the Clerk of the BCC and is the official custodian of County funds and the accounting records of and for the Department. As an operating unit of the BCC, the Department reports directly to County Administration. An eleven-member Citizens' Advisory Board provides guidance to the Department and to the BCC on rate and policy issues.

Financial Statement Structure - In addition to the preceding report of the County's independent certified public accountants, the annual financial statements consist of three segments:

Management's Discussion and Analysis, which provides explanations for and analyses of the Department's financial activities based upon currently known facts, conditions, and decisions of the Department's management. While primarily focused on current year results compared with prior years, this discussion also addresses certain long-term issues, which may, in management's opinion, impact the Department's financial performance.

Basic Financial Statements, which depict the Department's financial position as of September 30, 2008 and 2007, along with earnings performance and cash flow information. The accompanying notes explain some of the financial statement data and provide more detailed information.

Supplementary Information, which presents funding progress of the defined benefit healthcare plan administered by the County (other post-employment benefits) and which compares the Department's results of operations with the original and final budgetary goals.

#### FINANCIAL OPERATIONS OF THE DEPARTMENT

Net Assets: The Department's net assets increased 3.9%, or \$33.6 million, during the fiscal year ended September 30, 2008, compared to 6.4%, or \$51.8 million, in the prior year. Contributed capital represented \$37.6 million of the increase, down from the FY 2007 increase of \$44.0 million. The FY 2008 change in net assets

was reduced by a \$4.0 million net loss before contributions. The remainder of the FY 2007 increase was comprised of income before capital contributions of \$5.3 million and transfers from the County of \$2.5 million. Table 1 presents the Department's net assets (dollars in millions) for the fiscal years ended September 30, 2008, 2007, and 2006. Completion of construction projects totaling \$136.3 million, a 42.0% increase over last year's construction total of \$96.0 million, was the major component of the increase in capital assets. The increases were partially offset by \$37.1 million and \$32.3 million in depreciation and amortization for FY 2008 and FY 2007, respectively.

Long-term debt (net of the current portion) decreased by \$14.4 million, or 7.8%, compared to a \$13.8 million, or 6.9% decrease in the previous year.

The Department's operating revenues totaled \$115.3 million in FY 2008 and \$101.2 million in FY 2007, which represented increases of 13.9% and 12.7% for the periods. FY 2008 included the effect of a 15% water restriction surcharge effective for five months beginning in May 2008 and a 0.7% increase in the customer base. FY 2007 included the effect of an 18% on-line rate increase effective in May 2007 and a 1.6% increase in the customer base. These were offset by the effects of mandatory water restrictions imposed by the South Florida Water Management District.

Operating expenses before depreciation and amortization and equity interest in net loss of joint venture were \$81.9 and \$73.8 million for the periods. These represented annual increases of 11.0% and 12.7% for FY 2008 and FY 2007, respectively. The primary reasons for the increase are shown in Table 2.

**Table 1 - Summary of Net Assets (dollars in millions)**

|   | <u>2008</u>           | <u>2007</u>           | <u>% Change</u> | <u>2006</u>           | <u>% Change</u> |
|---|-----------------------|-----------------------|-----------------|-----------------------|-----------------|
| Current and other assets                        | \$149.7               | \$168.9               | -11.4           | \$225.1               | -25.0           |
| Capital assets                                  | <u>\$60.0</u>         | <u>\$23.1</u>         | 4.0             | <u>\$23.8</u>         | 12.1            |
| <b>Total assets</b>                             | <b>1,109.7</b>        | <b>1,092.0</b>        | <b>1.6</b>      | <b>1,048.9</b>        | <b>4.1</b>      |
| Long-term net revenue bonds outstanding         | 166.1                 | 180.4                 | -7.9            | 194.1                 | -7.1            |
| Current portion of revenue bonds                | 14.1                  | 13.3                  | 6.0             | 10.8                  | 23.1            |
| Other liabilities                               | <u>28.6</u>           | <u>31.0</u>           | -7.7            | <u>28.5</u>           | 8.8             |
| <b>Total liabilities</b>                        | <b>208.8</b>          | <b>224.7</b>          | <b>-7.1</b>     | <b>233.4</b>          | <b>-3.7</b>     |
| Net assets:                                     |                       |                       |                 |                       |                 |
| Invested in capital assets, net of related debt | 779.8                 | 729.4                 | 6.9             | 655.1                 | 11.3            |
| Restricted                                      | 15.7                  | 15.4                  | 1.9             | 15.1                  | 2.0             |
| Unrestricted                                    | <u>105.4</u>          | <u>122.5</u>          | -14.0           | <u>145.3</u>          | -15.7           |
| <b>Total net assets</b>                         | <b><u>\$900.9</u></b> | <b><u>\$867.3</u></b> | <b>3.9</b>      | <b><u>\$915.5</u></b> | <b>6.4</b>      |

**Table 2 - Operating Expense Increases (dollars in millions)**

|  |              |
|--|--------------|
| <b><u>FY 2008 Increases:</u></b>   |              |
| Payroll costs for 20 additional employees and cost of living pay increases | \$3.0        |
| Chemicals due to price and quantity increases                              | 2.1          |
| Maintenance due to additional facilities and preventative maintenance      | 1.7          |
| All others, net  | <u>1.3</u>   |
| <b>Total operating expense increase for FY 2008</b>                        | <b>\$8.1</b> |
| <b><u>FY 2007 Increases:</u></b>   |              |
| Payroll costs for 24 additional employees and cost of living pay increases | \$3.3        |
| Meter change outs and installation of radio read meters                    | 1.1          |
| Engineering consulting fees for various projects                           | 1.0          |
| All others, net  | <u>2.9</u>   |
| <b>Total operating expense increase for FY 2007</b>                        | <b>\$8.3</b> |



A comparative summary of changes in net assets for the years ended September 30, 2008, 2007,

and 2006 (dollars in millions) is presented in Table 3.

**Table 3 - Increase in Net Assets (dollars in millions)**

|  | 2008                 | 2007                 | % Change            | 2006                 | % Change            |
|--|----------------------|----------------------|---------------------|----------------------|---------------------|
| Charges for utility service  | \$110.1              | \$96.4               | 14.2                | \$85.6               | 12.6                |
| Other operating revenues   | <u>5.2</u>           | <u>4.8</u>           | 8.3                 | <u>4.2</u>           | 14.3                |
| <b>Total operating revenues</b>  | <b>115.3</b>         | <b>101.2</b>         | <b>13.9</b>         | <b>89.8</b>          | <b>12.7</b>         |
| Operating expenses before depreciation and amortization and equity interest in net loss of joint venture | 81.9                 | 73.8                 | 11.0                | 65.5                 | 12.7                |
| Depreciation and amortization and equity interest in net loss of joint venture                           | <u>38.4</u>          | <u>33.6</u>          | 14.3                | <u>30.1</u>          | 11.6                |
| <b>Total operating expenses</b>  | <b><u>120.3</u></b>  | <b><u>107.4</u></b>  | <b>11.9</b>         | <b><u>95.6</u></b>   | <b>12.3</b>         |
| <b>Net operating loss</b>  | <b>-5.0</b>          | <b>-6.2</b>          | <b>19.3</b>         | <b>-5.8</b>          | <b>-6.9</b>         |
| Guaranteed revenue   | 3.4                  | 5.9                  | -42.4               | 7.7                  | -23.4               |
| Interest income  | 5.0                  | 7.2                  | 30.6                | 5.4                  | 33.3                |
| Interest expense   | -5.7                 | -3.8                 | 50.0                | -2.9                 | 31.0                |
| Engineering fees   | .5                   | 1.0                  | 50.0                | 0.7                  | 42.9                |
| Engineering expenses   | -9                   | -1.1                 | -18.2               | -1.1                 | 0.0                 |
| Grant reimbursement  | 0.0                  | 0.0                  | 0.0                 | -4.3                 | -100.0              |
| Hurricane Expenditures   | 0.0                  | 0.0                  | 0.0                 | 3.0                  | -100.0              |
| Other  | <u>-1.3</u>          | <u>2.3</u>           | -156.5              | <u>0.1</u>           | 2200.0              |
| <b>Total non-operating revenues</b>  | <b><u>1.0</u></b>    | <b><u>11.5</u></b>   | <b>-91.3</b>        | <b><u>11.2</u></b>   | <b>2.7</b>          |
| <b>Income (loss) before capital contributions and transfers from County</b>                              | <b>-4.0</b>          | <b>5.3</b>           | <b>-175.6</b>       | <b>5.4</b>           | <b>-1.9</b>         |
| Capital contributions  | 37.6                 | 44.0                 | -14.5               | 50.1                 | -12.2               |
| Transfers from County  | <u>0.0</u>           | <u>2.5</u>           | -100.0              | <u>10.6</u>          | -76.4               |
| <b>Increase in net assets</b>  | <b><u>\$33.6</u></b> | <b><u>\$51.8</u></b> | <b><u>-35.1</u></b> | <b><u>\$66.1</u></b> | <b><u>-21.6</u></b> |

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets:** At September 30, 2008, the Department had \$960.0 million invested in a wide range of capital assets, including water treatment plants, water reclamation facilities, pipelines, and two regional operations centers to serve the 1,200-square mile service area. As Table 4 shows, this represents a \$36.9 million, or 4.0%, increase over the prior year (dollars are in millions, net of accumulated depreciation and amortization). FY 2007 amount increased by \$99.3 million, or 12.1%, from the previous year. Major capital asset additions for the two years are shown in Table 5. For more detailed information on capital assets, please see Note 5 to the financial statements.

The Department's fiscal year 2009 capital budget anticipates spending \$46.2 million, a decrease of

\$35.6 million, or 43.5%, from the previous year. Major projects include:

- Construction of odor control and other plant improvements to the Southern Region Water Reclamation Facility (\$6.5 million);
- Improvements to the treatment process at Water Treatment Plant #8 (\$5.6 million); and
- Completion of the construction of a Sludge Pelletization Facility in partnership with the Solid Waste Authority (\$3.7 million).

These projects will be financed using existing funds, cash generated by operations, and connection fees received from developers.

**Table 4 - Increase in Capital Assets Net of Accumulated Depreciation and Amortization (dollars in millions)**

|                              | 2008           | 2007           | % Change   | 2006           | % Change    |
|------------------------------|----------------|----------------|------------|----------------|-------------|
| Utility plants and pipelines | \$803.7        | \$696.5        | 15.4       | \$605.7        | 15.0        |
| Buildings                    | 80.1           | 75.7           | 5.8        | 73.6           | 2.9         |
| Equipment and vehicles       | 30.8           | 20.3           | 51.7       | 21.8           | -6.9        |
| Land                         | 15.5           | 15.3           | 1.3        | 15.5           | -1.3        |
| Leasehold interest           | 9.1            | 10.3           | -11.7      | 11.5           | -10.4       |
| Goodwill                     | 6.7            | 5.0            | 34.0       | 5.2            | -3.8        |
| Easements                    | 1.7            | 0.4            | 325.0      | 0.4            | 0.0         |
| Construction in progress     | 12.4           | 99.6           | -87.6      | 90.1           | 10.5        |
| <b>Total</b>                 | <b>\$960.0</b> | <b>\$923.1</b> | <b>4.0</b> | <b>\$823.8</b> | <b>12.1</b> |

**Table 5 - Major Capital Asset Additions (dollars in millions)**

| <u>FY 2008 Additions:</u>                                |        |
|--|--------|
| Completion of Lake Region Water Treatment Plant          | \$58.0 |
| Completion of Water Treatment Plant 8 Expansion          | 25.4   |
| Completion of final phase Northern Region Pipeline       | 10.7   |
| <u>FY 2007 Additions:</u>                                |        |
| Completion of Northern Region Pipeline                   | \$60.9 |
| Completion of Water Treatment Plant Improvements         | 18.9   |
| Construction of Century Village Reclaimed Water Facility | 5.9    |

**Debt Administration:** As shown in Table 6, the Department's long-term debt (net of the current portion) was \$170.7 million on September 30, 2008, a decrease of \$14.4 million, or 7.8%. The balance was \$185.1 million on September 30, 2007, a decrease of \$13.8 million, or 6.9%,

from the previous year's figure of \$198.9 million.

More detailed information on the Department's revenue bonds payable is presented in Note 6 to the financial statements. The note payable is explained in Note 4.

**Table 6 - Change in Long-Term Debt (dollars in millions)**

|  | 2008           | 2007           | % Change    | 2006           | % Change    |
|--|----------------|----------------|-------------|----------------|-------------|
| Revenue bonds (backed by net revenues)   | \$175.5        | \$188.7        | -7.0        | \$199.6        | -5.5        |
| Plus unamortized bond premium  | 5.6            | 6.3            | -11.1       | 7.2            | -12.5       |
| Less unamortized deferred loss on refunding                                    | -0.9           | -1.3           | -30.8       | -1.8           | -27.6       |
| <b>Net revenue bonds</b>   | <b>180.2</b>   | <b>193.7</b>   | <b>-7.0</b> | <b>205.0</b>   | <b>-6.5</b> |
| State Revolving Fund note payable<br>(backed by net revenues of joint venture) | 2.3            | 2.5            | -8.0        | 2.7            | -7.4        |
| Compensated absences   | 2.9            | 2.8            | 3.6         | 2.5            | 12.0        |
| <b>Total long-term debt</b>  | <b>185.4</b>   | <b>199.0</b>   | <b>-6.8</b> | <b>210.2</b>   | <b>-5.3</b> |
| Current portion of long-term debt:   |                |                |             |                |             |
| Revenue bonds  | 14.1           | 13.3           | 6.0         | 10.8           | 23.1        |
| State Revolving Fund note payable  | 0.3            | 0.3            | 0.0         | 0.3            | 0.0         |
| Compensated absences   | 0.3            | 0.3            | 0.0         | 0.2            | 50.0        |
| <b>Total current portion of long-term debt</b>                                 | <b>14.7</b>    | <b>13.9</b>    | <b>5.6</b>  | <b>11.3</b>    | <b>23.0</b> |
| <b>Long-term debt (net of current portion)</b>                                 | <b>\$170.7</b> | <b>\$185.1</b> | <b>-7.8</b> | <b>\$198.9</b> | <b>-6.9</b> |

Since inception of the utility system in 1969, the Department has issued revenue bonds to finance capital improvements. The revenue bonds have interest rates ranging from 2.00% to 5.00% and are payable through fiscal year 2037. All issues are on parity as to their lien on net revenues and connection fees of the utility system.

In conjunction with the issuance of the Series 2006A Water and Sewer Revenue Bonds and the Series 2006B Water and Sewer Refunding Bonds, Fitch Ratings, Standard & Poor's, and Moody's Investors Service rated these issues and all outstanding bonds of the Department as AAA, AAA, and Aaa, respectively. The Department is the first water utility within the State of Florida to receive the highest ratings from the three major rating agencies at the same time and only one of a select few utility systems nationwide to accomplish this feat.

The Department is obligated by a rate covenant to establish and maintain rates that are sufficient to cover debt service requirements. The rate covenant requires that rates and fees must always provide net revenues that, together with a specified percentage of connection fees, are adequate to pay at least one hundred twenty-five percent (1.25x) of the annual debt service requirement for the bonds. Additionally, the net revenues together with the connection fees must be sufficient to make all payments required by the bond resolution. This requirement was exceeded by the 2.26x and 2.29x calculations for FY 2008 and FY 2007, respectively.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Palm Beach County is the third most populous county in the State of Florida. Growth in dwelling units for the Department's service area over the last five years has averaged 2.2%. The real estate and construction industries comprise the mainstays of the County's economic base. The Department's service area continues to reflect primarily residential customers, plus some commercial and light industrial services. A continued increase in population is projected through "build-out," which is expected to occur

by approximately 2020. To meet future customer demands, the Department's Master Plan was updated in 1997 and continues to emphasize the elimination of developer-built package treatment plants, which will be consolidated into advanced technology regional facilities. By 2020, the Department will operate at least six regional water plants with an estimated 130 million gallons per day (mgd) capacity. For wastewater services, the Department will own a projected 24 mgd capacity in the East Central Regional Wastewater Treatment Plant and will operate the 35 mgd capacity in the Southern Region Water Reclamation Facility, which will be able to provide approximately 22 mgd of reclaimed water.

These factors, along with inflation, mandatory water restrictions imposed by the South Florida Water Management District, and the recent downturn in the real estate market, were considered when preparing the Department's budget for fiscal 2009. The budget forecasts operating revenues of \$129.3 million, or 19.0%, above the final 2008 budget of \$108.7 million. Net revenues will be used to fund debt service and a portion of the Department's capital projects expenditures. A 15% surcharge fee for on-line customers became effective May 1, 2008. Expenses will continue to be subjected to upward pressure from increased fuel and electricity costs and the expansion of facilities. Amounts anticipated in fiscal 2009 for operating expenses, excluding depreciation and amortization and equity interest in net loss of joint venture, are \$92.4 million, or 5.8% above the final 2008 budget of \$87.3 million.

#### **CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers, investors, and creditors with an overview of the Department's finances and to demonstrate the Department's accountability for the monies it receives. If you have questions about this report or require additional financial information, please contact us at the address on the preceding transmittal letter.

## COMPARATIVE FINANCIAL STATEMENTS

**PALM BEACH COUNTY, FLORIDA**  
**WATER UTILITIES DEPARTMENT**  
**STATEMENTS OF NET ASSETS**  
September 30, 2008 and 2007

|   | <u>2008</u>                    | <u>2007</u>                    |
|---|--------------------------------|--------------------------------|
| <b><u>ASSETS</u></b>  |                                |                                |
| <b>CURRENT ASSETS:</b>  |                                |                                |
| Cash and cash equivalents   | \$ 49,455,783                  | \$ 76,930,011                  |
| Restricted cash and cash equivalents  | 21,971,309                     | 22,397,491                     |
| Accounts receivable (less allowance for doubtful accounts of \$1,338,300 and \$974,500 for 2008 and 2007, respectively)   | 14,548,560                     | 11,421,909                     |
| Accrued interest receivable   | 813,900                        | 759,300                        |
| Special assessments and notes receivable, current portion   | 750,543                        | 869,286                        |
| Due from other County funds   | 34,615                         | 42,893                         |
| Due from other governments  | 768,300                        | 2,500,000                      |
| Prepaid expense   | 274,058                        | 761,460                        |
| Inventories   | 6,809,057                      | 6,298,745                      |
| <b>Total current assets</b>   | <b><u>95,426,125</u></b>       | <b><u>121,981,095</u></b>      |
| <b>NONCURRENT ASSETS:</b>   |                                |                                |
| Restricted cash and cash equivalents  | 1,601,642                      | 2,000,000                      |
| Special assessments and notes receivable  | 17,751,723                     | 18,147,029                     |
| Due from other governments (less allowance for doubtful accounts of \$24,731,244 and \$0 for 2008 and 2007, respectively) | 150,707                        | -                              |
| Deferred issuance costs   | 1,405,353                      | 1,582,205                      |
| Investment in joint venture   | 33,340,114                     | 25,202,045                     |
| <b>Capital assets:</b>  |                                |                                |
| Utility plants and pipelines in service   | 1,118,057,530                  | 984,532,683                    |
| Buildings   | 103,715,377                    | 96,800,931                     |
| Equipment   | 74,452,182                     | 58,741,600                     |
| Leasehold interest  | 12,010,002                     | 12,010,002                     |
| Goodwill  | 7,131,703                      | 5,286,966                      |
| Land  | 15,510,469                     | 15,308,004                     |
| Easements   | 1,660,856                      | 360,856                        |
| <b>Total capital assets</b>   | <b><u>1,332,538,119</u></b>    | <b><u>1,173,041,042</u></b>    |
| Less accumulated depreciation and amortization  | (384,987,790)                  | (349,562,183)                  |
| Subtotal  | 947,550,329                    | 823,478,859                    |
| Construction in progress  | 12,457,464                     | 99,638,799                     |
| <b>Capital assets, net</b>  | <b><u>960,007,793</u></b>      | <b><u>923,117,658</u></b>      |
| <b>Total noncurrent assets</b>  | <b><u>1,014,257,332</u></b>    | <b><u>970,048,937</u></b>      |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 1,109,683,457</u></b> | <b><u>\$ 1,092,030,032</u></b> |

**PALM BEACH COUNTY, FLORIDA**  
**WATER UTILITIES DEPARTMENT**  
**STATEMENTS OF NET ASSETS**  
September 30, 2008 and 2007

**LIABILITIES AND NET ASSETS**

|   | <u>2008</u>           | <u>2007</u>           |
|---|-----------------------|-----------------------|
| <b>CURRENT LIABILITIES:</b>   |                       |                       |
| Vouchers payable and accrued liabilities  | \$ 9,941,923          | \$ 10,356,836         |
| Other current liabilities   | 2,756,666             | 5,754,653             |
| Due to other governments  | 2,612,348             | 364,686               |
| Due to other County funds   | 542,585               | 478,492               |
| Compensated absences  | 289,000               | 261,000               |
| <b>Subtotal current liabilities</b>   | <u>16,142,522</u>     | <u>17,215,667</u>     |
| <b>CURRENT LIABILITIES PAYABLE FROM<br/>RESTRICTED ASSETS:</b>                                      |                       |                       |
| Revenue bonds payable, current portion  | 14,070,000            | 13,350,000            |
| Accrued interest payable  | 4,083,671             | 4,262,013             |
| Customer deposits   | 3,545,218             | 4,226,786             |
| Due to other governments  | 267,290               | 260,585               |
| Construction contracts and vouchers payable   | 5,130                 | 298,107               |
| <b>Subtotal current liabilities payable from<br/>restricted assets</b>                              | <u>21,971,309</u>     | <u>22,397,491</u>     |
| <b>Total current liabilities</b>  | <u>38,113,831</u>     | <u>39,613,158</u>     |
| <b>NONCURRENT LIABILITIES:</b>  |                       |                       |
| Revenue bonds payable, net of unamortized<br>discount, premium, and deferred advance refunding loss | 166,093,961           | 180,389,121           |
| Compensated absences  | 2,640,961             | 2,490,207             |
| Due to other governments  | 1,956,942             | 2,220,577             |
| Other long-term liabilities   | 12,876                | -                     |
| <b>Total noncurrent liabilities</b>   | <u>170,704,740</u>    | <u>185,099,905</u>    |
| <b>TOTAL LIABILITIES</b>  | <u>208,818,571</u>    | <u>224,713,063</u>    |
| <b>NET ASSETS:</b>  |                       |                       |
| Invested in capital assets, net of related debt   | 779,843,832           | 729,378,537           |
| Restricted for debt service   | 14,070,000            | 13,350,000            |
| Restricted for capital projects   | 1,101,642             | 1,000,000             |
| Restricted for other purposes   | 500,000               | 1,000,000             |
| Unrestricted  | 105,349,412           | 122,588,432           |
| <b>TOTAL NET ASSETS</b>   | <u>\$ 900,864,886</u> | <u>\$ 867,316,969</u> |

The accompanying notes to financial statements are an integral part of these statements.

**PALM BEACH COUNTY, FLORIDA**  
**WATER UTILITIES DEPARTMENT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
For the Fiscal Years Ended September 30, 2008 and 2007

|   | <u>2008</u>           | <u>2007</u>           |
|---|-----------------------|-----------------------|
| <b>OPERATING REVENUES:</b>  |                       |                       |
| Charges for services  | \$ 110,116,173        | \$ 96,426,883         |
| Other operating revenue   | 5,205,556             | 4,776,456             |
| <b>Total operating revenues</b>   | <u>115,321,729</u>    | <u>101,203,339</u>    |
| <b>OPERATING EXPENSES:</b>  |                       |                       |
| Depreciation and amortization   | 37,105,975            | 32,354,767            |
| Personal services   | 32,033,164            | 29,079,883            |
| Maintenance   | 13,317,195            | 11,172,637            |
| Supplies  | 12,058,735            | 10,546,483            |
| Contractual services  | 9,861,687             | 8,276,213             |
| Utilities   | 9,654,084             | 9,049,845             |
| Purchased wastewater treatment  | 2,904,346             | 3,075,622             |
| Miscellaneous   | 2,098,250             | 2,580,696             |
| Equity interest in net loss of joint venture                                    | 1,244,075             | 1,278,090             |
| <b>Total operating expenses</b>   | <u>120,277,511</u>    | <u>107,414,256</u>    |
| <b>OPERATING LOSS</b>   | <u>(4,955,782)</u>    | <u>(6,210,917)</u>    |
| <b>NONOPERATING REVENUES (EXPENSES):</b>  |                       |                       |
| Guaranteed revenue  | 3,399,215             | 5,886,894             |
| Interest income   | 4,959,994             | 7,204,041             |
| Interest expense  | (5,701,665)           | (3,808,823)           |
| Engineering fees  | 522,979               | 1,013,359             |
| Engineering expenses  | (930,808)             | (1,062,878)           |
| Other   | (1,326,677)           | 2,290,670             |
| <b>Total nonoperating revenues (expenses)</b>                                   | <u>923,038</u>        | <u>11,523,263</u>     |
| <b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS<br/>AND TRANSFERS FROM COUNTY</b> | <u>(4,032,744)</u>    | <u>5,312,346</u>      |
| Capital contributions   | 37,580,661            | 44,016,230            |
| Transfers from County   | -                     | 2,500,000             |
| <b>INCREASE IN NET ASSETS</b>   | <u>33,547,917</u>     | <u>51,828,576</u>     |
| <b>NET ASSETS, BEGINNING OF PERIOD</b>  | <u>867,316,969</u>    | <u>815,488,393</u>    |
| <b>NET ASSETS, END OF PERIOD</b>  | <u>\$ 900,864,886</u> | <u>\$ 867,316,969</u> |

The accompanying notes to financial statements are an integral part of these statements.

**PALM BEACH COUNTY, FLORIDA**  
**WATER UTILITIES DEPARTMENT**  
**STATEMENTS OF CASH FLOWS**  
For the Fiscal Years Ended September 30, 2008 and 2007

|  | <u>2008</u>          | <u>2007</u>          |
|--|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                     |                      |                      |
| Cash receipts:   |                      |                      |
| Cash received from customers                                     | \$106,341,912        | \$ 94,418,596        |
| Other operating receipts   | 4,636,814            | 4,774,467            |
| Total cash receipts  | <u>110,978,726</u>   | <u>99,193,063</u>    |
| Cash disbursements:  |                      |                      |
| Payments to employees  | (26,290,846)         | (24,186,708)         |
| Payments to other County funds                                   | (14,038,262)         | (12,107,276)         |
| Payments to suppliers of goods and services                      | (40,091,037)         | (36,954,393)         |
| Total cash disbursements   | <u>(80,420,145)</u>  | <u>(73,248,377)</u>  |
| Net cash provided by operating activities                        | <u>30,558,581</u>    | <u>25,944,686</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>          |                      |                      |
| Grants received  | -                    | 361,461              |
| Net cash provided by noncapital financing activities             | <u>-</u>             | <u>361,461</u>       |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b> |                      |                      |
| Construction of buildings, plants, and pipelines                 | (52,716,112)         | (97,669,718)         |
| Capital contributed by developers and customers                  | 17,097,605           | 20,593,408           |
| Principal paid on revenue bond maturities                        | (13,350,000)         | (10,835,000)         |
| Capital contributed by other governments                         | 10,079,082           | 5,119,423            |
| Cash contributed to joint ventures                               | (8,547,549)          | (1,334,078)          |
| Interest paid on revenue bonds                                   | (8,491,805)          | (8,568,500)          |
| Proceeds on issuance of refunding revenue bonds                  | 6,473,000            | -                    |
| Principal paid on refunded revenue bonds                         | (6,345,000)          | -                    |
| Purchase of additional service area                              | (4,544,737)          | -                    |
| Equipment purchased  | (3,547,546)          | (3,038,255)          |
| Proceeds on sale of surplus capital assets                       | 191,907              | 2,791,840            |
| Bond issuance costs paid   | (26,680)             | -                    |
| Bond paying agent fees paid                                      | (23,846)             | (56,909)             |
| Transfers from County  | -                    | 2,500,000            |
| Net cash used in capital and related financing activities        | <u>(63,751,681)</u>  | <u>(90,497,789)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                     |                      |                      |
| Interest received on pooled cash                                 | 4,894,332            | 7,609,159            |
| Net cash provided by investing activities                        | <u>4,894,332</u>     | <u>7,609,159</u>     |
| Net decrease in cash and cash equivalents                        | <u>(28,298,768)</u>  | <u>(56,582,483)</u>  |
| Cash and cash equivalents at beginning of period                 | <u>101,327,502</u>   | <u>157,909,985</u>   |
| Cash and cash equivalents at end of period                       | <u>\$ 73,028,734</u> | <u>\$101,327,502</u> |
| Displayed on statements of net assets as:                        |                      |                      |
| Cash and cash equivalents  | \$ 49,455,783        | \$ 76,930,011        |
| Restricted cash and cash equivalents                             | 23,572,951           | 24,397,491           |
| Total per statements of net assets                               | <u>\$ 73,028,734</u> | <u>\$101,327,502</u> |

(continued)



**PALM BEACH COUNTY, FLORIDA**  
**WATER UTILITIES DEPARTMENT**  
**STATEMENTS OF CASH FLOWS**  
For the Fiscal Years Ended September 30, 2008 and 2007

(continued)

|  | 2008                  | 2007                  |
|--|-----------------------|-----------------------|
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>      |                       |                       |
| <b>Operating loss</b>  | <b>\$ (4,955,782)</b> | <b>\$ (6,210,917)</b> |
| <b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b> |                       |                       |
| Depreciation and amortization  | 37,105,975            | 32,354,767            |
| Equity interest in net loss of joint venture   | 1,244,075             | 1,278,090             |
| Transfer ECR treated wastewater credit to joint venture capital fund                         | (611,337)             | -                     |
| Provision for doubtful accounts receivable   | 363,800               | 214,200               |
| <b>Changes in assets and liabilities:</b>  |                       |                       |
| Customer accounts receivable   | (3,892,229)           | (2,061,387)           |
| Due from other County funds  | 8,278                 | (16,051)              |
| Prepaid expenses   | 487,402               | 2,042                 |
| Inventories  | (510,312)             | (495,753)             |
| Compensated absences   | 178,754               | 284,834               |
| Vouchers payable and accrued liabilities   | 1,725,820             | 711,004               |
| Due to other County funds  | 64,093                | 215,134               |
| Due to other governments   | 31,612                | (86,832)              |
| Customer deposits  | (681,568)             | (244,445)             |
| <b>Total adjustments</b>   | <b>35,514,363</b>     | <b>32,155,603</b>     |
| <b>Net cash provided by operating activities</b>   | <b>\$ 30,558,581</b>  | <b>\$ 25,944,686</b>  |
| <b>SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES:</b>                                 |                       |                       |
| Utility plant contributed by developers and customers  | \$ 11,771,439         | \$ 22,251,035         |
| Utility plant contributed by other governments   | 3,566,778             | -                     |
| Capitalized interest   | 2,352,563             | 4,720,888             |
| Capital assets/due to other governments  | 2,215,800             | -                     |
| Construction trust fund interest offset to capitalized interest                              | -                     | 615,891               |

The accompanying notes to financial statements are an integral part of these statements.

**PALM BEACH COUNTY, FLORIDA**  
**WATER UTILITIES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended September 30, 2008 and 2007

**1. GENERAL**

**Description** - Palm Beach County, Florida (County) is a chartered political subdivision of the State of Florida and is authorized by the power of self-government by the Constitution of the State of Florida and Florida Statutes. The Board of County Commissioners (BCC) is the legislative and governing body of the County. Pursuant to the general laws of Florida, the County owns the Water Utilities Department of Palm Beach County (Department). The financial statements only present the Department and are not intended to present fairly the financial position of Palm Beach County, Florida, and the changes in its financial position and cash flows of its proprietary fund types, in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Basis of Presentation** - The Department operates as an enterprise fund of the County. An enterprise fund is used to account for the financing of services to the general public where all or most of the costs involved are paid in the form of charges by users of such services.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies followed by the Department:

**Basis of Accounting** - The Department utilizes the accrual basis of accounting in accordance with GAAP and does not follow FASB statements and interpretations issued after November 30, 1989. The financial statements are presented using the economic resources measurement focus.

**Budget Approval** - The BCC approves the Department's annual budget as part of the formal budget adoption process pursuant to Chapter 129, Florida Statutes. The budget is adopted on a basis consistent with GAAP, and budgetary controls for appropriations are established at the appropriation unit level.

Activities for the operating accounts required by bond covenants securing the Department's indebtedness are included in the annual budget.

**Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Classification of Revenues and Expenses** - Operating revenues and expenses are those which result from providing water and wastewater services. Nonoperating revenues and expenses include financing, investing, and other activities not directly related to the provision of water and wastewater services.

**Revenue Recognition** - All water and wastewater revenues are recognized when the related services are provided. Special assessment contributed capital is recognized when the project has final acceptance by the BCC's Contract Review Committee and, for projects whose final assessed amount is less than the original assessed amount, BCC approval of the amended amount. Grants from other governmental agencies for the acquisition of capital assets are recorded as capital contributions when the related costs are incurred and all applicable eligibility requirements have been met. Connection fees are charged to new service customers and are required to be used for capital acquisition purposes; these fees are accounted for as capital contributions when service is provided.

**Cash and Cash Equivalents** - The Department considers all highly liquid investments with maturities of three months or less when purchased as well as its proportionate share of the County's investment pool to be cash

equivalents for purposes of the statements of net assets and the statements of cash flows.

**Accounts Receivable** - Billings to the Department's customers are based on metered consumption, which is determined at various dates during each month. Estimated unbilled consumption at month end is recognized as revenue and recorded as accounts receivable. The allowance for doubtful accounts is determined by multiplying the accounts receivable balance at fiscal year end by the average bad debt rate for the last five years. This results in adjusting the receivables to their net realizable value.

**Special Assessments Receivable** - A non-current special assessment receivable is recorded for contributed capital resulting from special assessment projects. Recognition of the contributed capital is described in the revenue recognition section of Note 2. A portion of the balance is reclassified as a current special assessment receivable. This current portion is estimated based on the actual tax billing determined by the Clerk & Comptroller and billed by the Tax Collector. No allowance is recorded because liens are recorded against the assessed property.

**Inventories** - Inventories consist primarily of material and supplies and are stated at the lower of cost or market determined on a first-in, first-out basis.

**Restricted Assets and Restricted Net Assets** - Assets are restricted in accordance with provisions of the bond resolutions of the BCC authorizing the issuance of the Series 2008, 2006, 2004, 2003, 1998, and 1985 Revenue Bonds, and other applicable obligations. The remaining excess of restricted assets over liabilities payable from restricted assets is reflected as restricted net assets.

**Deferred Issuance Costs** - Expenses incurred in connection with the issuance of revenue bonds are deferred and amortized using a method which approximates the effective interest method.

**Capital Assets** - Capital assets are stated at cost less accumulated depreciation and amortization,

except contributed assets which are recorded at fair value on the date of contribution. Expenditures of \$25,000 or more for additions and improvements and \$1,000 for equipment are capitalized. Expenditures for maintenance, repairs, and minor improvements are charged to expense as incurred.

Depreciation of tangible capital assets is computed on the straight-line method over the estimated useful lives of the assets, which are as follows:

|                           |               |
|---------------------------|---------------|
| Buildings                 | 15-40 years   |
| Utility plants in service | 12.5-50 years |
| Equipment                 | 3-25 years    |

Part of the acquisition price of the Village of Royal Palm Beach's Utility System was allocated to leasehold interest to recognize the fair value of the use of the water and wastewater plants that were retained by the Village. These assets are being amortized over the 10-year life of the lease.

Goodwill is determined based on the difference between the acquisition price and the fair value of all assets acquired. Amortization of goodwill related to utility system acquisitions is computed on the straight-line method. The Department has two items of goodwill which are amortized as follows:

- The goodwill resulting from the acquisition of the Village of Royal Palm Beach's Utility System is amortized over 30 years which represents the period the bonds issued to fund the acquisition will be outstanding.
- The goodwill resulting from the acquisition of the Indian Trail Improvement District Utility System is amortized over 40 years.

**Compensated Absences** - Accumulated unpaid vacation and sick leave benefits are accrued as a liability and charged to expense at the time the employees perform the services which give rise to the benefits.

**Unamortized Discount, Premium, and Deferred Advance Refunding Loss** - These

accounts are amortized to interest expense over the term of the related financing using the effective interest method.

**Interest** - Interest costs are expensed or capitalized in accordance with the provisions of Statements of Financial Accounting Standards No. 34, "Capitalization of Interest Cost," and No. 62, "Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants."

**Use of Restricted Resources** - When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

**Reclassifications** - Certain amounts in the 2007 financial statements have been reclassified to conform to the presentation in the 2008 financial statements.

### 3. CASH AND INVESTMENTS

The Department participates in the County's pooled cash system so as to maximize earnings and facilitate cash management. Cash and investments of certain funds are maintained separately due to legal and revenue bond requirements. Each fund's equity portion of total pooled amounts is included at fair value on the statements of net assets under the caption "Current assets - Cash and cash equivalents," "Current assets - Restricted cash and cash equivalents," or "Noncurrent assets - Restricted cash and cash equivalents" along with cash and investments which have not been pooled.

The following tables depict the Department's share of investments managed by the County. The two tables below and the two tables on page 28 do not include cash on hand of \$3,450 at September 30, 2008 and 2007, respectively.

| September 30, 2008                            | Fair Value          | Maturity in Years   |                              |                               |
|---|---------------------|---------------------|------------------------------|-------------------------------|
|   |                     | Less Than 1 Year    | 1 Year but Less Than 3 Years | 3 Years but Less Than 8 Years |
| U.S. Government Securities                    | \$52,242,546        | \$97,092            | \$51,993                     | \$52,093,461                  |
| Bank Deposits                                 | 18,315,832          | 18,315,832          | -                            | -                             |
| Corporate notes                               | 1,373,697           | -                   | -                            | 1,373,697                     |
| Investment in Florida County Investment Trust | 925,441             | 925,441             | -                            | -                             |
| Israeli government bonds                      | 167,768             | -                   | 167,768                      | -                             |
| <b>Total Bank Deposits &amp; Investments</b>  | <b>\$73,025,284</b> | <b>\$19,338,365</b> | <b>\$219,761</b>             | <b>\$53,467,158</b>           |

| September 30, 2007                              | Fair Value           | Maturity in Years   |                              |                               |
|---|----------------------|---------------------|------------------------------|-------------------------------|
|   |                      | Less Than 1 Year    | 1 Year but Less Than 3 Years | 3 Years but Less Than 8 Years |
| U.S. Government Securities                      | \$83,377,532         | \$2,040,555         | \$1,333,308                  | \$80,003,669                  |
| Bank Deposits                                   | 12,853,626           | 12,853,626          | -                            | -                             |
| Investment in State Treasurer's Investment Pool | 3,729,662            | 3,729,662           | -                            | -                             |
| Investment in Florida County Investment Trust   | 1,363,232            | -                   | 1,363,232                    | -                             |
| <b>Total Bank Deposits &amp; Investments</b>    | <b>\$101,324,052</b> | <b>\$18,623,843</b> | <b>\$2,696,540</b>           | <b>\$80,003,669</b>           |

The following policies have been adopted for the Clerk & Comptroller's investment pool:

**Deposits:** Chapter 280, Florida Statutes, requires all public deposits to be made in a qualified public depository and covered by either federal depository insurance or collateral held by the Chief Financial Officer of Florida. In the event of

a default by a qualified public depository, all claims for government deposits would be satisfied by the Chief Financial Officer of Florida from the proceeds of federal deposit insurance, pledged collateral of the public depository in default, and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool.

The County's investment policy requires all securities to be insured or registered in the County's name and held by a third party custodial institution with capital and surplus stock of at least \$500 million and a separate custody account at the Federal Reserve Bank (Fed) specifically designated by the Fed as restricted for the safekeeping of the member bank's customer-owned securities only.

**Investments:** State statutes and local ordinance authorize County investments in obligations of the U.S. Government, its agencies and instrumentalities, repurchase agreements, interest-bearing time deposits, savings accounts, the State Treasurer's Investment Pool (The Local Government Surplus Funds Trust Fund, a 2a7-like fund with the characteristics of a money market fund), the Florida Local Government Investment Trust, collateralized mortgage obligations, Israeli government bonds, and certain corporate securities.

**Investment Valuation:** All investments are reported at fair value except for the following, which are reported at amortized cost, which approximates fair value, pursuant to GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools": State Treasurer's Investment Pool, Guaranteed Investment Contracts (nonparticipating), and Money Market Mutual Funds.

**Interest Rate Risk:** In accordance with its investment policy, the Clerk & Comptroller manages the County's investment pool's exposure to declines in fair values by seeking to maintain an effective duration equal to the two-year Constant Maturity Treasury (CMT). At the time of purchase, County investments must have a final maturity or average life of ten years or less. The County's investment policy limits investments in collateralized mortgage obligations to 10% of the total value of the investment pool. Investments in commercial paper and bankers acceptances are limited to 25% of total market value and ratings of A-1 and P-1 or higher by Standard & Poor's and Moody's, respectively. Investments in corporate securities are limited to ratings of AA or higher by Standard & Poor's and Moody's and are limited to no more than 20% of the investment pool's market value, excluding commercial paper. Bonds, notes, or instruments backed by the full faith and credit of the State of Israel, rated A or higher by Standard & Poor's and Moody's rating services are limited to 1% of the pool's market value. No-load money market mutual funds are allowable if they are rated in the highest Nationally Recognized Statistical Rating Organization category. Investments in interest only, principal only, inverse floaters, and corporate convertible securities are prohibited.

**Concentration and Credit Risks:** are illustrated in the following tables.

| September 30, 2008                            | Fair Value          | Percentage of Total Portfolio | Standard & Poor's Rating | Moody's Rating |
|---|---------------------|-------------------------------|--------------------------|----------------|
| U.S. Government Securities                    | \$52,242,546        | 71.5%                         | AAA                      | Aaa            |
| Bank Deposits                                 | 18,315,832          | 25.1%                         | -                        | -              |
| Corporate bonds                               | 1,373,697           | 1.9%                          | -                        | -              |
| Investment in Florida County Investment Trust | 925,441             | 1.3%                          | AAAf                     | -              |
| Israeli government bonds                      | 167,768             | 0.2%                          | A-                       | A1             |
| <b>Total Bank Deposits &amp; Investments</b>  | <b>\$73,025,284</b> | <b>100.0%</b>                 |                          |                |

| September 30, 2007                              | Fair Value           | Percentage of Total Portfolio | Standard & Poor's Rating | Moody's Rating |
|---|----------------------|-------------------------------|--------------------------|----------------|
| U.S. Government Securities                      | \$83,377,532         | 82.3%                         | AAA                      | Aaa            |
| Bank Deposits                                   | 12,853,626           | 12.7%                         | -                        | -              |
| Investment in State Treasurer's Investment Pool | 3,729,662            | 3.7%                          | A-1f                     | P-1            |
| Investment in Florida County Investment Trust   | 1,363,232            | 1.3%                          | AAAf                     | -              |
| <b>Total Bank Deposits &amp; Investments</b>    | <b>\$101,324,052</b> | <b>100.0%</b>                 |                          |                |

**External Investment Pools:** The following external investment pools are not SEC-registered:

- 1) The State Treasurer's Investment Pool is an external investment pool administered by the State of Florida and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Act allows the use of amortized cost rather than fair value in computing the share price of the pool. This investment pool is regulated by three elected officials of the State of Florida: the Governor, as Chairman; the Chief Financial Officer, as Treasurer; and the Comptroller, as Secretary. Audit oversight is provided by the Florida Auditor General's Office.
- 2) The Florida County Investment Trust is a local government investment pool developed by the Florida Association of Court Clerks and the Florida Association of Counties. Although the trust has no regulatory oversight, it has received a Standard & Poor's rating and is governed by a six member Board of Trustees. It has been recognized as a tax-exempt organization by an Internal Revenue Service private letter ruling.

#### 4. INVESTMENT IN JOINT VENTURES

##### East Central Regional Wastewater Facilities

In September 1992, the County, on behalf of the Department, entered into a joint interlocal agreement (Agreement) with four municipalities whereby they consolidated separate agreements into a single unified agreement to establish rules and procedures for the operation and management of the existing East Central Regional Wastewater Facilities (ECR). ECR became a separate legal entity created for the purpose of providing wastewater treatment and disposal services to the five participating entities (Entities). The Agreement establishes the duties and responsibilities among the Entities for the operation of ECR. Key provisions of the Agreement include:

- The initial term of the Agreement is thirty years with an option to renew for an additional thirty years based upon mutual consent of the Entities.
- The Agreement can be terminated only with unanimous mutual consent of the Entities.
- An Entity may withdraw from participation in the Agreement; however, the Entity will forfeit its interest and allocation in ECR and will still be required to meet its obligations under the Agreement.
- In the event the ECR is sold or disposed of, proceeds of the sale or disposition shall be prorated among the entities, based on the reserve capacity allocation in effect as of the date of sale or disposition. As of September 30, 2008 and 2007, the Department had a 33.59% and 31.45% interest in ECR, respectively.
- The Agreement provides for the establishment of a Board (Board) to administer ECR. The Board is comprised of one representative from each participating Entity.
- The City of West Palm Beach (City) is designated to administer and operate ECR efficiently and economically for the benefit of the Entities. To that end, the City retains legal title to ECR property, provides all personnel resources required for operation and administration of ECR and assumes responsibility for all employee benefits, risk management, and other costs. In exchange for such services, ECR pays the City an administrative fee.
- A budget is adopted annually by the Board. Annual expenditures are covered by the wastewater flow charge, which is charged to each Entity based on usage.

Under accounting principles generally accepted in the United States of America, the Department

is required to account for this investment using the equity method. Accordingly, the Department recorded its initial investment at cost and annually records its proportionate share of ECR's income or loss.

The financial obligations of the Entities include the following:

- ECR allocates to the Entities the costs associated with the operation and maintenance of the treatment plant based on each Entity's proportionate share of total wastewater flow into the plant. The Department's total of such costs charged to expense was approximately \$2,904,000 and \$3,076,000 for the years ended September 30, 2008 and 2007, respectively.
- The Entities are required to make annual deposits to a Renewal and Replacement Fund to finance improvements to ECR. The annual deposits of approximately \$1.8 million will continue until the amount on deposit equals 10% of the Department's proportionate share of ECR's replacement value which was estimated to be \$152 million as of September 30, 2008. The total of such costs was approximately \$1,789,160 and \$1,014,866 for the years ended September 30, 2008 and 2007, respectively.
- In April 1993, the Department entered into a "Participatory Agreement" with the four municipalities for certain improvements to ECR. The improvements totaling \$38,755,000, with \$5,832,000 being the Department's share, were completed in fiscal year 1998. Partial funding was provided by State of Florida, Department of Environmental Protection Revolving Loan Funds approved in March and September 1994. Actual amounts borrowed were \$21,319,410 and \$648,738, respectively. The loans are payable over twenty-year periods and carry effective interest rates ranging from 2.30% to 3.17%. The Department's portion of the annual debt service for

the loans is \$319,200. The Department's share of the loans was \$2,224,232 and \$2,481,162 as of September 30, 2008 and 2007, respectively, and is reflected in due to other governments in the current liabilities payable from restricted assets and the noncurrent liabilities sections of the accompanying statements of net assets.

- The Department paid \$38,154 and \$321,315 to ECR toward the completion of a 15 MGD expansion project for the years ended September 30, 2008 and 2007, respectively. The Department's share of the outstanding encumbrances related this project were \$0 and \$282,000 as of September 30, 2008 and 2007, respectively.
- For the years ended September 30, 2008 and 2007, respectively, the Department's total payments to ECR for all the transactions described above were \$5.0 million and \$4.9 million respectively.

The following is a brief summary of the financial position of ECR as of September 30, 2007:

|  |               |
|--|---------------|
| Total assets                             | \$103,598,406 |
| Total net assets                         | \$88,048,019  |
| Invested in capital, net of related debt | \$62,749,048  |
| Unrestricted net assets                  | \$12,824,422  |
| Increase in net assets                   | \$388,368     |

September 30, 2008 amounts are expected to approximate the above figures.

Separate financial statements for ECR may be obtained at the following address:

East Central Regional Wastewater Facilities  
 City of West Palm Beach  
 P.O. Box 3506  
 West Palm Beach, FL 33402

**Biosolids Processing and Recycling Facility**

On September 23, 2003, the Board of County Commissioners, on behalf of the Water Utilities Department, entered into an interlocal

agreement (Agreement) with the Solid Waste Authority (SWA) to fund a portion of the cost to design, build, and operate a Biosolids Processing and Recycling Facility (BPF). Amendments to the agreement were approved May 3, 2005 and July 11, 2006.

The BPF will process certain wastewater treatment residuals (biosolids) and is necessary to comply with increasingly stringent environmental regulations that have significantly decreased the number of land application sites available. Bulk land application is the current method of disposing of the biosolids.

The Agreement is for a period of twenty years beginning with the commencement date of operations. Upon the conclusion of the term of the agreement, the BPF will remain the property of SWA with each participating entity owning its share of the BPF, in perpetuity, for the life of the plant. Under accounting principles generally accepted in the United States of America, the Department is required to account for this arrangement as a joint venture. Therefore, an asset is reported on Department's financial statements under the caption "Investment in joint ventures."

Since the BPF agreement does not state that the participants are to share in the profit and losses of the joint venture, the investment in joint venture account will not be adjusted to reflect the joint venture's results of operations. Rather the investment in joint venture will be amortized using the straight-line method over the twenty-year life of the agreement. The amortization will start on the date on which operations commence. The Department's 27.5% share results in pro rata obligations of \$8.7 million for construction costs and \$380,000 annually for operating expenses for the twenty-year period. Operations are expected to commence in fiscal year 2009.

During the fiscal years ended September 30, 2008 and 2007, \$5.1 and \$2.5 million, respectively, was paid to SWA by the Department for its pro rata share of the construction costs and is shown as an asset - investment in joint ventures - on the statements of net assets. Estimated commitments of \$1.2 and \$6.1 million as of September 30, 2008 and 2007, respectively, represent the remaining balance due SWA for the Department's pro rata share of the construction costs.

The SWA is responsible for the design, construction, operation, and maintenance of the BPF. On April 12, 2005, SWA approved a contract with a private company to design/build/operate the BPF. The Department, along with the other participating entities, will in turn be responsible for delivering wastewater biosolids to the BPF and for paying their pro rata share of the capital and net operating costs. This provision helps to insure that the BPF venture does not accumulate assets that may result in a financial benefit to the Department or cause the Department to experience fiscal stress from the BPF.

No separate financial statements are prepared for the BPF which is reported as part of SWA operations. Financial statements for the SWA may be obtained at the following address:

Solid Waste Authority  
7501 North Jog Road  
West Palm Beach, Florida 33412

## 5. INFORMATION ON CAPITAL ASSETS

Capital assets activity for the years ended September 30, 2008 and 2007, is depicted in the following two tables.



| September 30, 2008  | Beginning<br>Balance | Increases            | Decreases              | Ending<br>Balance    |
|---|----------------------|----------------------|------------------------|----------------------|
| Capital assets not being depreciated or amortized:              |                      |                      |                        |                      |
| Land  | \$15,308,004         | \$343,267            | \$(140,802)            | \$15,510,469         |
| Easements   | 360,856              | 1,300,000            | -                      | 1,660,856            |
| Construction in progress  | 99,638,799           | 60,631,486           | (147,812,821)          | 12,457,464           |
| <b>Total capital assets not being depreciated or amortized</b>  | <b>115,307,659</b>   | <b>62,274,753</b>    | <b>(147,953,623)</b>   | <b>29,628,799</b>    |
| Capital assets being depreciated or amortized:                  |                      |                      |                        |                      |
| Buildings   | 96,800,931           | 6,914,446            | -                      | 103,715,377          |
| Utility plants and pipelines                                    | 984,532,683          | 133,524,847          | -                      | 1,118,057,530        |
| Equipment   | 58,741,600           | 17,503,529           | (1,792,947)            | 74,452,182           |
| Leasehold interest  | 12,010,002           | -                    | -                      | 12,010,002           |
| Goodwill  | 5,286,966            | 1,844,737            | -                      | 7,131,703            |
| <b>Total capital assets being depreciated or amortized</b>      | <b>1,157,372,182</b> | <b>159,787,559</b>   | <b>(1,792,947)</b>     | <b>1,315,366,794</b> |
| Less accumulated depreciation or amortization for:              |                      |                      |                        |                      |
| Buildings   | (21,049,269)         | (2,538,013)          | -                      | (23,587,282)         |
| Utility plants and pipelines                                    | (288,054,187)        | (36,327,664)         | -                      | (324,381,851)        |
| Equipment   | (38,450,485)         | (6,814,129)          | 1,680,368              | (43,584,256)         |
| Leasehold interest  | (1,753,565)          | (1,201,000)          | -                      | (2,954,565)          |
| Goodwill  | (254,677)            | (225,169)            | -                      | (479,846)            |
| <b>Total accumulated depreciation and amortization</b>          | <b>(349,562,183)</b> | <b>(37,105,975)</b>  | <b>1,680,368</b>       | <b>(384,987,790)</b> |
| <b>Total capital assets being depreciated or amortized, net</b> | <b>807,809,999</b>   | <b>122,681,584</b>   | <b>(112,579)</b>       | <b>930,379,004</b>   |
| <b>Capital assets, net</b>                                      | <b>\$923,117,658</b> | <b>\$184,956,337</b> | <b>\$(148,066,202)</b> | <b>\$960,007,793</b> |

| <u>September 30, 2007</u>                                       | Beginning<br>Balance | Increases            | Decreases             | Ending<br>Balance    |
|---|----------------------|----------------------|-----------------------|----------------------|
| Capital assets not being depreciated or amortized:              |                      |                      |                       |                      |
| Land  | \$15,501,402         | -                    | \$(193,398)           | \$15,308,004         |
| Easements   | 360,856              | -                    | -                     | 360,856              |
| Construction in progress  | 90,058,376           | \$105,972,417        | (96,391,994)          | 99,638,799           |
| <b>Total capital assets not being depreciated or amortized</b>  | <b>105,920,634</b>   | <b>105,972,417</b>   | <b>(96,585,392)</b>   | <b>115,307,659</b>   |
| Capital assets being depreciated or amortized:                  |                      |                      |                       |                      |
| Buildings   | 92,249,665           | 4,551,266            | -                     | 96,800,931           |
| Utility plants and pipelines                                    | 870,795,776          | 113,736,907          | -                     | 984,532,683          |
| Equipment   | 55,391,476           | 4,110,586            | (760,462)             | 58,741,600           |
| Leasehold interest  | 12,010,002           | -                    | -                     | 12,010,002           |
| Goodwill  | 5,286,966            | -                    | -                     | 5,286,966            |
| <b>Total capital assets being depreciated or amortized</b>      | <b>1,035,733,885</b> | <b>122,398,759</b>   | <b>(760,462)</b>      | <b>1,157,372,182</b> |
| Less accumulated depreciation or amortization for:              |                      |                      |                       |                      |
| Buildings   | (18,613,008)         | (2,436,261)          | -                     | (21,049,269)         |
| Utility plants and pipelines                                    | (265,065,565)        | (22,988,622)         | -                     | (288,054,187)        |
| Equipment   | (33,576,025)         | (5,552,652)          | 678,182               | (38,450,495)         |
| Leasehold interest  | (552,555)            | (1,201,000)          | -                     | (1,753,555)          |
| Goodwill  | (78,445)             | (176,232)            | -                     | (254,677)            |
| <b>Total accumulated depreciation and amortization</b>          | <b>(317,885,596)</b> | <b>(32,354,767)</b>  | <b>678,182</b>        | <b>(349,562,183)</b> |
| <b>Total capital assets being depreciated or amortized, net</b> | <b>717,848,287</b>   | <b>90,043,992</b>    | <b>(82,280)</b>       | <b>807,809,999</b>   |
| <b>Capital assets, net</b>                                      | <b>\$823,768,921</b> | <b>\$196,016,409</b> | <b>\$(96,667,672)</b> | <b>\$923,117,658</b> |

**6. REVENUE BONDS PAYABLE AND LONG-TERM DEBT**

Long-term obligations activity for the years ended September 30, 2008 and 2007, is depicted in the two tables below.

| <u>September 30, 2008</u>                   | <u>Beginning Balance</u> | <u>Increases</u>   | <u>Decreases</u>      | <u>Ending Balance</u> | <u>Due in Fiscal Year 2009</u> |
|---|--------------------------|--------------------|-----------------------|-----------------------|--------------------------------|
| Revenue bonds                               | \$188,725,000            | \$6,473,000        | \$(19,695,000)        | \$175,503,000         | \$14,070,000                   |
| Unamortized premiums                        | 6,316,260                | -                  | (760,342)             | 5,555,918             | -                              |
| Unamortized deferred advance refunding loss | (1,301,009)              | (31,643)           | 438,388               | (894,264)             | -                              |
| Unamortized discount                        | (1,130)                  | -                  | 437                   | (693)                 | -                              |
| <b>Net revenue bonds payable</b>            | <b>193,739,121</b>       | <b>6,441,357</b>   | <b>(20,016,517)</b>   | <b>180,163,961</b>    | <b>14,070,000</b>              |
| Due to other governments                    | 2,481,162                | -                  | (256,930)             | 2,224,232             | 267,290                        |
| Compensated absences                        | 2,751,207                | 298,544            | (319,790)             | 2,929,961             | 289,000                        |
| Other                                       | -                        | 12,876             | -                     | 12,876                | -                              |
| <b>Total long-term obligations</b>          | <b>\$198,971,490</b>     | <b>\$6,752,777</b> | <b>\$(20,393,237)</b> | <b>\$185,331,030</b>  | <b>\$14,626,290</b>            |

| <u>September 30, 2007</u>                   | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u>      | <u>Ending Balance</u> | <u>Due in Fiscal Year 2008</u> |
|---|--------------------------|------------------|-----------------------|-----------------------|--------------------------------|
| Revenue bonds                               | \$199,560,000            | -                | \$(10,835,000)        | \$188,725,000         | \$13,350,000                   |
| Unamortized premiums                        | 7,210,176                | -                | (893,916)             | 6,316,260             | -                              |
| Unamortized deferred advance refunding loss | (1,831,979)              | -                | 530,970               | (1,301,009)           | -                              |
| Unamortized discount                        | (1,662)                  | -                | 532                   | (1,130)               | -                              |
| <b>Net revenue bonds payable</b>            | <b>204,936,535</b>       | <b>-</b>         | <b>(11,197,414)</b>   | <b>193,739,121</b>    | <b>13,350,000</b>              |
| Due to other governments                    | 2,734,939                | -                | (253,777)             | 2,481,162             | 260,585                        |
| Compensated absences                        | 2,466,373                | \$500,625        | (215,791)             | 2,751,207             | 261,000                        |
| <b>Total long-term obligations</b>          | <b>\$210,137,847</b>     | <b>\$500,625</b> | <b>\$(11,666,982)</b> | <b>\$198,971,490</b>  | <b>\$13,871,585</b>            |

The Series 2008, 2006, 2004, 2003, and 1998 Water and Sewer Revenue Bonds are repayable in future years as shown to the right.

The bond issues enable the Department to call various maturities of the debt at specified premiums of up to 2% of the principal balance.

The Water and Sewer Revenue Bonds are collateralized by a first lien on the Department's net revenues and connection fees as defined in the bonds' resolutions (Resolutions). The Department is required to establish rates and fees sufficient to provide net revenues and connection fees which are at least 125% of the annual debt service requirements.

|              | <u>Fiscal Year(s) Ending September 30</u> |                      |
|--------------|---|----------------------|
|              | <u>Principal</u>                          | <u>Interest</u>      |
| 2009         | \$14,070,000                              | \$8,007,184          |
| 2010         | 14,690,000                                | 7,447,923            |
| 2011         | 10,410,000                                | 6,903,337            |
| 2012         | 6,978,000                                 | 6,460,181            |
| 2013         | 5,355,000                                 | 6,204,850            |
| 2014-2018    | 25,510,000                                | 27,398,206           |
| 2019-2023    | 17,820,000                                | 22,347,000           |
| 2024-2028    | 22,750,000                                | 17,299,763           |
| 2029-2033    | 29,025,000                                | 10,858,737           |
| 2034-2037    | 28,895,000                                | 2,883,575            |
| <b>Total</b> | <b>\$175,503,000</b>                      | <b>\$715,810,756</b> |

The Department's long-term revenue bonds payable as of September 30, 2008 and 2007, are

illustrated in the following table.

|   | September 30         |                      |
|---|----------------------|----------------------|
|   | 2008                 | 2007                 |
| <b>REVENUE BONDS</b>  |                      |                      |
| \$18,645,000 Series 1985 Water and Sewer Revenue Bonds paid on March 31, 2008.  | -                    | \$7,545,000          |
| \$30,000,000 Series 1998 Water and Sewer Revenue Bonds due in annual installments of \$1,510,000 to \$1,715,000 through October 1, 2011, with interest from 4.20% to 5.00% payable semiannually on October 1 and April 1.         | \$6,445,000          | 7,895,000            |
| \$26,785,000 Series 2003 Water and Sewer Revenue Refunding Bonds due in annual installments of \$830,000 to \$4,120,000 through October 1, 2013, with interest from 2.00% to 5.00% payable semiannually on October 1 and April 1. | 12,080,000           | 15,910,000           |
| \$28,265,000 Series 2004 Water and Sewer Revenue Refunding Bonds due in annual installments of \$3,985,000 to \$5,270,000 through April 1, 2010, with interest from 3.00% to 5.00% payable semiannually on October 1 and April 1. | 14,280,000           | 19,075,000           |
| \$125,850,000 Series 2006A Water and Sewer Revenue Bonds due in annual installments of \$2,110,000 to \$7,760,000 through October 1, 2036, with interest from 3.50% to 5.00% payable semiannually on October 1 and April 1.       | 123,815,000          | 125,850,000          |
| \$12,485,000 Series 2006B Water and Sewer Revenue Refunding Bonds due in annual installments of \$40,000 to \$2,245,000 through October 1, 2016, with interest from 3.50% to 4.25% payable semiannually on October 1 and April 1. | 12,410,000           | 12,450,000           |
| \$6,473,000 Series 2008 Water and Sewer Revenue Refunding Bonds due in annual installments of \$1,400,000 to \$1,928,000 through October 1, 2011, with interest of 3.25% payable semiannually on October 1 and April 1.           | 6,473,000            | -                    |
| <b>Total debt</b>   | <b>175,503,000</b>   | <b>188,725,000</b>   |
| Less current portion of long-term debt  | 14,070,000           | 13,350,000           |
| Plus unamortized premium  | 5,555,918            | 6,316,260            |
| Less unamortized deferred advance refunding loss  | 894,264              | 1,301,009            |
| Less unamortized discount   | 693                  | 1,130                |
| <b>Total noncurrent portion</b>   | <b>\$166,093,961</b> | <b>\$180,389,121</b> |

The Water and Sewer Revenue Bond Resolutions established certain accounts and determined the order in which revenue is to be deposited into these accounts. The purpose of the accounts, in order of priority of monthly revenue transfers, is as follows:

**Revenue:** deposit all revenue.

**Operations & Maintenance:** pay operating expenses.

**Sinking Fund Accounts:**

- **Bond Interest Account:** fund the next semi-annual or monthly interest payment on all outstanding serial and term bonds.

- **Bond Principal Account:** fund the next annual principal payment on all outstanding serial bonds.
- **Bond Redemption Account:** fund the next annual principal payment on all outstanding term bonds.
- **Debt Service Reserve Account:** deposit one-twelfth of the amount equal to the maximum annual debt service requirement on the bonds in any succeeding year, but insurance may be used, up to the maximum annual debt service amount, for transfer to the bond interest, bond principal, or bond redemption accounts, if necessary.

**Renewal and Replacement:** deposit one-twelfth of 5% of the preceding year's gross revenue for extensions, improvements, additions, or the replacement of capital assets until the amount on deposit equals \$1,000,000.

**Capital Improvement:** deposit remaining revenue for use in any manner provided by law.

**Connection Fee:** deposit all connection fees received, fund any deficiency in the sinking fund accounts or subordinated indebtedness, pay costs of constructing extensions to the Water and Sewer System, or use for any other lawful purpose.

## 7. PLEDGED REVENUES

The Department has pledged future water and wastewater system revenues, net of specified operating expenses, to repay \$176 million in water and sewer system revenue bonds issued between June 24, 1998 and March 31, 2008. Proceeds from the bonds provided financing for the addition, improvement, and expansion of the utility system facilities, infrastructure, and equipment. The bonds are payable solely from the utility system net revenues and are payable through October 1, 2036.

Net revenues are defined as gross revenues remaining after deducting operating expenses, with operating revenues including all income

except the following excluded items: third party reimbursements, connection fees (see next paragraph), special assessments, gain on disposal of capital assets, and grants. Operating expenses exclude interest expense, depreciation and amortization, equity interest in net loss of joint venture, and loss on disposal of capital assets.

Connection fees included are the lesser of total connection fees collected during the fiscal year or the percentage of debt service for the fiscal year attributable to expansion of the utility system.

See page 80 for the ten year history of the debt service coverage calculation.

Total principal and interest remaining to be paid on the bonds is \$291 million with annual requirements ranging from \$8 million in fiscal year 2036 to \$22 million in fiscal year 2010. Annual principal and interest payments on the bonds are expected to require less than 28% of projected future net revenues and connection fees. Principal and interest paid for the current year and utility system net revenues and connection fees were \$22 and \$50 million, respectively.

## 8. RESTRICTED NET ASSETS

Net assets of the Department have been restricted in conjunction with debt covenant requirements, wherein certain amounts are restricted for use on debt service, capital equipment replacement, and construction. Assets required to be segregated for these purposes pursuant to revenue bond indentures are classified as restricted assets on the accompanying statements of net assets.

## 9. ADVANCE REFUNDING OF DEBT

During the fiscal year ended September 30, 1993, the Series 1986 bond issue was partially refunded through an in-substance defeasance whereby the Department placed, into irrevocable trusts, funds sufficient to meet future principal and interest payments. Outstanding principal on said bond issue was approximately \$10,685,000 at September 30,

2008. The refunded bond issue matures at various dates through October 2011. The funds placed in trust have been invested in securities backed by the United States Government. As a result of these transactions, neither the refunded bond issue nor the funds placed in trust are included in the accompanying statements of net assets.

On April 24, 2006, the Department issued \$12,485,000 Series 2006B Revenue Refunding Bonds. The proceeds derived from the sale of the Series 2006B Bonds were used to pay certain costs related to their issuance and to partially defease \$12,115,000 of the Series 1998 Water and Sewer Revenue Bonds by placing into an irrevocable trust sufficient funds to meet future principal and interest payments. Outstanding principal on the defeased portion of said bond issue was approximately \$12,115,000 at September 30, 2008. These transactions resulted in an accounting loss of \$462,260, which was deferred and will be amortized over the life of the new issue. The Department reduced its aggregate debt service payments by approximately \$456,792 and accelerated retirement of this portion of its debt by three years, realizing a \$367,155 economic gain.

## 10. COMMITMENTS

The Department has entered into construction contracts with remaining commitments totaling approximately \$9,211,000 and \$48,389,000 as of September 30, 2008 and 2007, respectively.

On February 3, 2004, the BCC approved interlocal agreements with the Cities of Belle Glade, Pahokee, and South Bay (Cities) for the construction, operation, and maintenance of a Lake Region Water Treatment Plant. Construction of a regional facility was determined to be the most efficient way to ensure that future drinking water regulations will be met and that a clean and reliable supply of drinking water will be available to the western area of the County. Under these agreements, the Cities purchase water on a wholesale basis from the Department but retain their retail water operations, including pipeline maintenance, meter reading, and billing. Ongoing plant operations and maintenance costs are billed directly to the participating

Cities. The Cities' annual obligation for operating expenses and renewal and replacement was \$0.9 million for the fiscal year ended September 30, 2008 and is estimated to be approximately \$4.9 million for fiscal year 2009.

The plant was substantially completed and began producing water on March 31, 2008. The capital cost of \$58.5 million was partially funded by grants and subsidies totaling \$33.7 million. The remaining \$24.8 of capital costs was paid from the Department's resources and is to be repaid by the participating Cities over a 50-year period with interest at 2% annually. The three Cities' combined obligation for these repayments was \$186,000 for the fiscal year ended September 30, 2008 and is expected to be \$785,000 annually thereafter. A reserve for the unpaid balance has been established due to the uncertainty of the collectability of the amounts due. (See note 18.)

On May 20, 2008, the County, on behalf of the Department, entered into the following interrelated agreements:

- Reclaimed Water Agreement with Florida Power and Light (FP&L);
- Interlocal Agreement with East Central Regional Wastewater Treatment Facilities Operation Board (ECRWTFOB); and
- Two Interlocal Agreements with the City of West Palm Beach related to reclaimed water service.

These interrelated agreements provide for:

- Reclaimed water to become the primary source of cooling water supply to FP&L's West County Energy Center (Center) beginning in FY 2011;
- FP&L to construct a 27 million gallon per day reclaimed water facility (facility) at the East Central Regional Wastewater Reclamation Facility (ECRWRF); and
- Pipeline and related infrastructure necessary to deliver the reclaimed water

from the ECRWRF to the Center to be constructed.

The project will be financed as follows:

- FP&L will reimburse the Department for all design-related services, including those performed by the Department's staff.
- Construction will be financed with revenue bonds of the Department to be issued prior to the commencement of construction. FP&L will reimburse the Department for all debt service costs related to this debt issue.
- Once completed, ECRWTFOB will operate the facility with the Department maintaining and operating the distribution system. FP&L will reimburse the Department for all costs associated with operating and maintaining the facility and distribution system in addition to administrative costs.

The agreement with FP&L has a term of thirty years beginning in FY 2011 with three additional ten-year options for renewal. The agreement provides that any excess capacity not required by FP&L may be provided to other users along the pipeline. The current project estimate includes \$5 million for design costs and \$70 million for construction of the facility, pipeline, and related infrastructure.

As of September 30, 2008, \$1,297,000 in design-related fees have been incurred and billed to FP&L by the Department.

## 11. RETIREMENT PLANS

The Department participates in the Florida Retirement System (System), a non-contributory, cost-sharing, multiple-employer, public employee retirement system. All employees hired after 1970, and those employed prior to 1970 who elected to be enrolled, are covered by the System. There are two plans, as described below, administered by the System. All of the Department's employees are eligible to participate in the System, and substantially all

are covered by the System.

### Defined Contribution Plan:

Effective October 1, 2002, the System added a defined contribution plan option. All employees who were employed as of the effective date and all employees hired on or after the effective date were eligible to choose this option. Once an election is made, employees have one additional opportunity to change their election while covered by the System. An employee who elects to transfer from the defined benefit plan has the net present value of future benefits, as calculated by the System when the employee's election became effective, added to his or her defined contribution balance. Thereafter, employer contributions are a percentage of covered payroll as set by State Statute, currently 9.80%. The employee can choose from several investment options with varying degrees of risk.

Benefits are determined by the accumulated employer contributions and earnings thereon in the employee's account, plus any net present value added for those employees who transferred from the defined benefit plan. The defined contribution plan provides for vesting after one year. Upon leaving the System, employees may take the entire amount in a lump sum or as an annuity.

### Defined Benefit Plan:

The defined benefit plan remains unchanged at this time, with benefits computed on the basis of age, average final compensation, and service credit. Average final compensation is the average of the five (5) highest fiscal years of earnings. Effective July 1, 2001, the System provides for vesting of benefits after six (6) years of credited service; formerly ten (10) years credited service was required.

Employees who worked less than ten years and were not employed by a participating System employer as of the effective date must complete one year of service or ten years total, whichever occurs first, after July 1, 2001, to be eligible for the new vesting provision. Members are eligible for normal retirement when they have met minimum requirements established by their

membership class. Early retirement may be taken any time after vesting. However, there is a 5% reduction in benefits for each year prior to normal retirement age or date. Benefits under this plan are established by State Statute. The percentage level of employees' payroll contribution rates is determined using the frozen entry age actuarial cost method.

Both plans also provide death and disability benefits as established by State Statute.

The Department's contributions, representing

less than 1% of total contributions required of all participating entities, were equal to 100% of State statutory requirements during each of the past three years and are shown in the table on below.

Comprehensive financial information for the retirement plans is presented in the System's annual financial report, which may be obtained at the following address:

State of Florida, Division of Retirement  
P.O. Box 9000  
Tallahassee, Florida 32315-9000

| <u>RETIREMENT CONTRIBUTIONS</u>                      | Fiscal Years Ended September 30 |                |                |
|--|---------------------------------|----------------|----------------|
|  | 2008                            | 2007           | 2006           |
| Covered payroll                                      | \$25.5 million                  | \$23.5 million | \$21.3 million |
| Required contribution to defined benefit plan amount | \$2,351,000                     | \$2,160,000    | \$1,753,000    |
| Percentage made                                      | 100%                            | 100%           | 100%           |
| Required contribution to defined contribution plan   | \$179,000                       | \$163,000      | \$71,000       |
| Percentage made                                      | 100%                            | 100%           | 100%           |

## 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In addition to the retirement plans, the Department provides a defined benefit healthcare plan which provides medical benefits to eligible retired employees and their beneficiaries. The plan is a single-employer plan administered by the County.

The contribution requirements of the plan members and the employer are established by and may be amended by the County. The Department, as an entity of the County, is required by Florida Statute 112.0801 to allow retirees to buy healthcare coverage at the same 'group insurance rates' which current employees are charged, resulting in an 'implicit' benefit. Retirees are responsible for the payment of the healthcare premium.

For the fiscal year ended September 30, 2008 retirees receiving benefits contributed monthly premiums ranging from \$514 for retiree only to \$3,908 for retiree plus their dependents.

**OPEB Cost and Net Obligation** - The annual other post-employment benefit cost is calculated based on the annual required contribution of the employer (ACR), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal annual cost and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The first table illustrates the Department's portion of the forgoing as of September 30, 2008.

**Funded Status and Funding Progress** - The plan is funded on a 'pay-as-you-go' basis. Actuarial valuations on an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of event occurrences far into the future, such as future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual



required employer contributions are subject to continual revision as actual results are compared with past expectations and new estimates about the future are made. The second table below shows the funded status of the Department's portion of the plan as of September 30, 2008:

|  |           |
|--|-----------|
| Annual required contribution (ARC)             | \$103,000 |
| Interest on net OPEB obligation                | -         |
| Adjustment to annually required contribution   | -         |
| Annual OPEB cost                               | 103,000   |
| Contributions made (87.5% of annual OPEB cost) | (90,124)  |
| Increase in net OPEB obligation                | 12,876    |
| Net OPEB obligation, beginning of year         | -         |
| Net OPEB obligation, end of year               | \$12,876  |

|  |              |
|--|--------------|
| Actuarial accrued liability (AAL)            | \$1,037,000  |
| Actuarial value of plan assets               | -            |
| Unfunded actuarial accrued liability (UAAL)  | \$1,037,000  |
| Funded ratio (actuarial value of plan / AAL) | 0.0%         |
| Covered payroll (active plan members)        | \$25,465,643 |
| UAAL as a percentage of covered payroll      | 4.1%         |

**Actuarial Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan, as understood by the employer and plan members, and include the types of benefits provided at the time of each valuation and the historical cost-sharing pattern between employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and asset values consistent with the long-term perspective of the calculation as follows:

|                                    |  |
|------------------------------------|--|
| Actuarial valuation date           | 10/1/2007  |
| Actuarial cost method              | Unit credit  |
| Actuarial cost method              | Level percentage of salary at beginning of fiscal year |
| Remaining amortization             | 30 years   |
| Asset valuation method             | N/A  |
| Investment rate of return          | 5.0%   |
| Projected annual salary increase   | 4.0%   |
| Initial healthcare inflation rate  | 11.0%  |
| Ultimate healthcare inflation rate | 6.0%   |

### 13. INTEREST COSTS

Total interest costs incurred by the Department were \$8,054,228 and \$8,529,711, of which \$2,352,563 and \$4,720,888 were capitalized as part of capital assets, for the years ended September 30, 2006 and 2007, respectively.

### 14. RELATED PARTY TRANSACTIONS

The County allocated to the Department certain support department costs which include legal, administrative, fiscal, purchasing, personnel, internal audit, and communication costs. The Department is also charged for the costs of services provided by the County's Fleet Management, Casualty Self-Insurance, Employee Health Insurance, Workers' Compensation, and Data Processing Internal Service Funds. The total of such costs charged to expense for the years ended September 30, 2008 and 2007, was approximately \$14,275,000 and \$12,342,000, respectively.

The Department covers risk of loss from fire, theft, natural disasters and damage to assets, in excess of \$100,000 per person or \$200,000 per occurrence, with commercial insurance purchased through the County's Risk Management Fund, with the coverage specifically designated for the Department's facilities. In none of the last three fiscal years have settlements pertaining to the Department's property exceeded insurance coverage.

Liability claims risk from torts, errors of omission, negligence, and the aforementioned causes (below the specified limits) is covered by the Department's participation in the County's Casualty Self-Insurance Fund (a public entity risk pool in which all County departments, excluding the Sheriff, participate). Premiums are based on estimates of the amounts needed to pay prior year claims, current year claims, and claims incurred but not reported. Settlements pertaining to the Department have not exceeded coverage limits in any of the past three years.

The Department's risk for injuries to employees is covered 100% under the County's self-insured Workers' Compensation Fund. Premiums and participation are the same as for the Casualty Self-Insurance Fund.

The Department provides health insurance to its employees through the County's self-insured policy. All County departments participate, with premiums determined on the same premise as above. Settled claims have not exceeded coverage in any of the last three years.

## 15. CONTINGENCIES

The Department is involved in various lawsuits arising from the ordinary course of operations. Although the outcome of these matters is not presently determinable, it is the opinion of Department management, based on consultation with legal counsel, that the outcome of these matters will not materially affect the financial position of the Department.

## 16. DEFERRED COMPENSATION

The Department participates in the County's Deferred Compensation Plan. The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or certain unforeseen emergencies.

All amounts of compensation deferred under the plan, all property and rights purchased with

those amounts, and all income attributable to those amounts, property or rights, are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the plan participants and their beneficiaries.

## 17. OTHER EVENTS

On April 30, 2008, the Department purchased the Indian Trail Improvement District's (District) water and wastewater systems. The aggregate purchase price was \$7 million. In addition to the system, the agreement designated the Department as the sole provider of bulk and retail potable water, reclaimed water, and wastewater treatment services; settled on-going litigation; and compensated the District for the stabilization of certain roadways. Of the \$7 million purchase price, approximately \$3.9 million was allocated to Utility Plant and Pipelines for the fair value of the system acquired, \$1.3 million for easement rights, and the remaining approximately \$1.8 million was allocated to Goodwill, which represents the excess of purchased price over the fair value of the identifiable assets acquired. In addition, the Department settled litigation with the District over roadway stabilization for past Utility work performed by the Department by paying \$1.4 million which is recorded as other non-operating expenses. The goodwill resulting from the acquisition of the District is being amortized over 40 years.

In addition, the agreement requires the Department to set aside a maximum of \$500,000 to support and offset a portion of the cost of future assessment projects within the District, the use of which is contingent on future development within the service area. It is considered a contingent liability and thus is not included in the statements of net assets.

As part of the purchase agreement the Department has set aside \$2.2 million of the purchase amount to terminate the existing bulk service agreement between the District and the City of West Palm Beach on behalf of the District. As of September 30, 2008, the agreement with the City of West Palm Beach has not been terminated. The \$2.2 million estimated cost of terminating this agreement has been recognized as a liability in due to other

governments on the accompanying statements of net assets.

On May 20, 2008, the County, on behalf of the Department, entered into an Interlocal Agreement (Agreement) with the City of Lake Worth (City) for the Department to sell bulk potable water to the City. Under the terms of the Agreement:

- City will initially purchase 2 million gallons per day (MGD) of water with an option to purchase, in 100,000 gallon increments, up to an additional 4 MGD.
- City is required to pay, within one year of the Agreement's effective date, the \$5.98 million in capacity fees for the first 2 MGD purchased. Any additional capacity purchased within the first five years of the Agreement date will be charged at the initial rate; thereafter, additional capacity may be purchased at the then current capacity rate.
- Department will construct and the City will be responsible for paying 100% of the estimated \$2.2 million cost of the initial pipeline to interconnect the City's System with the Department's.
- If additional water is needed, an additional pipeline, which will also serve other Department customers, will be constructed by the Department and partially funded by the City. The second pipeline is estimated to cost \$3.4 million with the Department responsible for \$2.5 million and the City responsible for the \$0.9 million balance.

- City may cancel the Agreement after ten years with five years notice and will be entitled to a full refund of capacity fees only if the Department has the ability to use the City's capacity or resell it to another entity.

Contractual commodity revenues of \$1 million per year are projected to be received once the interconnect is completed in FY 2009.

## 18. SUBSEQUENT EVENTS

On October 21, 2008, the Board of County Commissioners approved an agreement to allow the Cities of Belle Glade, Pahokee, and South Bay (Cities) to defer payment of capital cost reimbursement related to the Lake Region Water Treatment Plant for a period not to exceed twelve months beginning with the October, 2008 billing. The agreement is part of an effort to provide temporary financial assistance to the Cities until a Glades Utility Authority (Authority) can be created to combine the Cities' three utility systems.

The Authority would assume the existing utility debt from the Cities, prioritize and implement repairs and upgrades to the existing infrastructure, bill utility customers, and correct regulatory deficiencies in the systems.

A maximum of \$785,000 will be deferred if the payments are deferred for the full twelve-month period. During the deferral period, interest will continue to accrue. The capital cost reimbursement payments will be reinstated once the Authority is established, the concept of the Authority is abandoned, or twelve months have passed, whichever occurs first.

 **DRAFT**

**INTERLOCAL AGREEMENT**

**By and among**

**THE CITY OF BELLE GLADE, FLORIDA**

**THE CITY OF PAHOKEE, FLORIDA**

**THE CITY OF SOUTH BAY, FLORIDA**

**and**

**PALM BEACH COUNTY**

**ESTABLISHING THE GLADES UTILITY AUTHORITY**

**Adopted as of**

**\_\_\_\_\_, 2009**

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## INTERLOCAL AGREEMENT

**THIS INTERLOCAL AGREEMENT** is made and entered into as of the \_\_\_ day of \_\_\_\_\_ 2009, by and among the City of Belle Glade, Florida ("Belle Glade"), the City of Pahokee, Florida ("Pahokee"), the City of South Bay, Florida ("South Bay") and Palm Beach County, Florida (the "County").

### WITNESSETH:

**NOW, THEREFORE**, pursuant to Chapter 163, Part I, Florida Statutes, in consideration of the mutual covenants herein contained and for other good and valuable consideration each to the other, receipt of which is hereby acknowledged by each party, the parties hereby enter into this Interlocal Agreement to create the Glades Utility Authority as an interlocal entity, and agree, stipulate and covenant as follows:

### ARTICLE I DEFINITIONS AND CONSTRUCTION

**Section 1.01. DEFINITIONS.** As used in this Agreement, the following terms shall have the meanings as defined unless the context requires otherwise:

"**Act**" means Chapter 163, Part I, Florida Statutes, which is sometimes cited as the "Florida Interlocal Cooperation Act of 1969," as amended from time to time.

"**Agreement**" means this Interlocal Agreement, including any amendments and supplements hereto executed and delivered in accordance with the terms hereof.

"**Annual Authority Gross Revenues**" shall mean for any Fiscal Year all income and moneys received by the Authority from the rates and rentals and other periodic income to be made and collected by the Authority for the use of the products, services and facilities to be provided by the Utility System, or otherwise received by the Authority or accruing to the Authority in the ownership, management, operation, maintenance, rehabilitation and replacement of such Utility System, calculated in accordance with generally accepted accounting principles applicable to public utility systems similar to the Utility System. Annual Authority Gross Revenues shall not include (1) Government Grants, (2) proceeds of Debt Obligations or other Authority debt, (3) assessments, charges, fees and other impositions or exactions from new users for capital improvements necessitated by new growth that are collected separately from the periodic rates imposed by the Authority for the use of the products, sources or facilities provided by the Authority, or other assessments, fees and charges for direct reimbursement for connection costs and (4) moneys deposited to any rate stabilization account from any reserve fund.

"**Annual Entity Transfers**" means the annual sum to be paid to each Municipal Entity out of the Annual Authority Gross Revenues of the Authority for the preceding year as set forth in Section 6.08.

"**Annual Utility System Report**" means the annual report of the Utility System, including all matters relating to expansions, acquisitions, rates, revenues, expenses, principal and interest requirements of the Debt Obligations and the status of all funds and accounts. Such

annual report shall provide a year-end financial analysis of the renewal and replacement fund, including all debits, credits, investment, interest and year-end fund balances prepared in accordance with generally accepted accounting principles.

**"Authority"** means the Glades Utility Authority, a separate legal entity established in this Agreement by the Entities pursuant to the Act.

**"Belle Glade"** means the City of Belle Glade, Florida, a municipal corporation duly organized and validly existing under the laws of the State.

**"Belle Glade System"** means the potable and non-potable Utility Assets for water storage and distribution systems and wastewater collection, transmission, treatment, disposal, reuse and reclaimed systems owned by Belle Glade.

**"Board"** means the Board of Directors of the Authority created in this Agreement pursuant to the Act.

**"County"** means Palm Beach County, Florida, a political subdivision of the State.

**"County System"** means the Utility Assets for potable water supply, treatment, storage and distribution system solely providing bulk potable water service to Belle Glade, Pahokee and South Bay and owned by the County, including the Lake Region Water Treatment Plant and appurtenant facilities thereto, but expressly excluding all other County Utility Assets.

**"Debt Obligations"** means any series of bonds, notes or other evidence of indebtedness issued or incurred by any party hereto.

**"Easements"** means all existing rights, privileges, easements, licenses, prescriptive rights, right-of-ways, and rights to use public and private roads, highways, streets, railroads and other areas owned or used by the Entities in connection with the construction, re-construction, installation, expansion, maintenance and operation of any Utility Assets, any System or the provision of Utility Service.

**"Effective Date"** means the date that the last of the Entities executes this Agreement.

**"Entity"** or **"Entities"** mean each or all, respectively, of Belle Glade, Pahokee, South Bay and the County.

**"Excluded Utility Assets"** means those utility assets that are no longer used or useful for the purpose of providing potable water or wastewater treatment services, along with all outstanding non-debt liabilities, that will be retained by the Entities, including the specific assets identified in Composite Appendix 2 herein.

**"Financing Documents"** shall mean the resolution or resolutions duly adopted by the Authority, as well as any indenture of trust, loan agreement, trust agreement, interlocal agreement or instrument relating to the issuance or security of any Debt Obligations or other obligations of the Authority.



**"Fiscal Year"** means the period commencing on October 1 each year and continuing through the next succeeding September 30, or such other period as may be prescribed by law as the fiscal year for the Authority.

**"Government Grants"** when used with respect to the Utility System, shall mean any sum of money heretofore or hereafter received by the Authority from the United States of America or any agency thereof or from the State or any agency or political subdivision, for or with respect to (1) the construction, acquisition, rehabilitation, replacement or other development of an addition, extension or improvement to any part of the Utility System or any costs of any such construction, acquisition, rehabilitation, replacement or other development, or (2) the financing of any such construction, acquisition, rehabilitation, replacement or other development or costs.

**"Index"** means the Consumer Price Index, Series ID: CUUR0000SEHG01, U.S. city average, water and sewerage maintenance, as published by the United States Department of Labor, Bureau of Labor Statistics, on an annualized basis.

**"Local Vendors"** means vendors, contractors, subcontractors, material suppliers and laborers which are located within the Service Area.

**"Municipal Entity"** or **"Municipal Entities"** – means Belle Glade, Pahokee, and/or South Bay, referred to individually or collectively.

**"Municipal Entity Service Area"** – means the portion of the Service Area assigned to each Municipal Entity. A depiction of the Municipal Entity Service Area for each Municipal Entity is attached hereto and incorporated herein as Composite Appendix 1.

**"Municipal Services"** – means those non-Utility Service services currently billed by one or more of the Municipal Entities as part of the Utility Service billing process, including, but not limited to, solid waste collection, recycling collection, stormwater services, and mosquito-spraying services.

**"Pahokee"** means the City of Pahokee, Florida, a municipal corporation duly organized and validly existing under the laws of the State.

**"Pahokee System"** means the potable and non-potable Utility Assets for water storage and distribution systems and wastewater collection, transmission, treatment, disposal, reuse and reclaimed systems owned by Pahokee.

**"Proportionate Water Share"** means the percentage determined annually by the Authority for each Entity after receipt and acceptance by the Authority of the Authority's Annual Utility System Report and audit, the numerator of which is the total metered gallons of water delivered by the Lake Region Water Treatment Plant to the potable water interface connection of each Municipal Entity for the preceding Fiscal Year, and the denominator of which is the sum of the numerators of each Entity so calculated.

**"Service Area"** means those geographical areas in the western portions of the County, as depicted in the attached Appendix 3, in which the Authority will provide Utility Service.

**"South Bay"** means the City of South Bay, Florida, a municipal corporation duly organized and validly existing under the laws of the State.

**"South Bay System"** means the potable and non-potable Utility Assets for water storage and distribution systems and wastewater collection, transmission, treatment, disposal, reuse and reclaimed systems owned by South Bay.

**"State"** means the State of Florida.

**"Substantial Compliance"** means that the Utility System is meeting or exceeding all applicable federal, state and local regulations and, to the extent that there is an enforcement action, any enforcement action is being dealt with in a consent order and the Authority is in compliance with such consent order.

**"System"** or **"Systems"** means each of the Belle Glade System, the Pahokee System, the South Bay System and the County System or the combination of each of said Systems as the context indicates, as such Systems may be expanded, repaired, replaced, enhanced, extended and supplemented from time to time.

**"Transfer Date"** means the date on which the Debt Obligations associated with the Systems is assumed and the Systems and Utility Assets are conveyed and transferred to the Authority as provided in Article IV hereof.

**"Utility Assets"** means, unless otherwise provided in this Agreement, those tangible and intangible assets, business properties, and rights that an Entity owns or uses in conjunction with the operation of its System, except for the Excluded Utility Assets identified in Appendix 2, or which during the term of this Agreement may become available to an Entity, or any ownership interest that an Entity has or hereafter acquires during the term of this Agreement, relating thereto, including the following:

(1) All real property and interests, whether recorded in the public records or not, in real property owned, used or controlled in conjunction with the operation of such Entity's System.

(2) All water and wastewater, including non-potable, reuse and reclaimed water, treatment plants, wells, collection, transmission, distribution, pumping, effluent and disposal facilities of every kind and description whatsoever, including, without limitation, all trade fixtures, leasehold improvements, lift stations, pumps, generators, controls, tanks, distribution, collection or transmission pipes or facilities, valves, meters, service connections, and all other physical facilities and property installations used in the operation of any System, together with an assignment of all existing and assignable third party warranties that relate to completed or in progress construction.

(3) All equipment, vehicles, tools, parts, laboratory equipment, and other personal property owned or used by the Entity primarily in connection with the operation of its System.

(4) All Easements in favor of the Entity related to its System.

(5) All current customer records and supplier lists, as-built surveys and water and wastewater plans, plats, engineering and other drawings, designs, blueprints, plans and specifications, maintenance and operating manuals, engineering reports, calculations, computer models and studies, accounting, budget and business records and all other information controlled by or in the possession of the Entity that relates to the description and operation of its System, inclusive of all pertinent computer records and the lawful use of all computer software that is or was used in the operation of its System for billing or customer record keeping purposes, including, but not limited to, the lawful use of any licensed software or proprietary software developed for the Entity.

(6) All necessary regulatory authority or approvals subject to all conditions, limitations or restrictions contained therein; all existing permits, and other governmental authorizations and approvals of any kind necessary to operate or provide Utility Service or construct, operate, expand, and maintain its System according to all governmental requirements.

(7) All rights and obligations of the Entity as of the Transfer Date relating to its System under any existing or proposed agreements and contracts that specifically relate to its System; and, after the Transfer Date, any such rights and obligations specifically relating to its System or Utility Service that the Authority, in its sole discretion, determines to assume or acquire, including, but not limited to, all obligations of each Entity relating to any enforcement or consent order applicable to the System from any governmental agency with appropriate jurisdiction, including those identified in Appendices 5, 6, and 7 attached hereto and incorporated herein.

(8) All moneys, funds, accounts and intangibles, or an amount equivalent thereto as of the Transfer Date, held under or pursuant to any Debt Obligations, indenture of trust, resolution, ordinance or other instrument by the Entity, or by any third party for the benefit of any ratepayers of its System, or in connection with the financing or operation of its System, or to provide its Utility Service.

“Utility Service” means the duty, obligation, power and authority to acquire, obtain, construct, provide, collect, distribute, dispose of, regulate, finance and charge for the supply of potable and non-potable water, treatment, storage or distribution systems, facilities and associated services and wastewater collection, transmission, treatment disposal and reuse or non-potable water systems, facilities and associated services.

“Utility System” means the System of each Entity to be conveyed to the Authority, as such System may be expanded, repaired, replaced, enhanced, extended and supplemented from time to time.

**Section 1.02. CONSTRUCTION.**

(A) **Singular and Plural; Terms.** Words importing persons shall include firms and corporations. The terms "herein," "hereunder," "hereby," "hereto," "hereof," and any similar terms shall refer to this Agreement; the term "heretofore" shall mean before the date this Agreement is executed; and the term "hereafter" shall mean after the date this Agreement is executed.

(B) **Material Provisions; Drafting.** Each recital, covenant, agreement, representation and warranty made by a party herein shall be deemed to have been material and to have been relied on by the other parties to this Agreement. All parties have participated in the drafting and preparation of this Agreement or are a successor to the authors and a beneficiary hereof, and the provisions hereof shall not be construed for or against any party by reason of authorship.

(C) **Self Government.** Nothing in this Agreement is intended to, or shall be construed to, limit the power of local self-government of Belle Glade, Pahokee, South Bay or the County, or conflict with the Constitution or laws of the State.

(D) **Pledge.** Nothing in this Agreement is intended, or shall be construed, to be a pledge by Belle Glade, Pahokee, South Bay or the County of such local government's full faith and credit, ad valorem taxing power or general government funds.

**Section 1.03. SECTION HEADINGS.** Any headings preceding the texts of the several Articles and Sections of this Agreement and any table of contents or marginal notes appended to copies hereof shall be solely for convenience of reference and shall neither constitute a part of this Agreement nor affect its meaning, construction or effect.

**Section 1.04. FINDINGS.** It is hereby ascertained, determined and declared that:

(A) **Authority.** Each of the Entities has the power to enter into agreements with each other and to join with each other in the exercise of common powers. The parties hereto independently and collectively have determined that entering into this Agreement serves the public interest and economic advance of all of the parties hereto.

(B) **Consideration of Factors.** To provide for the public interest and welfare, each of the Entities is required to address and balance (1) the impacts of growth in the western portions of the County over the last several decades; (2) the need to provide and plan for adequate and timely delivery of potable and non-potable water needs and to plan for quality water supply and distribution, wastewater collection, treatment, disposal and re-use and non-potable water facilities that are necessary to accommodate existing development and anticipated future growth in a manner concurrent with the demand for such facilities; (3) the requirements of State and federal mandates; and (4) the demands of new development and each local government's statutory responsibility to implement financially feasible comprehensive plans.

(C) **Public Benefit.** A regional, publicly-owned utility system is in the best public interest and is designed to be most responsive to the public demand for better water and wastewater utility service and for consistent protection of the environment and can provide a high level of treatment and operation beneficial to the public within the Service Area now and in the future.

(D) **Delivery of Utility Service.** Each of the Entities desires to cooperatively advance the development of a more uniform and regional approach to the delivery of potable and non-potable water and wastewater services and facilities in their respective jurisdictions in the western part of the County and desires to create the Authority as a separate legal entity pursuant to the Act to effect and serve such a purpose.

(E) **Use of Resources.** It is the intent and desire of the Entities to utilize the existing resources and staff of the County to avoid duplication of effort and resources, and focus the efforts of the Entities to develop an efficient and cooperative regional approach to providing water and wastewater utility services and facilities.

(F) **Regional Approach.** A regional approach to the delivery of potable and non-potable water and wastewater services and facilities within the Service Area will provide the opportunity for the Entities to (1) develop an efficient and environmentally sensitive approach to the comprehensive supply, distribution and treatment of water and the collection, treatment and disposal of wastewater; (2) seek economies of scale resulting from the unified and coordinated provision of regional water and wastewater utility services by local government; (3) ensure that current and future users of water and wastewater facilities and services are provided with cost efficient services at reasonable rates by local government; (4) ensure that the operation and maintenance of potable and non-potable water, wastewater and reclaimed water facilities is done in a pro-active, accountable and environmentally responsible manner; (5) stabilize potable and non-potable water and wastewater utility rates over the long term, reduce inefficient expansion and extension of service capabilities and avoid the proliferation of smaller and inefficient treatment facilities and sites; (6) assure the appropriate expansion and interconnection of existing facilities and the construction of future facilities in a coordinated, uniform and non-discriminatory manner that avoids special or disproportionate benefit to individual utility operations or special interests at the expense of either current or future users; (7) promote the protection and environmentally sensitive utilization of water supplies, surface water and ground water resources in the Service Area; and (8) accomplish a greater public use and increased public benefit that result from the ownership, operation and control of regional water and wastewater utility systems and facilities by local government.

(G) **The Act.** The Act provides a mechanism to accomplish the above-described purpose of the Entities by permitting the creation of a separate legal entity to effectuate the joint exercise of any power, privilege or authority that each Entity shares in common and that each Entity might exercise separately.

**ARTICLE II  
REPRESENTATIONS**

**Section 2.01. REPRESENTATIONS OF THE COUNTY.** The County makes the following representations to the other Entities:

(A) **Political Subdivision.** The County is duly organized and validly existing as a political subdivision of the State.

(B) **Full Power and Authority.** The County has full power and authority to enter into the transaction contemplated by this Agreement and to carry out its obligations hereunder.

(C) **Performance.** The County is not in default under any provisions of the laws of the State that are material to the performance of its obligations under this Agreement.

(D) **Breach or Default.** The authorization, execution and delivery of this Agreement and the compliance by the County with the provisions hereof will not conflict with or constitute a material breach of, or default under, any existing law, court or administrative regulation, decree, order or any provision of the constitution or laws of the State relating to the County or its affairs, or any ordinance, resolution, agreement, lease or other instrument to which the County is subject or by which it is bound.

(E) **Matters Materially Adversely Affecting Validity.** There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or, to the best knowledge of the County, threatened against or affecting the County, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated hereby or that, in any way, would materially adversely affect this Agreement or any agreement or instrument to which the County is a party and that is used or contemplated for use in the consummation of the transactions contemplated hereby.

(F) **Regulatory Violations.** Except as identified in Appendix 4 herein, the County has not been cited or notified and is not, after due inquiry, aware of any violation of any governmental rule, regulation, permitting condition or governmental requirement of any type or nature applicable to the ownership, maintenance or operation of its System, the Utility Assets or the manner in which the Utility Service is being performed; nor is the County aware of any conditions that by reason of the passing of time or the giving of notice by the appropriate governmental agency would constitute such a violation.

(G) **Zoning.** The System and the Utility Assets are located on real property that has been zoned by appropriate authorities under zoning certifications, special exceptions or variances that will permit the respective use of such parcels for water and wastewater utility purposes. To the extent it is determined that any Utility Asset or portion of the System requires a zoning certification, special exception or variance, the County will endeavor in good faith to process and provide such zoning, special exception or variance without delay.

(H) **Environmental Regulations.** To the best of its current knowledge, the County represents to the Authority that the real property and easement or property use rights to

be conveyed to the Authority hereunder are in compliance with, and the County has not violated in connection with its ownership, use, maintenance, or operation of its System or the Utility Assets, applicable environmental, federal, state, county or local laws relating to pollution or protection of the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, and the Resource Conservation and Recovery Act. The County affirms it has not knowingly authorized the placing or depositing of hazardous substances on the real estate and Easements to be conveyed to the Authority except, if at all, in accordance with applicable law, and the County has no actual knowledge of any hazardous substance having been, or currently being, placed or deposited on said real property and Easements except in a lawful manner.

(I) **Continuing Disclosure Obligation.** The County agrees that it shall be under a continuing obligation to notify the other parties hereto in writing in the event of a material change in the foregoing representations.

**Section 2.02. REPRESENTATIONS OF BELLE GLADE.** Belle Glade makes the following representations to the other Entities:

(A) **Municipal Corporation.** Belle Glade is duly organized and validly existing as a municipal corporation of the State.

(B) **Full Power and Authority.** Belle Glade has full power and authority to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder.

(C) **Performance.** Belle Glade is not in default under any provisions of the laws of the State that are material to the performance of its obligations under this Agreement.

(D) **Breach or Default.** The authorization, execution and delivery of this Agreement and the compliance by Belle Glade with the provisions hereof will not conflict with or constitute a material breach of, or default under, any existing law, court or administrative regulation, decree, order or any provision of the constitution or laws of the State relating to Belle Glade or its affairs, or any ordinance, resolution, agreement, lease or other instrument to which Belle Glade is subject or by which it is bound.

(E) **Matters Materially Adversely Affecting Validity.** There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or, to the best knowledge of Belle Glade, threatened against or affecting Belle Glade wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated hereby or that, in any way, would materially adversely affect this Agreement or any agreement or instrument to which Belle Glade is a party and that is used or contemplated for use in the consummation of the transactions contemplated hereby.

(F) **Regulatory Violations.** Except as identified in Appendix 5 herein, Belle Glade has not been cited or notified and is not, after due inquiry, aware of any violation of any governmental rule, regulation, permitting condition or governmental requirement of any type or nature applicable to the ownership, maintenance or operation of its System, the Utility Assets or

the manner in which the Utility Service is being performed, nor is Belle Glade aware of any conditions that by reason of the passing of time or the giving of notice by the appropriate governmental agency would constitute such a violation.

(G) **Zoning.** The System and the Utility Assets are located on real property that has been zoned by appropriate authorities under zoning certifications, special exceptions or variances that will permit the respective use of such parcels for water and wastewater utility purposes. To the extent it is determined that any Utility Asset or portion of the System requires a zoning certification, special exception or variance, Belle Glade will endeavor in good faith to process and provide such zoning, special exception or variance without delay.

(H) **Environmental Regulations.** To the best of its current knowledge, Belle Glade represents to the Authority that the real property and easement or property use rights to be conveyed to the Authority hereunder are in compliance with, and Belle Glade has not violated in connection with its ownership, use, maintenance, or operation of its System or the Utility Assets, applicable environmental, federal, state, county or local laws relating to pollution or protection of the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, and the Resource Conservation and Recovery Act. Belle Glade affirms it has not knowingly authorized the placing or depositing of hazardous substances on the real estate and Easements to be conveyed to the Authority except, if at all, in accordance with applicable law, and Belle Glade has no actual knowledge of any hazardous substance having been, or currently being, placed or deposited on said real property and Easements except in a lawful manner.

(I) **Continuing Disclosure Obligation.** Belle Glade agrees that it shall be under a continuing obligation to notify the other parties hereto in writing in the event of a material change in the foregoing representations.

**Section 2.03. REPRESENTATIONS OF PAHOKEE.** Pahokee makes the following representations to the other Entities:

(A) **Municipal Corporation.** Pahokee is duly organized and validly existing as a municipal corporation of the State.

(B) **Full Power and Authority.** Pahokee has full power and authority to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder.

(C) **Performance.** Pahokee is not in default under any provisions of the laws of the State that are material to the performance of its obligations under this Agreement.

(D) **Breach or Default.** The authorization, execution and delivery of this Agreement and the compliance by Pahokee with the provisions hereof will not conflict with or constitute a material breach of, or default under, any existing law, court or administrative regulation, decree, order or any provision of the constitution or laws of the State relating to Pahokee or its affairs, or any ordinance, resolution, agreement, lease or other instrument to which Pahokee is subject or by which it is bound.



(E) **Matters Materially Adversely Affecting Validity.** There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or, to the best knowledge of Pahokee, threatened against or affecting Pahokee, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated hereby or that, in any way, would materially adversely affect the validity of this Agreement or any agreement or instrument to which Pahokee is a party and that is used or contemplated for use in the consummation of the transactions contemplated hereby.

(F) **Regulatory Violations.** Except as identified in Appendix 6 herein, Pahokee has not been cited or notified and is not, after due inquiry, aware of any violation of any governmental rule, regulation, permitting condition or governmental requirement of any type or nature applicable to the ownership, maintenance or operation of its System, the Utility Assets or the manner in which the Utility Service is being performed, nor is Pahokee aware of any conditions that by reason of the passing of time or the giving of notice by the appropriate governmental agency would constitute such a violation.

(G) **Zoning.** The System and the Utility Assets are located on real property that has been zoned by appropriate authorities under zoning certifications, special exceptions or variances that will permit the respective use of such parcels for water and wastewater utility purposes. To the extent it is determined that any Utility Asset or portion of the System requires a zoning certification, special exception or variance, Pahokee will endeavor in good faith to process and provide such zoning, special exception or variance without delay.

(H) **Environmental Regulations.** To the best of its current knowledge, Pahokee represents to the Authority that the real property and easement or property use rights to be conveyed to the Authority hereunder are in compliance with, and Pahokee has not violated in connection with its ownership, use, maintenance, or operation of its System or the Utility Assets, applicable environmental, federal, state, county or local laws relating to pollution or protection of the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, and the Resource Conservation and Recovery Act. Pahokee affirms it has not knowingly authorized the placing or depositing of hazardous substances on the real estate and Easements to be conveyed to the Authority except, if at all, in accordance with applicable law, and Pahokee has no actual knowledge of any hazardous substance having been, or currently being, placed or deposited on said real property and Easements except in a lawful manner.

(I) **Continuing Disclosure Obligation.** Pahokee agrees that it shall be under a continuing obligation to notify the other parties hereto in writing in the event of a material change in the foregoing representations.

**Section 2.04. REPRESENTATIONS OF SOUTH BAY.** South Bay makes the following representations to the other Entities:

(A) **Municipal Corporation.** South Bay is duly organized and validly existing as a municipal corporation of the State.

(B) **Full Power and Authority.** South Bay has full power and authority to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder.

(C) **Performance.** South Bay is not in default under any provisions of the laws of the State that are material to the performance of its obligations under this Agreement.

(D) **Valid and Binding Obligation.** South Bay has duly authorized the execution and delivery of this Agreement and, assuming the due authorization, execution and delivery by the other Entities, this Agreement constitutes a valid and legally binding obligation of South Bay, enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

(E) **Breach or Default.** The authorization, execution and delivery of this Agreement and the compliance by South Bay with the provisions hereof will not conflict with or constitute a material breach of, or default under, any existing law, court or administrative regulation, decree, order or any provision of the constitution or laws of the State relating to South Bay or its affairs, or any ordinance, resolution, agreement, lease or other instrument to which South Bay is subject or by which it is bound.

(F) **Matters Materially Adversely Affecting Validity.** There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or, to the best knowledge of South Bay, threatened against or affecting South Bay, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated hereby or that, in any way, would materially adversely affect the validity of this Agreement or any agreement or instrument to which the South Bay is a party and that is used or contemplated for use in the consummation of the transactions contemplated hereby.

(G) **Regulatory Violations.** Except as identified in Appendix 7 herein, South Bay has not been cited or notified and is not, after due inquiry, aware of any violation of any governmental rule, regulation, permitting condition or governmental requirement of any type or nature applicable to the ownership, maintenance or operation of its System, the Utility Assets or the manner in which the Utility Service is being performed, nor is South Bay aware of any conditions that by reason of the passing of time or the giving of notice by the appropriate governmental agency would constitute such a violation.

(H) **Zoning.** The System and the Utility Assets are located on real property that has been zoned by appropriate authorities under zoning certifications, special exceptions or variances that will permit the respective use of such parcels for water and wastewater utility purposes. To the extent it is determined that any Utility Asset or portion of the System requires a zoning certification, special exception or variance, South Bay will endeavor in good faith to process and provide such zoning, special exception or variance without delay.

(I) **Environmental Regulations.** To the best of its current knowledge, South Bay represents to the Authority that the real property and easement or property use rights to be conveyed to the Authority hereunder are in compliance with, and South Bay has not violated in connection with its ownership, use, maintenance, or operation of its System or the Utility Assets, applicable environmental, federal, state, county or local laws relating to pollution or protection of the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, and the Resource Conservation and Recovery Act. South Bay affirms it has not knowingly authorized the placing or depositing of hazardous substances on the real estate and Easements to be conveyed to the Authority except, if at all, in accordance with applicable law, and South Bay has no actual knowledge of any hazardous substance having been, or currently being, placed or deposited on said real property and Easements except in a lawful manner.

(J) **Continuing Disclosure Obligation.** South Bay agrees that it shall be under a continuing obligation to notify the other parties hereto in writing in the event of a material change in the foregoing representations.

**ARTICLE III  
CREATION OF AUTHORITY AND ESTABLISHMENT OF BOARD**

**Section 3.01. AUTHORITY.**

(A) **Creation.** Pursuant to Section 163.01(7)(a), Florida Statutes, the Entities hereby establish and create a separate legal entity to effectuate the provisions of this Agreement.

(B) **Name.** The name of the separate legal entity so created shall be "The Glades Utility Authority."

(C) **Powers.** The Authority shall have all of the powers enumerated in the Act and the following additional and supplemental powers:

(1) To acquire, operate, manage, maintain, dispose of, improve, enhance, extend, supplement and expand the Utility System, and to have the exclusive control, jurisdiction and supervision thereof.

(2) To accomplish construction directly or by letting construction contracts to other entities, whether public or private, for all or any part of the construction of improvements to the Utility System as determined by the Authority in accordance with applicable law.

(3) To construct, maintain and operate water distribution and transmission mains, conduits or pipelines, connecting, intercepting, or outlet wastewater mains and pipes, reclaimed water mains, conduits or pipelines, pump stations, meter and metering facilities, stormwater mains, conduits, culverts, ditches, canals, pump stations and ancillary facilities and SCADA systems in, along or under any streets, alleys, highways or other public places or ways regulated by or under the jurisdiction of the State or any political subdivision or municipal corporation when necessary or convenient for the purposes of the Authority.

(4) To divide the Utility System into separate units or subsystems for setting rates, accounting or financing improvements or additions, or any other purpose.

(5) To contract with any public or private entity or person to operate, manage and maintain the Utility System, or any portion thereof, upon such terms as the Authority deems appropriate. Such authority shall include, but not be limited to, the ability to contract with the County for the provision of services by the County to the Authority, including, but not limited to, for the operation, management, maintenance and administration of the Utility System, billing and customer service, procurement, financial and accounting services.

(6) To contract for the service of engineers, accountants, attorneys and other experts, professionals or consultants, and such other agents and employees as the Authority may require or deem appropriate from time to time.

(7) To acquire such lands and rights and interests therein, including lands under water and riparian rights, and to acquire such personal property as the Authority may deem necessary and appropriate in connection with the acquisition, construction, ownership, operation, management, maintenance, disposition of, improvement, enhancement, extension, supplementation and expansion of the Utility System or any other purposes authorized by this Agreement and to hold and dispose of all real and personal property under its control.

(8) To hold, control and acquire by donation or purchase, or dispose of, Easements, dedications to public use, platted reservations for public purposes, or any reservations for those purposes authorized by this Agreement and to make use of such Easements, dedications and reservations for any of the purposes authorized by this Agreement.

(9) To the extent the power of eminent domain is available to the Authority in accordance with applicable law, in particular the Act, such power may be exercised by the Authority both within and outside the Service Area for the purpose of carrying out the intent of this Agreement.

(10) In furtherance of its power to discontinue or shut off any or all Utility Service provided by the Authority, Authority representatives may enter onto any lands, waters or premises of any person, firm, corporation or body, public or private, served by the Authority.

(11) To assume the ownership, lease, operation, management and/or control of any publicly or privately owned potable water, wastewater, and reclaimed water facilities, including the assumption of the financial liabilities associated with such facilities.

(12) To establish and expand the Service Area, including within the boundaries of the Municipal Entities. Belle Glade, Pahokee and South Bay hereby consent to any such establishment and expansion of the Service Area within their respective municipal boundaries.

(13) To contract with private or public entities or persons to provide or receive potable water supply, treatment or distribution; wastewater disposal, collection or

treatment; reclaimed water treatment or distribution; stormwater disposal, collection or treatment; wetlands restoration; aquifer recharge and mitigation banks.

(14) Subject to such provisions and restrictions as may be set forth in any Financing Document, to enter into contracts with the government of the United States or any agency or instrumentality thereof, the State, or with any municipality, county, district, authority, political subdivision, private corporation, partnership, association or individual providing for or relating to the supply, treatment, and distribution of potable water, the treatment, collection and disposal of wastewater, the treatment, supply and distribution of reclaimed water, the collection, conveyance, treatment and disposal of stormwater, and any other matters relevant thereto or otherwise necessary to effect the purposes of this Agreement.

(15) To prescribe methods of pretreatment of industrial wastes not amenable to treatment with domestic wastewater before accepting such wastes for treatment and to refuse to accept such industrial wastes when not sufficiently pretreated as may be prescribed, and, to the extent permitted by law, to prescribe penalties for the refusal of any person or corporation to so pretreat such industrial wastes.

(16) To sell or otherwise dispose of reclaimed water services.

(17) To sell or otherwise dispose of the biosolids, sludge or other by-products as a result of water or wastewater treatment.

(18) To sell or otherwise dispose of and allocate excess potable water capacity out of the Lake Region Water Treatment Plant.

(19) To provide and regulate waste and sewage collection and disposal, including within the boundaries of the Municipal Entities. Belle Glade, Pahokee and South Bay hereby consent to any such service and regulation within their respective municipal boundaries.

(20) To provide, upon request of a Municipal Entity, billing services for Municipal Services to such Municipal Entity for a fee to be mutually agreed by the parties.

(21) To negotiate and enter into agreements with applicable State and local agencies with regard to the resolution of enforcement issues.

(22) To fix, levy and collect assessments, rates, fees and other charges for the products or services provided.

(23) To the extent allowed by law and to the extent required to effectuate the purposes hereof, levy and collect annual non-ad valorem capital improvement and operations and maintenance special assessments against the customers of the Utility System to recover any part or all of the annual fixed costs of the operation and maintenance of the Utility System, using the procedures for levy and collection provided in Chapter 170 or Chapter 197, Florida Statutes.

(24) To borrow money and issue bonds, certificates, warrants, notes, obligations or other evidence of indebtedness.

(25) To apply for and accept grants, loans and subsidies from any governmental entity for the planning, acquisition, construction, renewal, replacement, improvement, enhancement, extension, supplementation, expansion, operation and maintenance of the Utility System, and to comply with all requirements and conditions imposed in connection therewith.

(26) To renegotiate the restructuring of existing System indebtedness for each Entity, and to compromise, refinance, cause the discharge of and/or otherwise manage such indebtedness on behalf of each Entity. Each Entity hereby consents to and authorizes the Authority to renegotiate, compromise, refinance, cause the discharge of and/or otherwise manage its existing System indebtedness.

(27) To make payment to or on behalf of a municipal Entity for the satisfaction of any existing System indebtedness that cannot or is not assumed by the Authority.

(28) To receive and accept aid or contributions or loans from any other source of either money, labor or other things of value, to be held, used and applied only for the purpose for which such grants, contributions or loans may be made.

(29) To invest its moneys in such investments as directed by the Board in accordance with State law and that shall be consistent in all instances with the applicable provisions of the Financing Documents.

(30) To make and enforce rules and regulations as may be, in the judgment of the Board, necessary or desirable to accomplish the purposes of this Agreement, both within and outside the Service Area, and in furtherance of any power authorized herein.

(31) To appoint fact finding boards and committees to assist the Board in the exercise and performance of the powers and duties provided in this Agreement.

(32) To sue and be sued in the name of the Authority.

(33) To adopt and use a seal and authorize the use of a facsimile thereof.

(34) Subject to such provisions and restrictions as may be set forth herein and in any Financing Document, to sell or otherwise dispose of the Utility System, or any portion thereof, upon such terms as the Authority deems appropriate.

(35) To enter into utility acquisition agreements to effect the disposition of the Utility System, or any portion thereof, upon such terms as the Authority deems appropriate.

(36) To acquire, by purchase, gift, devise or otherwise, and to dispose of, real or personal property, or any estate therein.

(37) To make and execute contracts or other instruments necessary or convenient to the exercise of its powers.

(38) To provide such retirement benefits and program as the Authority deems appropriate.

(39) To maintain an office or offices at such place or places as the Authority may designate from time to time, with the intention being that said office or offices will be located within the Service Area.

(40) To lease, as lessor or lessee, to or from any person, firm, corporation, association or body, public or private, facilities or property of any nature to carry out any of the purposes authorized by this Agreement.

(41) To purchase such insurance as it deems appropriate.

(42) To the extent allowed by law and to the extent required to effectuate the purposes hereof, to exercise all privileges, immunities and exemptions accorded municipalities and counties of the State under the provisions of the constitution and laws of the State.

(43) To request the County establish one or more municipal service taxing or benefit units for any part or all of the Service Area in accordance with the provisions of Section 125.01(1)(q), Florida Statutes. Belle Glade, Pahokee and South Bay hereby consent to any such establishment of a municipal service taxing or benefit unit within their respective municipal boundaries for the term of this Agreement; provided, however, that any such consent to the establishment of a municipal service taxing or benefit unit shall not include a consent for the County to levy ad valorem taxes within the municipal boundaries Belle Glade, Pahokee or South Bay.

(44) To enter into other interlocal agreements or join with any other special or general purpose local governments, public agencies or authorities in the exercise of common powers.

(45) To do all acts and to exercise all of the powers necessary, convenient, incidental, implied or proper in connection with any of the powers, duties or purposes authorized by this Agreement, the Act and, to the extent permitted by law, Chapters 125 and 166.

(D) **Chapter 120, Florida Statutes.** The provisions of Chapter 120, Florida Statutes, known and cited as the "Administrative Procedures Act," or any successor statute shall not apply to the Authority.

**Section 3.02. BOARD.**

(A) **Establishment.** The Entities hereby establish the Board to administer the Authority and execute the provisions of this Agreement.

(B) **Composition.** The Board shall be comprised of seven (7) members, one (1) each from Pahokee and South Bay, two (2) from Belle Glade and three (3) from the County, each of whom shall be appointed by their respective Entity, except that one of the Board members appointed by the County shall be a resident of the Service Area and shall not be a County employee. No elected officials of any of the Entities shall be appointed to the Board. The Board members shall elect a chair of the Board to serve on an annual basis. The elected chair shall set the agenda for the Board meetings in accordance with the requests of its members. The Board members shall elect a vice-chair to serve as chair in the chair's absence.

(C) **Executive Director.** The Board shall appoint an administrative person to act as the executive director of the Authority, coordinate the day-to-day operations of the Authority, and provide updates to the Board. The executive director shall serve at the pleasure of the Board, and may be removed at any time without cause or requirement of hearing by a vote of two thirds of the Board.

(D) **Meetings.** The Board shall meet regularly at least once every quarter at such time and places as the Board may prescribe. Special meetings may be held on the call of the chair or any other two Board members, and, whenever practicable, upon no less than forty-eight (48) hours' notice to each Board member and the public. All meetings shall be publicly noticed, and held in compliance with all other provisions of Florida law related to Government in the Sunshine. The Board shall determine its own rules and orders of business.

(E) **Initial Voting and Quorum.**

(1) **Voting.** Voting of the members of the Board shall be as follows: the Board members appointed by Belle Glade, Pahokee and South Bay shall each have one (1) vote, two (2) of the Board members appointed by the County shall each have two (2) votes, and the Service Area resident appointed by the County to serve as a Board member shall have one (1) vote. The Board member appointed by the County who is entitled to one (1) vote shall be the Board member who is a resident within the Service Area and not a County employee. The affirmative vote of Board members holding a majority of the votes present at a duly called meeting at which a quorum is present shall be required for passage of any item, provided the affirmative vote of at least one (1) Board member appointed by a Municipal Entity shall be required for passage of an item. In exercising the powers conferred by this Agreement, the Board shall act by resolution or motion made and adopted at duly noticed and publicly held meetings in conformance with applicable law.

(2) **Quorum.** Board members holding five (5) out of the nine (9) total votes of the Board members shall constitute a quorum, provided that the attendance of at least two (2) Board members appointed by the County and one (1) Board member appointed by a Municipal Entity shall be required to constitute a quorum. A smaller number of Board members may adjourn a meeting from time to time and compel the attendance of absent Board members in the manner and subject to the penalties prescribed by the rules of the Board. While applicable, no action of the Board shall be valid or binding unless adopted as set forth in this Section 3.02(E).

(F) **Subsequent Voting and Quorum.**



(1) **Voting.** The voting of the Board shall change so that each appointed Board member shall have one (1) vote upon the occurrence of the following events:

(a) Five (5) years have elapsed since the Transfer Date; and

(b) Thereafter, the Utility System has for two (2) consecutive years (a) generated sufficient revenues to pay all expenses, (b) met all debt service coverage requirements, including transfers to the applicable renewal and replacement funds, and (3) been in Substantial Compliance with all material health and environmental laws as administered by the applicable agencies, including, but not limited to, the Environmental Protection Agency, the Florida Department of Environmental Protection, the South Florida Water Management District and the Palm Beach County Health Department; and

(c) All indebtedness related to the County System has been assumed, refinanced or paid by the Authority; and

(d) Any debt of the County incurred for the benefit of the Authority as a result of any back up pledge by the County pursuant to Section 6.09 is retired or otherwise paid in full.

Following the voting change, the affirmative vote of Board members holding a majority of the votes present at a duly called meeting at which a quorum is present shall be required for passage of any item, provided the affirmative vote of at least one (1) Board member appointed by the a Municipal Entity shall be required for passage of an item. In exercising the powers conferred by this Agreement, the Board shall act by resolution or motion made and adopted at duly noticed and publicly held meetings in conformance with applicable law.

(2) **Quorum.** Following the change in voting set forth in Section 3.02(F)(1), Board members holding four (4) out of seven (7) total votes of the Board members shall constitute a quorum, provided that the attendance of at least one (1) Board member appointed by the County shall be required to constitute quorum. A smaller number of Board members may adjourn a meeting from time to time and compel the attendance of absent Board members in the manner and subject to the penalties prescribed by the rules of the Board. Once applicable, no action of the Board shall be valid or binding unless adopted as set forth in this Section 3.02(F).

(G) **Compensation.** The members of the Board shall serve without compensation under this Agreement.

(J) **Removal.** Each Board member shall serve at the pleasure of the Entity by whom the Board member was appointed, and may be removed at any time by such Entity, without cause or requirement of hearing. Board members shall be deemed to hold office until a successor has been appointed, except for Board members that have been removed. If there are vacancies in more than two (2) positions on the Board at any time, the remaining members of the Board may appoint successors to fill those vacancies until such time as the appropriate Entity has appointed a successor for such position.

**ARTICLE IV  
TRANSFER OF SYSTEMS AND UTILITY ASSETS AND TRANSITION**

**Section 4.01. AGREEMENT TO TRANSFER AND NOT COMPETE.**

(A) **Transfer.** Subject to the terms and provisions of this Agreement and for the consideration herein provided, each of the Entities hereby agrees to transfer to the Authority, and the Authority shall accept, the Utility Assets of such Entity located within the Service Area, and the Authority is duly empowered to provide Utility Service and otherwise exercise all of the powers enumerated and provided herein. Such transfer shall occur on the Transfer Date. Said transfer shall not include the Excluded Utility Assets set forth in Composite Appendix 2.

(B) **Covenant Not To Compete.** On the Transfer Date and thereafter for the term of this Agreement, each Entity hereby respectively obligates itself and covenants not to compete with the Authority to provide, undertake or exercise any right to provide Utility Service. Each Municipal Entity further obligates itself and covenants that it shall not authorize any other utility service to provide Utility Service within its utility service area.

**Section 4.02. COVENANTS AND CONDITIONS PRECEDENT TO TRANSFER.**

(A) **Public Interest Determination.** Each of the Entities shall act to consider the applicable public interest provisions of Sections 125.3401 and 180.301, Florida Statutes, with respect to the transfer of the Entity's System to the Authority. In the event that any Entity does not make the determination that the transfer of the Entity's System to the Authority is in the public interest, then this Agreement may be terminated by any party by providing written notice to the other parties. A determination by each of the Entities that their respective transfers to the Authority are in the public interest shall be deemed a determination by the Authority that the transfers are in the public interest.

(B) **Statutory Compliance and Notice Waiver.** Each of the Entities agrees that the requirements of Section 163.01(7)(g), Florida Statutes, have been complied with and, pursuant to said statute, waive any formal requirements for notice and approve the acquisition of the Entity's System by the Authority.

(C) **Approval of Debtors and Novation of Debt.** The approval of the debtors of the Utility Assets of each Entity and a novation of debt for such Utility Assets shall be required prior to the transfer of the Debt Obligations from each Entity to the Authority. Where the Entity/Authority is unable to acquire said approval/novation, the Debt Obligations remain with the Entity, subject to the Authority's obligation to pay debt service accruing after the Transfer Date as set forth in Section 6.07.

**Section 4.03. CONSIDERATION FOR TRANSFER.** As consideration for the transfer of the System and acquired Utility Assets from each Entity to the Authority and the authorization for the Authority to provide Utility Service and otherwise exercise all of the powers enumerated and provided herein, and each Entity's covenants and obligations hereunder, the Authority shall, subject to the provisions hereof, (1) assume the Debt Obligations pertaining to the Systems, (2) perform deferred maintenance on and upgrade the Utility System to provide

better quality Utility Service, and (3) pay and deliver to each Entity the Annual Entity Transfers during the term of this Agreement and any renewals or extensions hereof.

**Section 4.04. TRANSITION.** The Entities shall convey, and the Authority shall assume, the Utility Assets and Systems upon the terms and subject to the conditions set forth in the Transition Agreement entered by the Entities on the Effective Date of this Agreement.

**ARTICLE V  
CONVEYANCE OF THE UTILITY ASSETS AND SYSTEMS**

**Section 5.01. COVENANTS.**

(A) **Maintenance and Improvement of Utility Assets and Systems Required.** Each Entity covenants and agrees that it shall maintain its Utility Assets and System in good condition and repair within the custom and usage of the industry, and the value of its Utility Assets and System shall not be impaired by waste, neglect or use prior to the Transfer Date. Each Entity further acknowledges and agrees that there shall be no material depletion of its System or the Utility Assets, or any material adverse change in the condition of its System or the Utility Assets prior to the Transfer Date.

(B) **Disposition or Encumbrance Prohibited.** Each Entity covenants that it shall not dispose of or encumber its System or any of the Utility Assets, with the exception of non-material transactions occurring in the ordinary course of business, prior to the Transfer Date without the prior written consent of the Authority. The written consent and approval of the Authority shall not be unreasonably withheld.

(C) **Diversion of Utility System Revenues Prohibited.** Each Entity covenants that it shall not divert any revenues generated from its Utility Assets or System to any other fund of the Entity, including the Entity's general fund, or any other source or entity prior to the Transfer Date in an amount greater than is necessary in the ordinary course of business as contemplated in the Entity's 2008-2009 Fiscal Year budget adopted as of the Effective Date of this Agreement.

**Section 5.02. DOCUMENTATION.**

(A) **Title Insurance Commitment.** As soon as reasonably practical after the date of execution of this Agreement, the Authority shall obtain a title insurance commitment for all of the fee simple real property interests in the Utility Assets to be transferred to the Authority in an amount equal to the depreciated book value of the Utility Assets. Each Entity agrees to cooperate with the Authority to resolve any title defects that may be revealed in the title insurance commitment prior to transfer to the Authority, and to take such reasonable actions and execute such reasonable documents as may be required by the title insurer to insure good title to the real property interest in the Utility Assets in the Authority.

(B) **At Closing.** On the Transfer Date the parties shall execute, deliver and accept a fee simple deed, bill of sale and a transfer, assignment and assumption agreement together with any other necessary and reasonable documents to effect the conveyance of record of the Systems and the Utility Assets.

(C) **Further Assurances.** From time to time after closing, each Entity hereto shall, upon the request of the other, execute, acknowledge and deliver, or shall cause to be executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers or other documentation for (1) confirming or correcting title in the name of the Authority or perfecting undisputed possession by the Authority of each System or any or all of the Utility Assets, including the establishment of record of Easements reasonably capable of enforcement by the Authority without resort to litigation or other extraordinary means for any water or wastewater utility facilities that are a part of each System in existence or in use at the time of closing, or (2) otherwise fulfilling the obligations of the parties hereunder.

**Section 5.03. TRANSFER DATE.** It is anticipated that the transactions contemplated by this Agreement will be closed on a mutually agreed upon date on or before October 1, 2009. The Entities by mutual agreement may extend the time for closing. The closing shall be held at such place or offices convenient and mutually agreeable to the Entities.

**Section 5.04. PERMITS.** It shall be the obligation and responsibility of each Entity to timely cooperate with the Authority to commence all requisite action to apply for and cause the transfer of all necessary permits and governmental approvals and use all reasonable efforts to obtain the timely transfer of such permits. Each Entity shall cooperate and provide all reasonably necessary assistance in this endeavor. Upon transfer the Authority shall assume all obligations under the permits and governmental approvals necessary for continued operation of the Utility System.

**Section 5.05. RISK OF LOSS.** At all times prior to and through the Transfer Date, each Entity shall self-insure or maintain adequate fire and extended insurance coverage for the cost of any repairs to the applicable System or Utility Assets that may be required by casualty damage. The risk of loss during said period of time shall fall upon the parties respectively. The risk of loss shall pass to the Authority on the Transfer Date.

## ARTICLE VI OPERATIONS

**Section 6.01. UTILITY SERVICE.** To the extent permitted by law, the Authority shall have the power, under such reasonable procedures as the Board may adopt from time to time, to withhold, discontinue and shut off any or all Utility Service provided by the Authority to any utility customer until all past-due and delinquent assessments, fees, rates and charges, including reasonable interest and charges for the discontinuance and the cost of restoration of such Utility Service as are delinquent, are fully paid.

**Section 6.02. EMPLOYEES.**

(A) **County.** To the extent that the Authority enters into an agreement with the County for the provision of services by the County to the Authority, including, but not limited to, for the operation, management, maintenance and administration of the Utility System, billing and customer service, procurement and financial and accounting services, the utility personnel performing such functions shall be employed by the County and not the Authority.

(B) **Municipal Entities.** The County shall offer employment to Municipal Entity utility personnel upon the terms and subject to the conditions set forth in the Transition Agreement entered into by the Entities on the Effective Date of this Agreement.

(C) **Authority.** In the event of the future transfer of County utility employees to the Authority, the Authority shall provide to such employees similar salaries and benefits to those the County provides to its utility personnel, including the Florida Retirement System.

(D) **Future.** Following the change in voting set forth in Section 3.02(F)(1), the Authority may hire personnel in furtherance of its powers and purposes.

**Section 6.03. ASSESSMENTS, RATES, FEES AND CHARGES.**

(A) **Adoption and Revision.** The Board shall adopt, and revise from time to time, by resolution a tariff of operating assessments, rates, fees and charges for the Utility Service provided by the Authority, which operating assessments, rates, fees and charges will be implemented to provide sufficient funding, with other funds available for such purposes, to properly and efficiently operate, manage, administer, insure, maintain, expand, repair, replace and improve the Utility System, to fulfill all bonding requirements, including coverage tests, to maintain compliance with all regulatory requirements, and to provide a reasonable margin of safety over and above the total amount of such expenses. However, during the first fiscal year of the Authority (October 1, 2009 to September 30, 2010) the Authority shall not increase the operating assessments, rates, fees or charges for Utility Service provided by the Authority if ninety percent (90%) or more of the projected revenue of thirteen million four hundred and sixty seven thousand dollars (\$13,467,000) is collected. Notwithstanding any other provision in this Agreement, such operating assessments, rates, fees and charges shall always be sufficient to comply fully with any covenants contained in any Financing Document. The Authority shall endeavor to adopt a uniform tariff of operating assessments, rates, fees and charges for Utility Service provided by the Authority as soon as reasonably practicable; provided, however, that any such adoption must be consistent with the limitation set forth in this Section 6.03(A) regarding no increase in the operating assessments, rates, fees or charges for Utility Service during the first fiscal year.

(B) **Just, Equitable and Uniform Standard.** The operating assessments, rates, fees and charges adopted by the Authority shall be just and equitable and uniform for the users in the same class, and may be based upon or computed upon any factor or combination of factors affecting the use of the Utility Service, products or facilities furnished, as may be determined by the Authority from time to time.

(C) **Consolidation and Equalization.** The parties recognize and acknowledge that as of the Transfer Date, the Utility System will be comprised of three (3) separate subsystems or sub-districts with differing rates, fees and charges. The Authority may establish separate operating assessments, rates, fees and charges for different portions of the Utility System. However, the parties recognize and acknowledge that the Authority shall be obligated to set assessments, rates, fees and charges for its services and products in a manner reasonably related to its costs, its obligations hereunder and any requirements of any Financing Documents. Therefore, the Authority may consolidate, equalize and make uniform the rates and

rate structure for all customers of the Utility System on such terms and with such time frames as determined by the Authority.

(D) **Public Hearings.** Unless otherwise provided by law, upon the acquisition of any utility system by the Authority, no public hearing shall be required for the Authority to adopt by resolution the assessments, rates, fees and charges contained in the rate tariff previously approved by the governmental transferor. No public hearing shall be required for the automatic adjustment of assessments, rates, fees and charges contemplated in Section 6.03(F). No public hearing shall be required for the reapplication of the Index following a year or multiple years in which the Board decides, in accordance with Section 6.03(F), not to apply the Index.

(E) **Collection and Regulation.** The Authority shall charge and collect the adopted operating assessments, rates, fees and charges, as revised from time to time, and such assessments, rates, fees and charges shall not be subject to the supervision or regulation by any other commission, board, bureau, agency or other political subdivision of the State.

(F) **Automatic Adjustments.** Beginning in 2010, the operating assessments, rates, fees and charges of the Authority shall be automatically increased without further action of the Board based upon an amount equal to one hundred percent (100%) of the prior year's (measured July to July) Index. The Board, by affirmative vote, may decide not to apply the Index in any year. The Index will be automatically applied the subsequent year unless the Board again decides not to apply the Index. The Board may not apply the Index in a cumulative manner to make up for a year or years in which the Board decides not to apply the Index. The operating assessments, rates, fees and charges of the Authority may also be automatically increased without further action of the Board based upon an increase of costs incurred for water quality or wastewater quality testing required by the Florida Department of Environmental Protection. Prior to application of this automatic cost escalation provision, the Executive Director shall submit to the Board at a Board meeting a report detailing the amount of the escalation and the new operating assessments, rates, fees and charges as revised. The Authority's operating assessments, rates, fees and charges tariff shall be adjusted pursuant to this sub-section effective as of the first billing cycle after the Board's meeting.

**Section 6.04. ANNUAL BUDGET.** Prior to October 1 of each year the Board will adopt an annual budget for the Authority. Such budget shall be prepared in the manner and within the time periods required for the adoption of a tentative and final budget for county governments under general law. The annual budget shall contain an estimate of receipts by source and an itemized estimation of expenditures anticipated to be incurred to meet the financial needs and obligations of the Authority.

(1) **Notice and Hearing.** The Authority shall publish a notice of the meeting at which the annual budget is to be adopted, which notice shall be published in a newspaper qualified to accept legal advertisement within the Service Area. The adopted budget shall be the operating and fiscal guide for the Authority for the ensuing Fiscal Year.

(2) **Amendment.** The Authority may from time to time amend the budget at any duly called regular or special meeting.

**Section 6.05. RENEWAL AND REPLACEMENT FUND.** The Authority shall ensure that adequate funds are available for renewal and replacement of the Utility System and Utility Assets, including previously deferred renewal and replacement. The Board shall prepare a proposed annual budget for renewal and replacement not later than one hundred fifty (150) days prior to the completion of the Fiscal Year. The proposed renewal and replacement budget shall detail the improvements expenditures for the Utility System for the current year-to-date, projected year-end total and a budgeting amount for the upcoming Fiscal Year. The Authority shall have the power to modify the renewal and replacement fund levels as needed. The Authority shall comply with any renewal and replacement requirements set forth in the Debt Obligations.

**Section 6.06. EXISTING DEBT SERVICE SINKING AND RESERVE FUNDS.** Funds required to be deposited into debt service sinking funds or debt service reserve funds relating to outstanding debt of the Municipal Entities shall be transferred to the Authority as of the Transfer Date, except that any debt service sinking funds or debt service reserve funds related to any debt for which debtor approval/novation pursuant to Section 4.02(C) herein has not been acquired shall remain with the Municipal Entity. When the debt associated with each Municipal Entity's sinking fund or reserve fund has been paid in full, the monies in that fund held by the Authority for that Municipal Entity's debt shall be returned to the Municipal Entity. The Authority shall use its best efforts and endeavor to have the existing State Revolving Fund loans of the Municipal Entities restructured so as to not require a debt service reserve fund. If any renegotiated debt of the Municipal Entities does not require a debt service sinking fund or debt service reserve fund, the Authority shall: (1) if the outstanding debt is renegotiated on or before October 1, 2009, not require the applicable Municipal Entity to transfer the monies from the debt service sinking fund or debt service reserve fund associated with the renegotiated debt to the Authority; or (2) if the outstanding debt is renegotiated after October 1, 2009, within thirty (30) days of said renegotiation return the monies from the debt service sinking fund or debt service reserve fund associated with the renegotiated debt to the applicable Municipal Entity.

**Section 6.07. PAYMENT OF DEBT SERVICE.** Each Entity shall be responsible for any accrued debt service owing on any Debt Obligation as of the Transfer Date. The Authority shall be responsible for debt service accruing on any Debt Obligation following the Transfer Date.

**Section 6.08. FINANCING.**

(A) **Authority.** The Board shall have the power and it is hereby authorized to provide pursuant to any Financing Documents, at one time or from time to time in series, for the issuance of obligations of the Authority, or notes in anticipation thereof, for one or more of the following purposes:

- (1) Paying all or part of the cost of one or more water, wastewater or reuse projects.
- (2) Refunding any bonds or other indebtedness of the Authority.

(3) Assuming or repaying the indebtedness relating to the Utility System, acquired or leased by the Authority from the Entities or any other public or private entity.

(4) Setting aside moneys in a renewal and replacement account.

(5) Funding a debt service reserve account.

(6) Capitalizing interest on the Debt Obligations.

(7) Providing working capital.

(8) Paying costs of issuance relating to the Debt Obligations.

(9) Any other purpose relating to this Agreement.

(B) **Pledge of Funds.** The principal of and the interest on each series of obligations shall be payable from the pledged funds, all as determined pursuant to any Financing Documents. The Authority may grant a lien upon and pledge the pledged funds in favor of the holders of each series of obligations in the manner and to the extent provided in any Financing Documents. Such pledged funds shall immediately be subject to such lien without any physical delivery thereof and such lien shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority.

(C) **Terms.** The obligations of each series shall be dated, shall bear interest at such rate or rates, shall mature at such time or times not exceeding forty (40) years from their date or dates, may be made redeemable before maturity, at the option of the Authority, at such price or prices and under such terms and conditions, all as shall be determined by the Board pursuant to the Financing Documents. The Board shall determine the form of the obligations, the manner of executing such obligations, and shall fix the denomination of such obligations and the place of payment of the principal and interest, which may be at any bank or trust company within or without the State. In case any officer whose signature or a facsimile of whose signature shall appear on any obligations shall cease to be such officer before the delivery of such obligations, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until delivery. The Board may sell obligations in such manner and for such price as it may determine to be in the best interest of the Authority in accordance with the terms of the Financing Documents. In addition to the pledged funds, the obligations may be secured by such credit enhancement as the Board determines to be appropriate pursuant to the Financing Documents. The obligations may be issued as capital appreciation bonds, current interest bonds, term bonds, serial bonds, variable bonds or any combination thereof, all as shall be determined pursuant to the Financing Documents. In addition to the other provisions and requirements of this Agreement, any Financing Documents may contain such provisions as the Board deems appropriate. The Authority may enter into such swap, hedge or other similar arrangements relating to any obligations as the Board deems appropriate.

(D) **Interim; Replacement.** Prior to the preparation of definitive obligations of any series, the Authority may issue interim receipts, interim certificates or temporary



obligations, exchangeable for definitive obligations when such obligations have been executed and are available for delivery. The Authority may also provide for the replacement of any obligation that shall become mutilated or be destroyed or lost. Obligations may be issued without any other proceedings or the happening of any other conditions or things than those proceedings, conditions or things that are specifically required by this Agreement, the Financing Documents or other applicable laws.

(E) **Uses.** The proceeds of any series of obligations shall be used for such purposes, and shall be disbursed in such manner and under such restrictions, if any, as the Authority may provide pursuant to the Financing Documents.

(F) **Restrictions and Limitations.** The Financing Documents may contain such limitations upon the issuance of additional obligations as the Authority may deem appropriate, and such additional obligations shall be issued under such restrictions and limitations as may be prescribed by such Financing Documents. The Financing Documents may contain such provisions and terms in relation to the obligations and the pledged funds as the Authority deems appropriate and that shall not be inconsistent herewith.

(G) **No General Obligation Debt.** Obligations shall not be deemed to constitute a general obligation debt of the Authority or any Entity or a pledge of the faith and credit of the Authority or any Entity, but such obligations shall be payable solely from the pledged funds and any moneys received from the credit enhancers of the obligations, in accordance with the terms of the Financing Documents. The issuance of obligations shall not directly or indirectly or contingently obligate the Authority or any Entity to levy or to pledge any form of ad valorem taxation. No holder of any such obligations shall ever have the right to compel any exercise of the ad valorem taxing power on the part of any of the Entities to pay any such obligations or the interest thereon or the right to enforce payment of such obligations, or the interest thereon, against any property of the Authority or any of the Entities, nor shall such obligations constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Authority or any of the Entities, except the pledged funds in accordance with the terms of the Financing Documents.

(H) **Investment.** All pledged funds shall be deemed to be trust funds to be held and applied solely as provided in the Financing Documents. Such pledged funds may be invested by the Authority in such manner as provided in the Financing Documents.

(I) **Enforcement.** Holders of obligations shall be considered third party beneficiaries hereunder and may enforce the provisions hereof. Any holder of obligations, except to the extent the rights herein given may be restricted by the Financing Documents, may, either at law or in equity, by suit, action mandamus or other proceeding, protect and enforce any and all rights under the laws of the State or granted hereunder or under the Financing Documents, and may enforce and compel the performance of all agreements or covenants required by this Agreement or by such Financing Documents to be performed by the Authority or by any officer thereof.

(J) **Validation.** The obligations may be validated, at the sole discretion of the Authority, pursuant to Chapter 75, Florida Statutes. Obligations may be issued pursuant to and

secured by a resolution of the Board. All obligations issued hereunder shall not be invalid for any irregularity or defect in the proceedings for the issuance and sale thereof and shall be incontestable in the hands of bona fide purchasers for value. No proceedings in respect to the issuance of such obligations shall be necessary except such as are required by this Agreement, the Financing Documents and general law. The provisions of the Financing Documents shall constitute an irrevocable contract between the Authority and the holders of the obligations issued pursuant to the provisions thereof.

(K) **Liability.** Decisions of the Board shall bind all Entities, and for such decisions no Entity shall in any way be liable to any of the other Entities.

**Section 6.09. ANNUAL ENTITY TRANSFERS.**

(A) **Calculation.** Each Municipal Entity shall receive an Annual Entity Transfer calculated based upon a percentage of the Annual Authority Gross Revenues generated from Utility Service customers that are physically located within the Municipal Entity Service Area of the Municipal Entity receiving such Annual Entity Transfer. On October 1, 2009, the Authority shall pay and each Municipal Entity shall receive in a lump sum payment an Annual Entity Transfer calculated by the Authority based upon seven percent (7%) of the estimated Annual Authority Gross Revenues of the applicable Municipal Entity for the upcoming fiscal year (October 1st through September 30th of the subsequent year). After receipt and acceptance by the Authority of the Annual Utility Service Report by each Municipal Entity and completion of the audit for fiscal year 2009-2010 conducted by the Authority, the Authority shall adjust the Annual Entity Transfer payment to each Municipal Entity accordingly. If the actual Annual Authority Gross Revenues collected by a Municipal Entity are higher than the previously estimated Annual Authority Gross Revenues, the Authority shall pay the Municipal Entity the difference between the previous lump sum payment and seven percent (7%) of the actual Annual Authority Gross Revenues collected. If the actual Annual Authority Gross Revenues collected by a Municipal Entity are lower than the previously estimated Annual Authority Gross Revenues, the Authority shall reduce any future payment to the Municipal Entity by the difference between the previous lump sum payment and seven percent (7%) of the actual Annual Authority Gross Revenues collected. Beginning on October 1, 2010 and thereafter for the remaining Term of this Agreement, the Authority shall pay and each Municipal Entity shall receive in twelve (12) equal monthly installments an estimated Annual Entity Transfer calculated by the Authority based upon seven percent (7%) of the estimated Annual Authority Gross Revenues of the applicable Municipal Entity. After receipt and acceptance by the Authority of the Annual Utility Service Report by each Municipal Entity and completion of the audit for the prior fiscal year conducted by the Authority, the Authority shall adjust the future Annual Entity Transfer payments to the applicable Municipal Entity as set forth above. The Municipal Entity Service Area of each Municipal Entity is identified in Composite Appendix 1 herein.

(B) **Payment of Monies Owed by South Bay to Belle Glade.** Belle Glade previously provided wastewater treatment capacity and service to South Bay, and South Bay owes Belle Glade for such capacity and service pursuant to an agreement entered into by those parties. The Authority shall assume South Bay's obligation to Belle Glade for said wastewater treatment capacity and service as part of the indebtedness related to the System of South Bay. As full satisfaction for this assumed obligation, the Authority will grant Belle Glade a credit of

seven hundred and fifty thousand dollars (\$750,000) that would otherwise be transferred on the Transfer Date to the Authority from Belle Glade pursuant to this Agreement. Within thirty (30) days after the Transfer Date, assuming no Entity has earlier terminated this Agreement, Belle Glade shall provide a letter to South Bay stating that South Bay's existing obligation to pay Belle Glade for wastewater treatment capacity has been satisfied in full and the agreement for said wastewater treatment capacity between Belle Glade and South Bay shall simultaneously therewith be terminated.

(C) **Transfers Made on Junior, Inferior and Subordinate Basis.** The Authority shall treat the Annual Entity Transfers as operating expenses under any currently existing Debt Obligations as of August 1, 2009, and shall pay the Annual Entity Transfers in the priority set forth in such Debt Obligations. The Annual Entity Transfers shall take precedence over all other payment obligations of any kind including, but not limited to, the Authority's operating expenses with the exception of any currently existing Debt Obligations as of August 1, 2009, which obligations by currently existing written agreement as of August 1, 2009, are specifically required to have prior claims to the Annual Authority Gross Revenues or other revenue of the Authority. The Authority shall obtain the written agreement of all necessary lenders, bond trustees, bondholder representatives or bondholders to treat the Annual Entity Transfers as operating expenses of the Authority under all applicable Debt Obligation agreements.

**Section 6.10. COUNTY COMMITMENT TO ISSUE BACK UP COVENANT.** The County hereby agrees to commit to a back up covenant in an amount not to cumulatively exceed ten million dollars (\$10,000,000.00) for the operation, maintenance and management of the System. In addition, the County further agrees to commit to a back up covenant for any loan that is obtained from the American Recovery and Reinvestment Act of 2009 funding administered by the Florida Department of Environmental Protection. Any debt of the County incurred for the benefit of the Authority as a result of such back up covenants shall be reimbursed by the Authority to the County at a rate of interest and under terms and conditions to be determined by the County with the prior written consent of the Authority, unless otherwise mutually agreed by the parties hereto.

**Section 6.11. REPORTS.**

(A) **Financial.** The Authority shall provide financial reports in such form and in such manner as prescribed pursuant to this Agreement and Chapter 218, Part III, Florida Statutes, as it may be amended from time to time.

(B) **Utility System.** The Board shall cause to be made at least once a year, within one hundred eighty (180) days of the end of the Fiscal Year, the Annual Utility System Report. A copy of the Annual Utility System Report shall be filed with the clerk of the Authority and open to public inspection. The Annual Utility System Report may be included as a part of any other report or reports required by law or may be issued separately.

**Section 6.12. EXPANSION POLICY.** The Authority may expand the Service Area consistent with the Comprehensive Plans of the Entities and as such expansion may be warranted.

**Section 6.13. BILLING FOR PUBLIC SERVICE TAX/MUNICIPAL SERVICES.**

(A) **Collection of Public Service Tax.** In accordance with Section 166.231, Florida Statutes, upon the request of a Municipal Entity, the Authority shall impose a public service tax on potable water service within the legislative boundaries of the Municipal Entity. In consideration for performing this service, the Authority shall withhold and receive one percent (1%) of the monies collected for the public service tax and due the Municipal Entity as a collection fee.

(B) **Collection for Municipal Services.** Upon request of a Municipal Entity, the Authority shall bill for such Municipal Entity's Municipal Services on the Utility Service bill to the individual customers within the Municipal Entity Service Area and remit same to the Municipal Entity. In consideration for performing this service, the Authority shall withhold and receive one percent (1%) of the monies collected for Municipal Services and due to the Municipal Entity as a collection fee.

(C) **Order of Preference.** Monies received by the Authority from a customer shall first be applied to payment of the Utility Service portion of the bill, then to the public service tax portion of the bill, if applicable, and the remainder, if any, shall then be applied to the Municipal Services component of the bill. If monies received by the Authority from a customer fail to pay any component of the bill, including, but not limited to, the public service tax and/or Municipal Services, the Authority shall, in accordance with the Authority's policies related to disconnection for failure to pay, disconnect Utility Service for that customer until all components of the bill and any related late charges are paid in full.

**Section 6.14. USE OF LOCAL VENDORS.** The Authority shall in good faith strive to use reasonable business efforts to contract with and purchase from Local Vendors, to the extent that said Local Vendors are available, qualified, and competitive. In this regard, the Authority shall include in its procurement procedures, a Local Vendor preference which shall afford Local Vendors an advantage over non-Local Vendors in the competitive selection process whenever two or more bids or proposals are equal with respect to price and/or quality.

**Section 6.15. MUNICIPAL ENTITY ACCOUNTS RECEIVABLE.** The Authority shall remit to each Municipal Entity any account receivables incurred and owed to the Municipal Entity prior to the Transfer Date and not received or recovered by the Authority until after the Transfer Date.

**ARTICLE VII  
GENERAL PROVISIONS**

**Section 7.01. AGREEMENT PROVISIONS.** This Agreement constitutes a joint exercise of power, privilege or authority by and among the parties and shall be deemed to be an "interlocal agreement" within the meaning of the Act. This Agreement shall be filed with the Clerk of the Circuit Court of the County.

**Section 7.02. ENTIRE AGREEMENT.** This Agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof, and supersedes all prior and

contemporaneous agreements, understandings, negotiations and discussions of the parties, whether oral or written, and there are no warranties, representations or other agreements among the parties in connection with the subject matter hereof, except as specifically set forth herein.

**Section 7.03. AMENDMENTS AND WAIVERS.** No amendment, supplement to, modification or waiver of this Agreement shall be binding unless executed in writing by all parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision of this Agreement, whether or not similar, unless otherwise expressly provided. Each such amendment, supplement, modification or waiver of this Agreement shall be filed with the Clerk of the Circuit Court of the County. Neither the failure nor any delay by any party hereto in exercising any right or power under this Agreement nor any course of dealing between or among the parties will operate as a waiver of such right or power, and no single or partial exercise of any such right or power will preclude any other or further exercise of such right or power or the exercise of any other right or power.

**Section 7.04. ASSIGNMENT.** No assignment of this Agreement shall be made in whole or in part by any party without the express written consent of the other parties, which may be withheld in their sole discretion.

**Section 7.05. SEVERABILITY.** In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 7.06. BINDING EFFECT.** To the extent provided herein, this Agreement shall be binding upon the parties, their respective successors and assigns and shall inure to the benefit of the parties, their respective successors and assigns.

**Section 7.07. CONTINUING DISCLOSURE OBLIGATIONS.** The Entities agree to cooperate with the Authority in the preparation of disclosure information relating to the Utility System, the Utility Assets or the provision of Utility Service for inclusion in any Authority bond offering documents, and they each will provide a certificate executed by an authorized officer of the Entity, respectively, at the closing of bonds purchased in reliance upon such offering documents that, to the knowledge of such officer, the information does not contain any material misstatements or omissions.

**Section 7.08. COSTS AND FEES ASSOCIATED WITH TRANSACTION.** Except as expressly provided otherwise in this Agreement, each party shall be responsible for securing its own counsel for representation relative to the negotiation, preparation and implementation of this Agreement, and all other matters associated with the implementation or performance hereunder, unless otherwise specified herein; and, each party shall be responsible for the payment of the fees of its own attorneys, engineers, accountants and other professional advisors or consultants in connection therewith.

**Section 7.09 PROMPT PAYMENT ACT.** Payments required hereunder shall be governed by the provisions of Chapter 218, Part VII, Florida Statutes, the "Local Government Prompt Payment Act," or its successor in function, or as otherwise mutually agreed to between the parties hereto.

**Section 7.10. TERM OF AGREEMENT.**

(A) **Commencement.** The term of this Agreement shall commence on the day that the last of the Entities executes this Agreement, and shall continue for an initial term of the following forty (40) full Fiscal Years thereafter; provided, however, that the conditions precedent set forth in Section 7.10(B) herein are met.

(B) **Conditions Precedent.**

(1) If all of the following conditions are not met by August 1, 2009, any Entity may terminate this Agreement upon sixty (60) days written notice:

(a) Existing State Revolving Fund loans of the municipal Entities assumed by the Authority are restructured for a thirty (30) year term with the first five (5) years interest only and an interest rate not to exceed four and one half percent (4 1/2%); and

(b) At least one million dollars (\$1,000,000.00) in grant/loan (85%/15%) stimulus funding from the American Recovery and Reinvestment Act of 2009 administered by the Florida Department of Environmental Protection is received to fund System capital improvement projects; and

(c) The Authority receives a ten million dollar (\$10,000,000.00) bank loan with level principal and interest payments, a ten (10) year term and an interest rate not to exceed six percent (6%); and

(d) The combined Operating Revenues of the Belle Glade System, the Pahokee System and the South Bay System is equal to or greater than ninety percent (90%) of thirteen million four hundred and seventy thousand dollars (\$13,467,000) for the period May 1, 2008 through April 30, 2009 or a similar recent trailing twelve (12) month period.

(2) Any Entity may terminate this Agreement prior to the Transfer Date if any Municipal Entity fails to pay in full all Debt Obligations incurred by such Municipal Entity and due and payable on or before September 30, 2009.

(C) **Automatic Renewal.** This Agreement shall otherwise thereafter automatically renew for successive forty (40) year periods unless any Entity opts in writing, not less than one year prior to the end of any term, not to renew or extend this Agreement.

(D) **Termination by Unanimous Agreement.** This Agreement may be terminated by law or at any time by the unanimous written agreement of the Entities; provided, however, that no termination shall impair the rights of any holders of Debt Obligations of the Authority.

**Section 7.11. DISPOSITION OF UTILITY SYSTEM AND UTILITY ASSETS ON TERMINATION.** The System and appurtenant facilities related thereto of each Entity shall revert to the applicable Entity upon termination if the indebtedness or obligation related to the System has not been assumed, retired or paid by the Authority, including the indebtedness referenced in Section 3.02(F)(1)(c) herein and any debt of the County incurred as a result of a

back up pledge by the County as provided in Section 6.09 herein as applicable. If said indebtedness and obligation has been assumed, retired or paid in full by the Authority, upon termination the proceeds of the sale or disposition of the Utility System and Utility Assets shall be prorated among the Municipal Entities in proportion to the Proportionate Water Share of each Municipal Entity as of the date of disposition. This provision for disposition of the Utility System and Utility Assets shall not preclude the Authority from transferring all or any part of the Utility System or Utility Assets to any one or more of the Entities without additional consideration.

**Section 7.12. GOOD FAITH.** The parties agree to act in accordance with the principles of good faith and fair dealing in the performance of this Agreement.

**Section 7.13. FAILURE OF PERFORMANCE; DISPUTE RESOLUTION; RIGHTS AND REMEDIES.**

(A) **Breach.** A breach of this Agreement shall mean a material failure to comply with any of the provisions of this Agreement.

(B) **Dispute Resolution.** The parties hereto expressly covenant and agree that in the event a party is in default of its obligations herein, one or more of the parties not in default shall provide to the party in default written notice of such default. After transmittal and receipt of a notice specifying the area or areas of disagreement, the parties agree to meet at reasonable times and places, as mutually agreed upon, to discuss the issues. Any party may initiate the dispute resolution process by providing written notice to the other parties.

(C) **Rights: Remedies.** The parties agree to resolve any dispute related to the interpretation or performance of this Agreement in the manner described in this Section. If the parties are unable to informally resolve the disputed issues, unless otherwise provided herein, the parties may proceed at law or in equity to enforce their rights under this Agreement and seek any remedies available at law or in equity.

(D) **Litigation Costs and Fees.** In any litigation arising out of this Agreement, each party in such litigation shall bear its own attorneys fees and costs.

**Section 7.14. NOTICES.** All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, or sent by nationally recognized overnight courier (with delivery instructions for "next business day" service) to the parties at the following addresses:

County:

Attention: County Administrator  
(with a separate copy sent to the County Attorney)

Belle Glade:

Attention: City Manager  
(with a separate copy sent to the City Attorney)

Pahokee:

Attention: City Manager  
(with a separate copy sent to the City Attorney)

South Bay:

Attention: City Manager  
(with a separate copy sent to the City Attorney)

Any of the parties may, by notice in writing given to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Any notice shall be deemed given on the date such notice is delivered by hand (or facsimile transmission) or three days after the date mailed.

**Section 7.15. APPLICABLE LAW AND VENUE.** This Agreement shall be governed by and construed in accordance with the laws of the State. Unless otherwise required by law or otherwise agreed to by all parties hereto, venue for any action or proceeding to construe or enforce the provisions of this Agreement shall be in the Circuit Court in and for the County.

**Section 7.16. EXECUTION IN COUNTERPARTS.** This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 7.17. TIME IS OF THE ESSENCE.** Time is of the essence in this Agreement. The time period specified in this Agreement shall expire at midnight on the date stated unless the parties agree in writing to a different date or time. Any time period provided for herein that ends on a Saturday, Sunday or legal holiday shall extend to 5:00 P.M. on the next business day.

**Section 7.18. COUNTY TERMINATION OPTION.** If the Debt Obligations have not been assumed by the Authority and the Entities' Systems have not been transferred to the Authority by October 1, 2009, then, notwithstanding any provision of this Agreement to the contrary, the County shall have the right to terminate this Agreement and any other agreements pertaining hereto by providing written notice to the other parties.



**IN WITNESS WHEREOF**, Palm Beach County, the City of Belle Glade, the City of Pahokee, and the City of South Bay have caused this Agreement to be duly executed and entered into as of the \_\_\_ day of \_\_\_\_\_ 200\_\_.

**ATTEST:**  
**SHARON R. BOCK, CLERK &**  
**COMPTROLLER**

**PALM BEACH COUNTY, BY ITS**  
**BOARD OF COUNTY**  
**COMMISSIONERS**

By: \_\_\_\_\_  
Deputy Clerk

By: \_\_\_\_\_  
Jeff F. Koons, Chairman

(SEAL)

**APPROVED AS TO FORM AND**  
**LEGAL SUFFICIENCY**

**APPROVED AS TO TERMS AND**  
**CONDITIONS**

By: \_\_\_\_\_  
County Attorney

By: \_\_\_\_\_  
Director of Water Utilities

**THE CITY OF BELLE GLADE, FLORIDA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
City Clerk

**APPROVED AS TO FORM AND  
LEGAL SUFFICIENCY**

By: \_\_\_\_\_  
City Attorney

**THE CITY OF PAHOKEE, FLORIDA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
City Clerk

**APPROVED AS TO FORM AND  
LEGAL SUFFICIENCY**

By: \_\_\_\_\_  
\_\_\_\_\_  
City Attorney

**THE CITY OF SOUTH BAY, FLORIDA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
City Clerk

**APPROVED AS TO FORM AND  
LEGAL SUFFICIENCY**

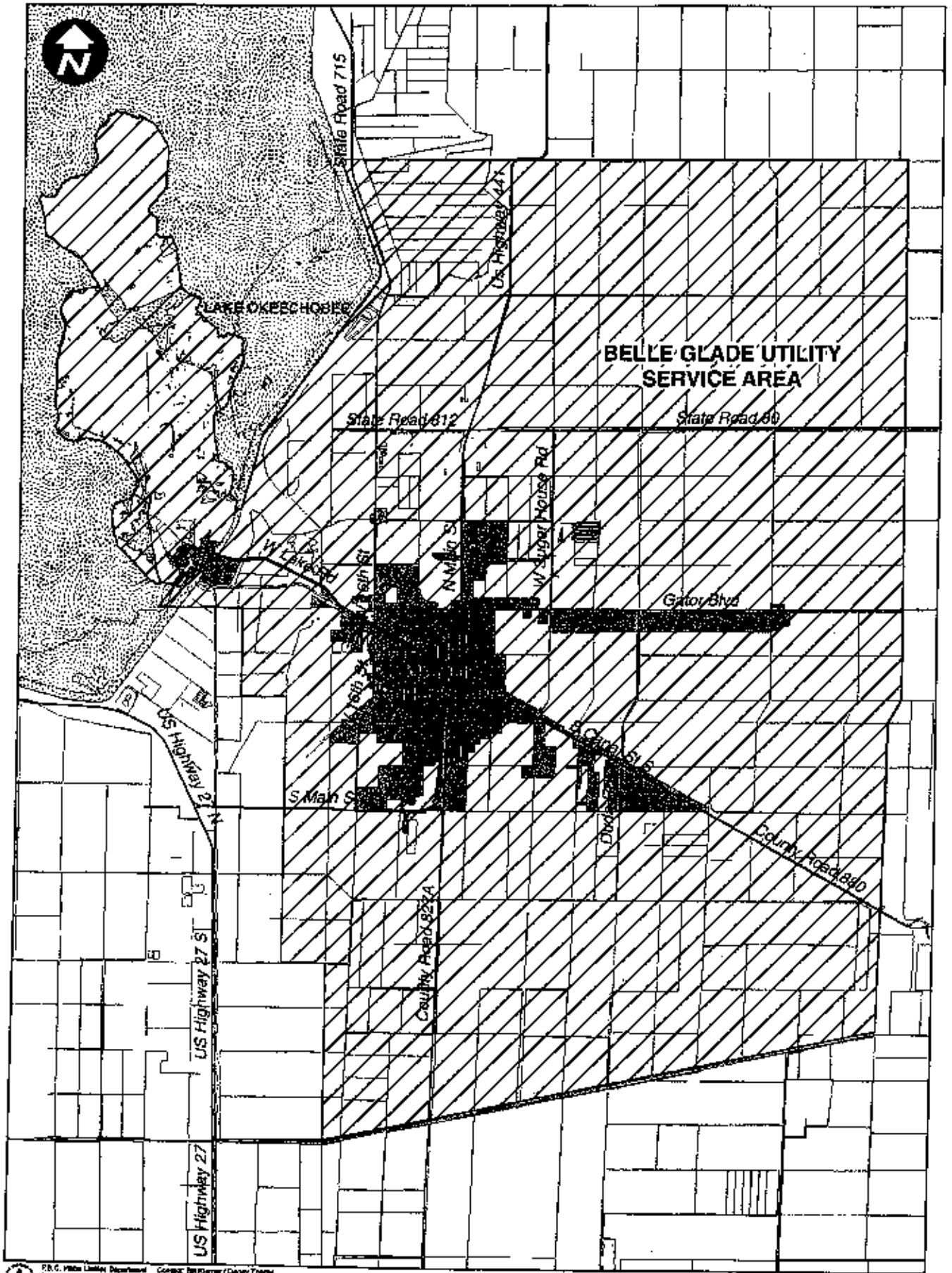
By: \_\_\_\_\_

City Attorney

**COMPOSITE APPENDIX 1**

**MAP OF UTILITY SERVICE AREA OF MUNICIPAL ENTITIES**

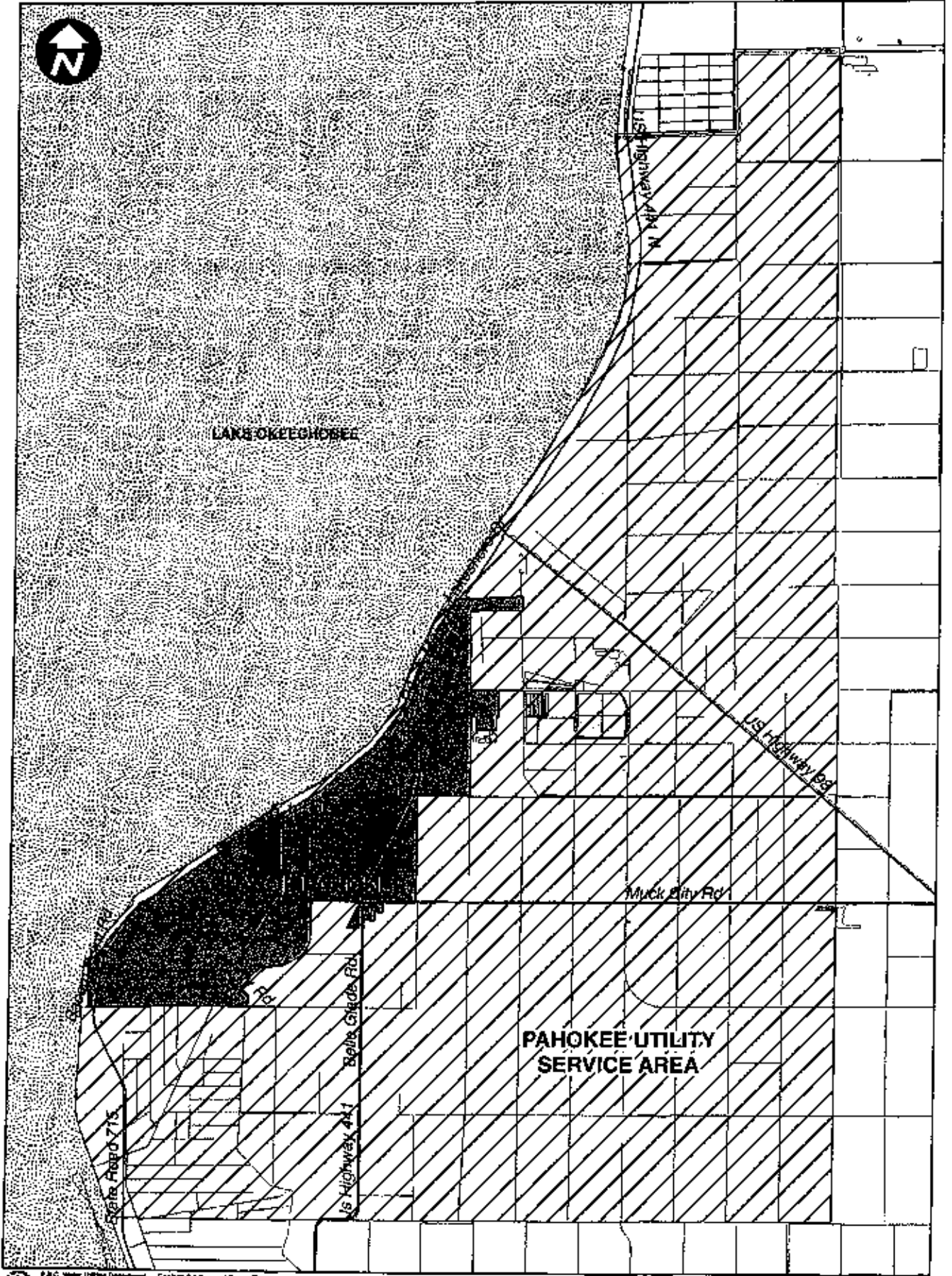
# Appendix 1 City of Belle Glade



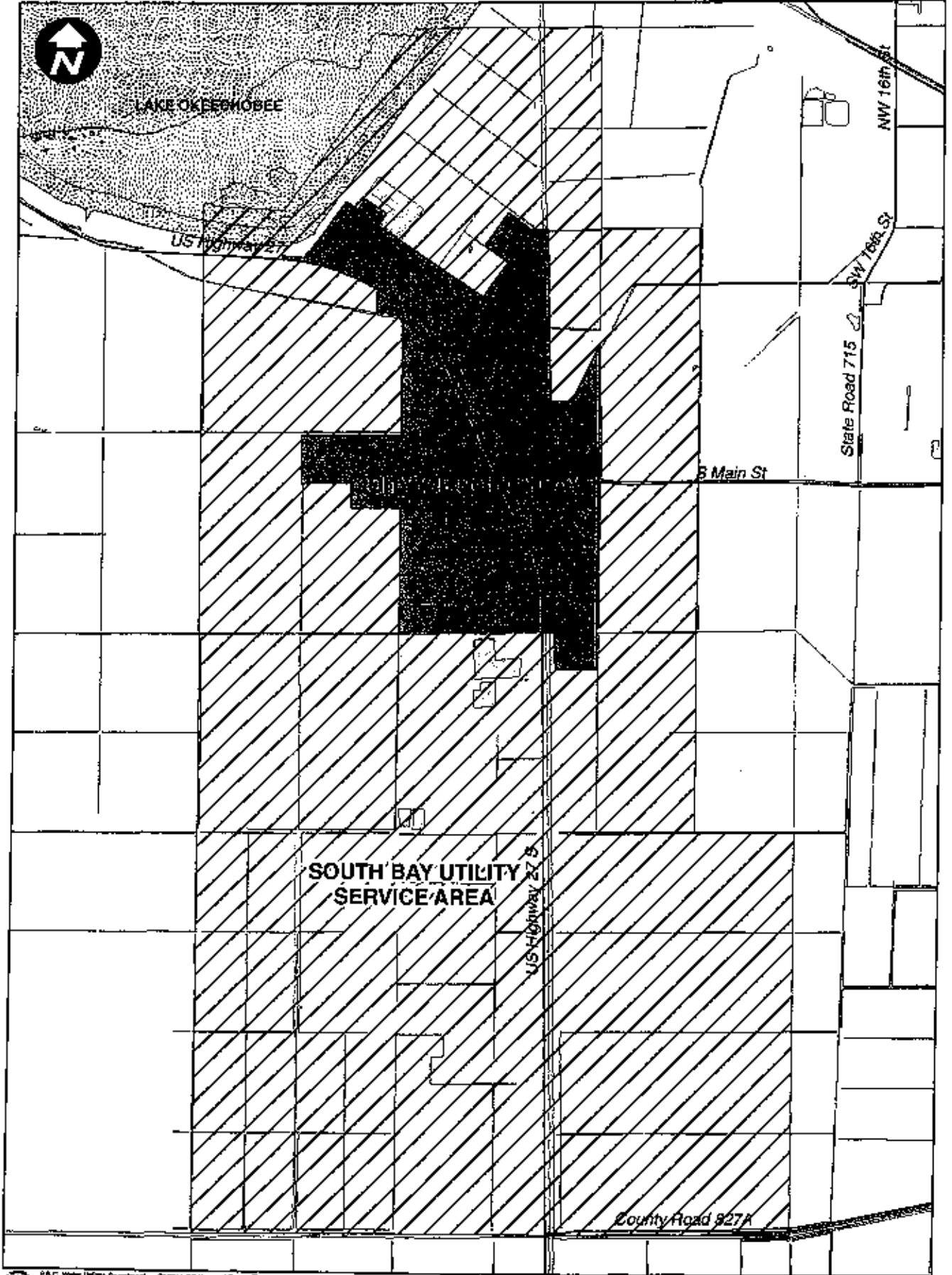
P.B.C. Water Utility Department  
4100 Forest Hill Blvd.  
West Palm Beach, Florida 33418  
Phone: (561) 433-4500


Graphic by Planner / Danny Threlk  
File Name: W320PROJ021511.A  
Appendix 1 Lake Okechobee City & SA Area  
Map Creation: May 27, 2025


# Appendix 1 City of Pahokee



# Appendix 1 City of South Bay



 P&C Water Utility Department  
8900 Pineda Hill Blvd.  
West Palm Beach, Florida 33411  
Phone: (561) 433-6500

 W&S Environmental Services  
P.O. Box 10000  
West Palm Beach, Florida 33411  
Phone: (561) 433-6500

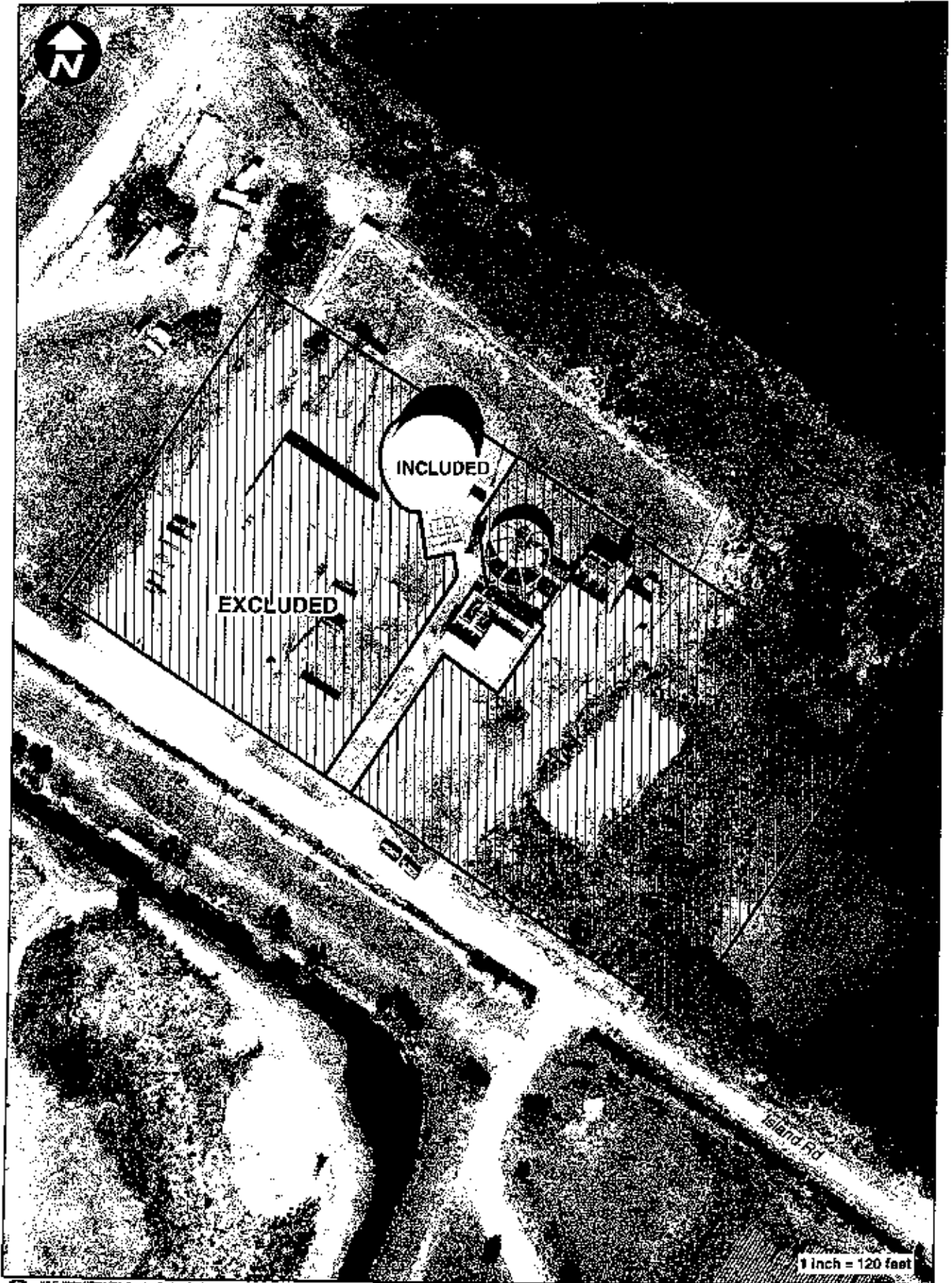


## COMPOSITE APPENDIX 2

### LIST OF EXCLUDED UTILITY ASSETS

1. South Bay Water Treatment Plant, associated water intake structure and water intake piping, except for high service pump and potable water storage tank facilities, as shown on the marked drawing and legal description in Appendix A-1 attached hereto.
2. Belle Glade Water Treatment Plant and associated water intake structure, except for the two (2) potable water storage tanks, high service pump building and potable water meter station, as shown on the marked drawing and legal description in Appendix A-2 attached hereto.
3. Pahokee Water Treatment Plant, associated water intake structure and water intake piping, with the exception of the elevated potable water storage tank, as shown on the marked drawing and legal description in Appendix A-3 attached hereto.
4. South Bay Wastewater Treatment Plant and associated ponds, except for an easement for a new master lift station and force main connecting the force main to Belle Glade, as shown on the marked drawing and legal description in Appendix A-4 attached hereto.
5. Belle Glade Elevated Storage Tanks as shown on the marked drawings and legal descriptions in Appendix A-5 hereto.

# Appendix A-1 South Bay Water Treatment Plant



Mass DEP  
100 Water Street  
Boston, MA 02109  
Phone: (617) 450-4000

Contract: 04-KW-01 / Ocean State  
Site Name: WINDBORNE/CFR/114  
Appendix A South Bay WTP/114  
Map Created: May 20, 2008

# Appendix A-2 Belle Glade Water Treatment Plant

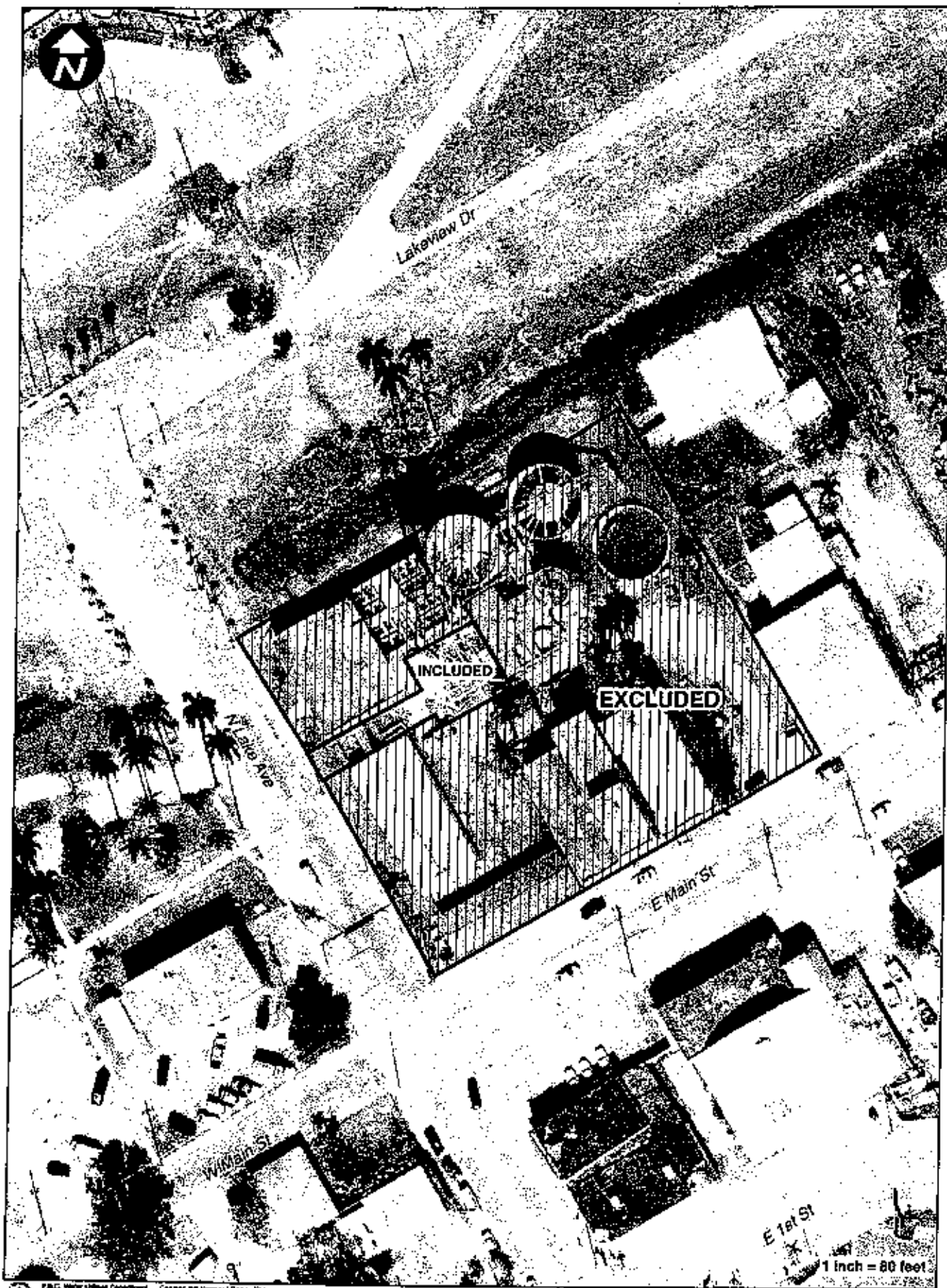


P.B.C. Water Utilities Department  
6000 Ponce de Leon Blvd.  
West Palm Beach, Florida 33418  
Phone: (561) 882-9200

Contract: 04-00-0001 / Danny Thorpe  
File Number: 99-02099-01-00179-0, U.A.  
Appendix A, Belle Glade, WTP Plant  
Map Created: May 20, 2009

1 inch = 90 feet

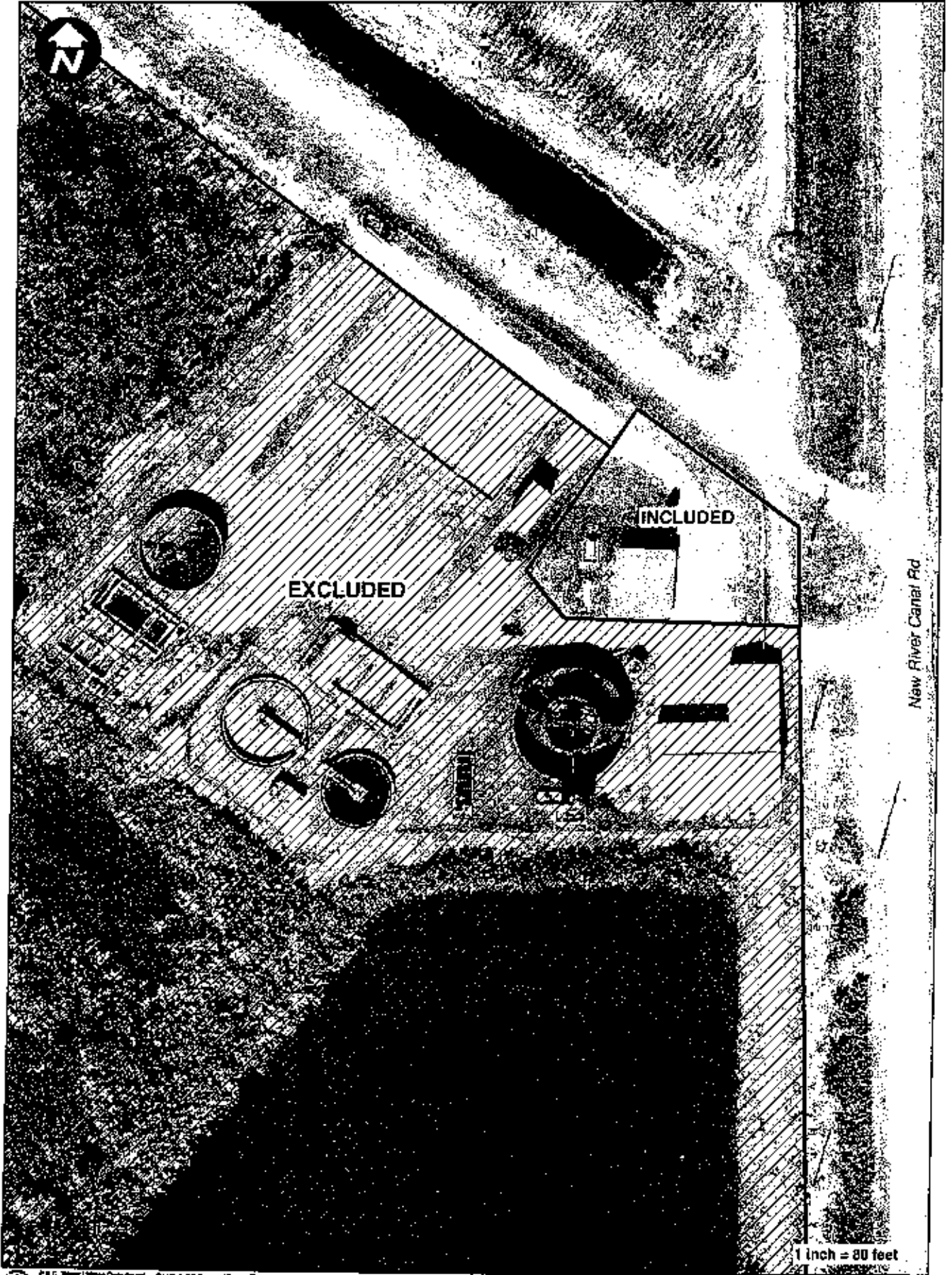
# Appendix A-3 Pahokee Water Treatment Plant



P.A.C. Water Utility District  
5100 Forest Hill Blvd.  
West Palm Beach, Florida 33416  
Phone: (561) 483-6000

CONTACT Bill Kruse / Davey Thorpe  
File Name: WWS/PAC/APPENDIX A-3  
Appendix A - Pahokee WTP Area  
Map Created: May 22, 2020

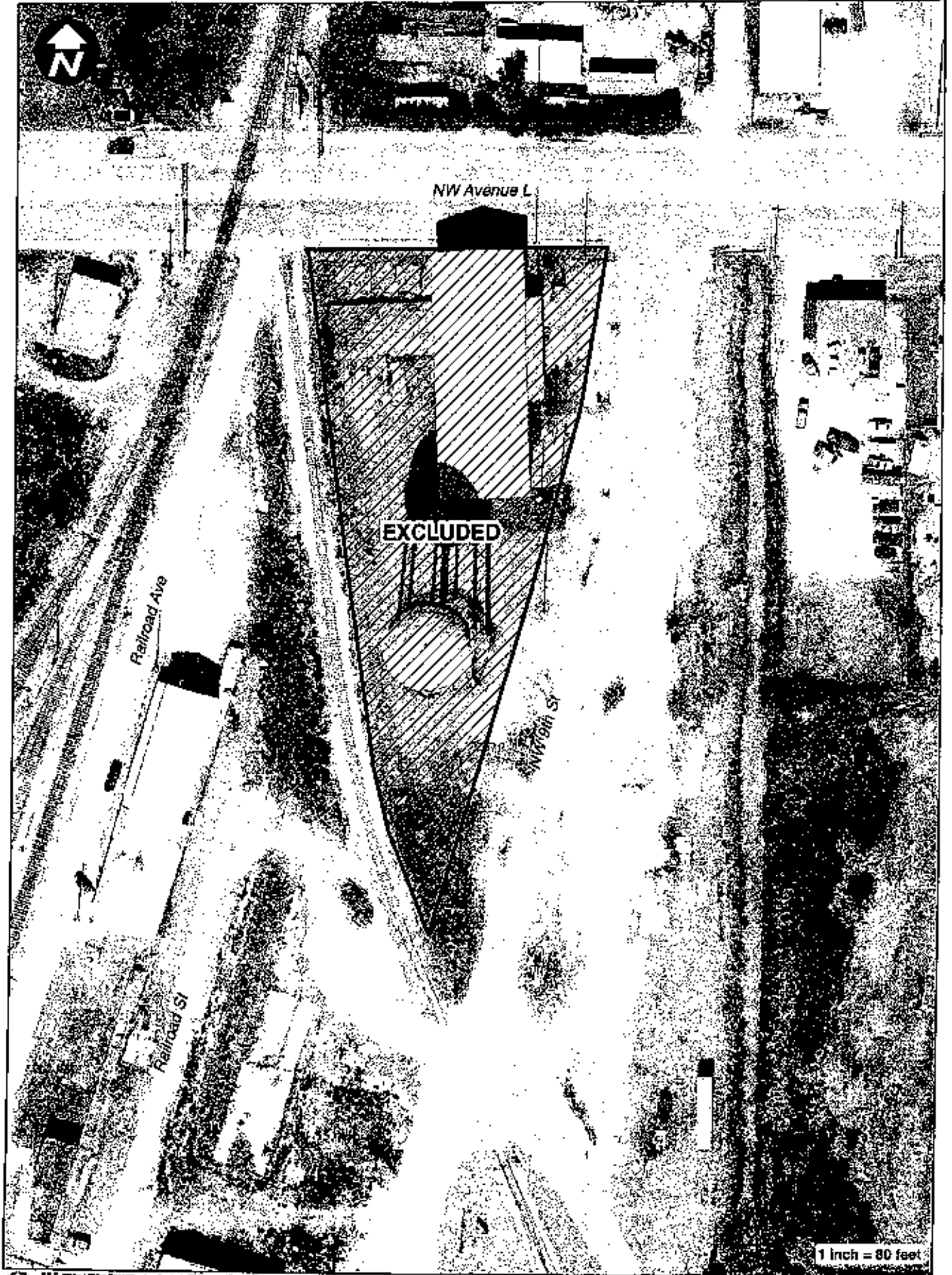
# Appendix A-4 South Bay Wastewater Treatment Plant



F.D.E.P. Water Utilization Department  
8100 Forest Hill Blvd.  
West Palm Beach, Florida 33414  
Phone: (904) 622-6500

Contract: SR-Kramer / Karmy Thiede  
File Name: WWSLPROJESTR01.DWG  
Appendix A South Bay WWTPLand  
Map Creation: May 28, 2008

# Appendix A-5 Belle Glade Elevated Storage Tank



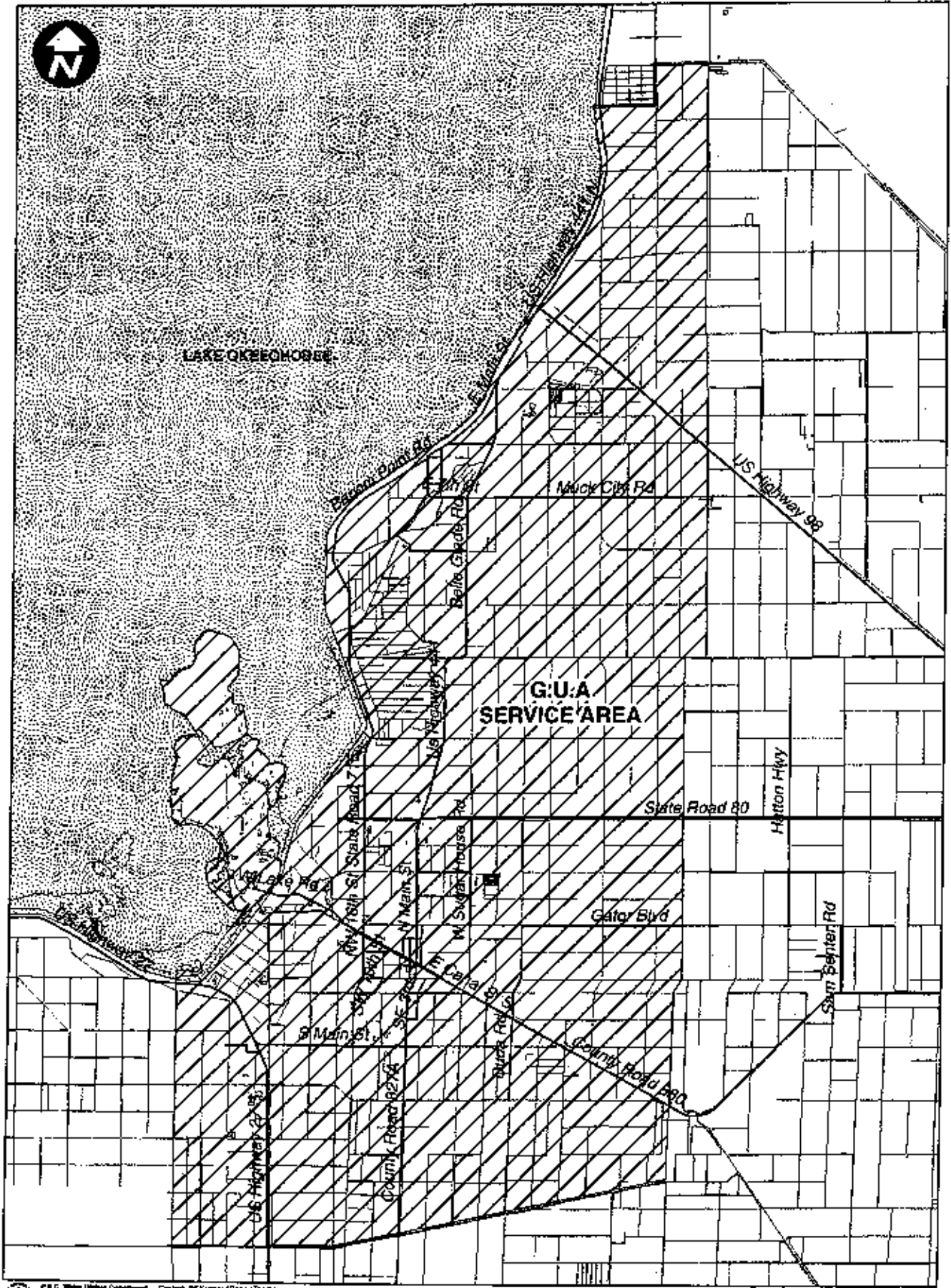
F. E. White Utilities Design/Construct  
6100 Forest Hill Blvd.  
West Palm Beach, Florida 33414  
Phone: (561) 881-0000


Contact: Bill Korman / Danny Thorne  
File Name: WUDSP/PROJECTS/D.A.  
APPENDIX A Data Sheet - ES L100  
Last Printed: 08/27/2008

**APPENDIX 3**

**MAP DEPICTING SERVICE AREA**

# Appendix 3 Glades Utility Authority Service Area




**FLORIDA DEPARTMENT OF NATURAL RESOURCES**  
 8100 Forest Hill Blvd.  
 Miami, Florida 33149  
 Phone: (305) 424-4333

Contact: DE KUNER / DANNY THORPE  
 File Name: WIGWAGUEST03.GUA  
 Lake Region: 9/16/04  
 Map Created: Mar 27, 2009



**APPENDIX 4**

**LIST OF COUNTY REGULATORY VIOLATIONS**

None

## APPENDIX 5

### LIST OF BELLE GLADE REGULATORY VIOLATIONS

The obligations of the following enforcement and consent orders shall transfer to the Authority as of the Transfer Date:

#### Wastewater Treatment Facility

##### FDEP Consent Order OGC File No. 08-2595 (Draft 11/08)

Violation: On 7/21/08 and 7/22/08, the facility discharged untreated wastewater to an unnamed canal along part of US Hwy 27.

Orders: (1) Complete an evaluation of the entire wastewater collection and transmission system Citywide and submit a written Infiltration and Inflow (I&I) Program proposal; (2) implement the I&I Program within 30 days of the FDEP's approval; and (3) pay FDEP a penalty of \$10,500.

##### FDEP correctional items requirements for a permit renewal dated 9/4/2008 and out of compliance letter dated 7/7/2008 (Final 11/5/08)

Violation: The facility does not meet design and O&M requirements.

Orders: A permit renewal application requires eight action items indicated in the O&M Performance Report to be addressed as soon as possible. The items include grit reevaluation/refurbishing removal unit, clarifiers, a scum pump motor, effluent pressure pumps to the injection well, oxidation ditch, structural crack on the oxidation ditch, repainting and recoating of metal components/buildings/structures, chlorine tank facility roof damaged by Hurricane Wilma, and investigation of I&I.

#### Water Treatment Facility

##### FDOH Consent Order HD-028-08-58 (Draft 11/5/08)

Violations: Warning letter on 4/6/2005 indicating that the City's WTP failed to submit water quality data. Warning letter on 8/5/2005 indicating that the City's WTP failed to meet turbidity requirements and to keep water system components in proper operation and maintenance. Warning letter on 3/13/2006 indicating that the City failed to meet the turbidity requirements and keep system components in proper operation and maintenance. Warning letter on 3/19/2008 indicating that the City failed to submit water quality data and provide an automatic system start up of the auxiliary source and transfer electrical loads.

Orders: The City shall pay a penalty of 438,490 if it fails to correct the violations. The City shall pay cost and expenses incurred by the FDOH in the amount of \$500. The City shall

remove all drinking water treatment chemicals that will no longer be used at the City's WTP, remove standing water from WTP's vessels, de-energize and disconnect all electrical lines to the components that are no longer in service, and secure the WTP. The City shall decommission the WTP that is no longer in use.

APPENDIX 6

**LIST OF PAHOKEE REGULATORY VIOLATIONS**

The obligations of the following enforcement and consent orders shall transfer to the Authority as of the Transfer Date:

**Wastewater Treatment Facility**

**FDEP compliance requirements for permit application (Draft 10/10/08)**

Violation: The City does not meet the compliance schedule for improvements indicated in the wastewater treatment plant operating permit.

Order: The City shall implement the compliance improvement schedule indicated in the permit.

**FDEP Consent Order No. 06-1984 (Final 9/29/06)**

Violation: Sewage spill to a canal at State Road 15A and US Highway 441 on 7/10/2006.

Order: The City must pay a \$5,000 penalty or commission a Sanitary Sewer Evaluation Study to be approved by FDEP; the City must pay a \$500 administration fee.

**APPENDIX 7**

**LIST OF SOUTH BAY REGULATORY VIOLATIONS**

The obligations of the following enforcement and consent orders shall transfer to the Authority as of the Transfer Date:

**Wastewater Treatment Facility**

**FDEP Consent Final Judgment Case No. 3007 CA 6409-MB, 15<sup>th</sup> Judicial Court (Final 9/11/2007)**

Violation: The existing WWTP cannot be permitted under the Florida Administrative Rule because it cannot provide the minimum treatment required to meet quality standards. Other continuous violations.

Orders: The City must pay a \$11,000 penalty; report all unauthorized discharges that exceed 1,000 gallons; remove headworks structure from operation, prevent any structural/operational failure of the headworks structure; pump all wastewater to the Belle Glade WWTP for treatment and disposal; submit a plan for operating the collection system; provide an emergency response plan; complete installation of a new pump at the wastewater wet well that can handle 100% wastewater flow including those times during high rainfall events; install and calibrate flowmeters to measure flow entering the old WWTP; and submit a permit application to build a new WWTP or a permit application to convert the City's raw sewage connection to the City of Belle Glade's WWTP.

**TRANSITION AGREEMENT**

**THIS TRANSITION AGREEMENT** ("Agreement") is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 2009, by and among the City of Belle Glade, Florida ("Belle Glade"), the City of Pahokee, Florida ("Pahokee"), the City of South Bay, Florida ("South Bay"), and Palm Beach County, Florida ("County") (each individually, the "Entity" and, collectively, the "Entities").

**WHEREAS**, the Entities have entered into that certain Interlocal Agreement By and Among the City of Belle Glade, Florida, the City of Pahokee, Florida, the City of South Bay, Florida, and Palm Beach County adopted as of \_\_\_\_\_, 2009 ("Interlocal Agreement");

**WHEREAS**, the Entities desire to provide for the smooth transition of the Utility Assets, Systems and Utility Service and for certain post-closing matters, as set forth below;

**WHEREAS**, to provide for the smooth transition of Utility Assets, Systems and Utility Service and for certain post-closing matters, as set forth below, the parties desire to enter into this Agreement.

**NOW, THEREFORE**, for ten (\$10.00) dollars and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree:

**Section 1. INTERPRETATION.** Capitalized terms not defined herein shall have the meanings set forth in the Interlocal Agreement.

**Section 2. COUNTY ASSISTANCE.** The parties recognize that the County is particularly well positioned and has the capacity to most efficiently and effectively assist with the administrative and operational aspects of the transfer contemplated in the Interlocal Agreement and herein. The County agrees to and shall use its abilities and resources to effect the administrative and operations aspects of the transfer contemplated in the Interlocal Agreement and herein. It is the express intention of the parties to use the existing capabilities, resources and personnel of the County to transition the Utility Assets, Systems and Utility Service to the Authority pursuant to the terms and conditions of the Interlocal Agreement and as provided herein.

**Section 3. COOPERATION OF ENTITIES.** As soon as reasonably practicable after execution of this Agreement, the Entities shall timely cooperate with the Authority in more fully identifying the Utility Assets.

**Section 4. OBLIGATIONS OF THE MUNICIPAL ENTITIES.** Within thirty (30) days of entering into the Interlocal Agreement, each Entity shall provide the following information and data to the County for such Entity's System and Utility Assets in as complete a manner as possible given the availability of data and shall cooperate with the County to either

transfer the associated documents to the County or loan them to the County so that the information and data can be copied:

(1) A schedule providing a complete legal description or recording references of all known real property owned and used in the operation of the System, the Utility Assets or in providing Utility Service.

(2) A schedule of available plans and specifications in the possession of the Entity that substantially describes the System's water and wastewater plants, lift or pump stations, wastewater collection system, and major transmission and reuse and non-potable water facilities.

(3) A schedule of available existing third party warranties that relate to completed or in progress construction.

(4) A schedule of all known current or active permits, applications or other documents, together with effective dates and any expiration dates that authorize the operation of the System's water and wastewater treatment facilities by all applicable governmental authorities.

(5) A schedule of all known System maps.

(6) An inventory of the equipment, vehicles, tools, parts, laboratory equipment, computer equipment, and other personal property with a value exceeding one thousand dollars (\$1,000.00) that are primarily used in connection with the operation of the System, the Utility Assets or in providing Utility Service.

(7) A schedule of all known operating and vendor contracts pertaining to the System, the Utility Assets or the provision of Utility Service.

(8) A schedule of all known executory reuse or effluent disposal agreements entered into by the Entity, or its predecessor, for the sale or reuse of effluent delivered through the System, Utility Assets or performed in conjunction with the Utility Service.

(9) A schedule of all known executory agreements, including any developer agreements entered into by the Entity or its predecessor and owners or developers of real property, for the provision of water or wastewater disposal services through the System, Utility Assets or in conjunction with providing Utility Service.

(10) A schedule of all known executory agreements under which the Entity, as the owner of the System and the Utility Assets or in conjunction with providing Utility Service, has any continuing or outstanding water or wastewater service obligations that shows the total number of (a) contractual connections; (b) contractual connections paid for and not yet connected; (c) contractual connections not yet paid for and not yet connected; and (d) any

contractual connections for which the Entity has or expects to begin collecting a periodic minimum or base charge prior to the Transfer Date.

(11) A schedule of any other agreements entered by the Entity and third parties that would materially affect or constitute an encumbrance upon the System or the Utility Assets or otherwise materially affect the provision of Utility Service, including, without limitation, any leasehold agreements or oral agreements, if any. If any oral agreements exist, they shall be so identified together with a narrative of the terms thereof.

(12) A schedule of all current tariffs that represent the most current schedule of rates, fees and charges being imposed in conjunction with the System, the Utility Assets or the provision of Utility Service.

(13) A schedule, description and estimate of available moneys, funds, accounts, or any other intangibles held under or pursuant to any Debt Obligations, indenture of trust, resolution, ordinance or other instrument by the Entity, or any third party, for the benefit of any ratepayers of the System, or in connection with the financing or operation of the System, the Utility Assets or in conjunction with providing Utility Service.

(14) A schedule of electrical utility accounts, including account numbers, meter numbers, and locations of all electrical services, to be transferred to the Authority.

(15) All customer information, including type of service, service location, billing address, billing records, meter size, an inventory of meters two (2) inches and larger if available, and any other information necessary to bill existing accounts. All customer information relating to garbage or storm water billing as described in Section 6.10 of the Interlocal Agreement.

(16) The most recent audited or unaudited financial statements of the Entity.

(17) Copies of any property insurance covering any assets to be transferred to the Authority.

**Section 5. OBLIGATIONS OF THE COUNTY.** Within ninety (90) days of entering into this Agreement or by the Transfer Date, whichever shall first occur, the County shall prepare, complete and deliver to the Authority schedules of the information provided by the Entities as set forth in Section 4 herein in as complete a manner as possible given the available data, without liability to the County for errors or omissions.

**Section 6. TEMPORARY OPERATION OF SOUTH BAY WASTEWATER TREATMENT PLANT.** As part of the transition, South Bay shall allow the Authority to continue operating portions of the wastewater treatment plant, as identified in Composite Appendix 2 of the Interlocal Agreement, for a period of twelve (12) months after the Transfer



Date to pump wastewater to Belle Glade for treatment until a new master lift station can be constructed.

**Section 7. USE OF PROPERTY.** The Entities shall cooperate with the Authority for the use of property, privileges, easements, licenses and/or prescriptive rights for the construction, reconstruction, installation, maintenance, replacement, renewal and operation of the Utility System following the Transfer Date; however, nothing in this section is intended to affect or modify the provisions of Section 337.403, Florida Statutes, regarding relocation of utilities in any public right-of-way or easement.

**Section 8. TRANSFER OF PERMITS.** The Entities and the Authority shall cooperate with each other with respect to the preparation, filing and processing of all assignment or transfer of permits necessary to operate the Utility System.

**Section 9. USE OF ENTITY FACILITIES AND BILLING SYSTEMS.** To the extent that the Entities' possess facilities and computer billing systems that are not used exclusively for the Systems and that, therefore, will not be transferred to the Authority as Utility Assets pursuant to the Interlocal Agreement, the Authority may utilize such facilities and computer billing systems for up to three hundred and sixty five (365) days after the date of the Interlocal Agreement so that the Authority may fully transfer each Entity's customer records to the Authority's billing system. In the billing period immediately preceding the estimated Transfer Date, each Entity shall deliver a written notice to their customers that the applicable System is being transferred to the Authority.

**Section 10. ACCOUNTS PAYABLE AND RECEIVABLE.** The Entities shall be responsible for the payment of all accounts payable and outstanding contract obligations encumbered prior to the Transfer Date.

The Entities shall be responsible for the collection of all accounts receivable prior to the Transfer Date. To facilitate an orderly transition of customer billing, each Entity will produce a final billing within seven (7) days prior to the Transfer Date and final meter readings will be provided by each Entity to the Authority within seven (7) days after the Transfer Date. The Authority or its designee shall be responsible for the billing and collection for all services provided after the Transfer Date. Any funds received from customers related to billings prior to the Transfer Date shall be remitted to the Entities. The Authority shall, at the request of an Entity, discontinue service to a customer for unpaid utility charges owed to the Entity prior to the Transfer Date.

**Section 11. CUSTOMER DEPOSITS AND ACCRUED INTEREST.** Except as provided in Section 6.09(B) of the Interlocal Agreement, cash sums that represent the Systems' customers' water and wastewater service security deposits held by each Entity shall be transferred to the Authority on the Transfer Date. If the Entity normally pays interest on customers' deposits, an amount equal to the accrued interest as of the Transfer Date shall likewise be transferred to the Authority.

**Section 12. SERVICE CONTRACT.** Within sixty (60) days of the effective date of this Agreement, the Authority shall enter into an agreement with the County for the provision of services by the County to the Authority. The scope of the agreement shall include administrative, management, customer service, billing, collection, procurement, financial services, accounting services, operation, maintenance, rehabilitation and replacement, engineering and construction services for the Utility System ("Service Contract"). For the first year, the fee to be charged by the County to the Authority under the Service Contract shall be based on the actual cost of services provided, with a commitment by the County to use all practical efforts to remain within the established budget of the Authority. The fee to be charged by the County to the Authority under the Service Contract thereafter may include fixed or unit prices where those prices may be reasonably estimated and remaining services may be provided on an actual cost basis.

**Section 13. EMPLOYEE TRANSITION.** The County shall provide all staff for performing the services required by the Service Contract, and the staff shall be County employees. Pursuant to Section 6.02 of the Interlocal Agreement, the County shall offer employment to those persons identified by a municipal Entity as municipal Entity utility personnel, and who are employed full-time in the operations, maintenance, customer service, or billing or collection activities of such municipal Entity's System. Within thirty (30) days of entering into this Agreement, each municipal Entity shall provide a listing of all eligible municipal Entity employees to the County. The listing shall include, but not be limited to: the name, current salary, hourly rate, date of hire and job title of each municipal Entity utility employee. A separate job description for each current utility position shall be provided, if available.

Within sixty (60) days of entering into this Agreement, the County shall request an application from each eligible municipal Entity employee. Thereafter, the County shall meet with such employee to explain the County's hiring and benefits program, determine such municipal Entity utility employee's skills and abilities, and determine, in the County's sole discretion, the County utility job description that most closely matches the employee's present employment and skills and abilities. The County shall offer the municipal Entity utility employee employment in the similar job description position, if available. Such offer of employment shall be conditioned upon the municipal Entity employee meeting the necessary legal requirements for employment, the County completing the necessary background checks, physicals and confirmation that the municipal Entity utility employee meets any other additional minimum requirements of the identified utility position with the County. The municipal Entity utility employee will have thirty (30) days from the date that employment with the County is offered, if applicable, to notify the County whether the municipal Entity employee has decided to accept the offered position. The employment by a municipal Entity of any utility employee accepting a position with the County will terminate at the close of business on the Transfer Date, and such utility employee shall become a new employee of the County on the day after the Transfer Date, subject to the normal twelve (12) month probation period and eligibility for applicable County benefits. The municipal Entity employee's salary will be set at or above the employee's salary at the time the parties enter into this Agreement. The County may offer

employment to any eligible municipal Entity utility employee at any location within the County's water and wastewater utility service area.

Utility employees who are currently provided health insurance by the employing municipal Entity and accept employment with the County will continue to be provided with the same health insurance coverage by the municipal Entity after the Transfer Date, at the County's expense and reimbursed by the Authority through the Service Contract, until County health insurance is available. Each municipal Entity agrees that it shall be responsible for all obligations to their utility personnel for accrued retirement, sick leave, vacation, worker's compensation claims and all other employment-related claims accrued during employment by the applicable municipal Entity prior to the Transfer Date.

**Section 14. VEHICLE AND EQUIPMENT TRANSITION.** Within ninety (90) days of the execution of this Agreement, each Entity shall provide to the County all necessary documentation for the transfer of title, licenses and registrations to the Authority for all vehicles and portable equipment considered to be "rolling stock" primarily used to conduct utility business for the Entity. Each Entity shall provide a "Bill of Sale" for the items referenced herein and assist with other documentation that may be necessary to transfer the title and obtain a registration. Each Entity shall arrange for the County to inspect all vehicles and rolling stock equipment within ninety (90) days of the execution of this Agreement. The Entities shall not arbitrarily transfer vehicles and rolling stock primarily used for utility purposes to other agencies, departments or other divisions of the Entities.

To the extent that additional vehicles and/or equipment are required in addition to those transferred to the Authority, they shall be supplied by the County and paid for under the terms of the Service Contract based on actual costs. Equipment purchased by the County and fully paid by the Authority under the Service Contract will become an asset of the Authority.

**Section 15. CAPITAL IMPROVEMENTS.** Capital improvements to the System made by or donated to the Entities from the approval date of the Interlocal Agreement until the Transfer Date shall be included as assets of the System transferred to the Authority at no additional charge.

**Section 16. CONSUMABLES.** Consumables contained within assets of the System transferred to the Authority on the Transfer Date shall become the property of the Authority at no additional charge.

**Section 17. SITE VISITS.** Each Entity shall cooperate with the County to arrange site visits during the transition period prior to the Transfer Date to facilitate transition planning.

**Section 18. TRANSITION TEAM.** Each Entity shall name an individual to serve as transition coordinator, and the designee of each Entity shall comprise the transition team prior to the Transfer Date. The transition team will serve as a single point of contact with the Entities leading

up to the Transfer Date, and will hold periodic meetings to coordinate a smooth transition of the Utility System and Utility Assets to the Authority.

**Section 19. CONTINUING DISCLOSURE.** Each Entity agrees that it shall be under a continuing obligation to notify the Authority in writing in the event of a material change in the information and data provided pursuant to this Agreement.

**Section 20. SURVIVAL OF AGREEMENTS.** The parties have included some, but not all, of the agreement between them contained in the Interlocal Agreement. The agreements set forth herein primarily relate to the transition of ownership of the Utility Assets and Systems from the Entities to the Authority. The Entities and Authority acknowledge and agree that other agreements contained in the Interlocal Agreement were excluded from this Agreement but nevertheless survive the closing of the transaction contemplated by the Interlocal Agreement.

[REMAINDER OF PAGE LEFT BLANK; SIGNATURES ON NEXT PAGE]

**IN WITNESS WHEREOF**, Palm Beach County, the City of Belle Glade, the City of Pahokee, and the City of South Bay have caused this Agreement to be duly executed and entered into as of the \_\_\_ day of \_\_\_\_\_ 2009.

**ATTEST:**  
**SHARON R. BOCK, CLERK &  
COMPTROLLER**

**PALM BEACH COUNTY, BY ITS  
BOARD OF COUNTY  
COMMISSIONERS**

By: \_\_\_\_\_  
Deputy Clerk

By: \_\_\_\_\_  
John F. Koons, Chairman

(SEAL)

**APPROVED AS TO FORM AND  
LEGAL SUFFICIENCY**

**APPROVED AS TO TERMS AND  
CONDITIONS**

By: \_\_\_\_\_  
County Attorney

By: \_\_\_\_\_  
Director of Water Utilities

**THE CITY OF BELLE GLADE, FLORIDA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
City Clerk

**THE CITY OF PAHOKEE, FLORIDA**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
City Clerk

**THE CITY OF SOUTH BAY, FLORIDA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
City Clerk



**ENVIRONMENTAL  
FINANCIAL  
GROUP  
INC**

618 West 46<sup>th</sup> Street, Suite 204  
Minneapolis, Minnesota 55419-4641

612-672-0510 voice  
612-624-4312 fax

21 May 2009

Mr. Bevin Beaudet  
Palm Beach County Water Utilities Department  
8100 Forest Hill Blvd.  
P.O. Box 16097  
West Palm Beach, FL 33416

Re: **Glades Utility Authority – Business Plan Supplement**

Dear Mr. Beaudet:

Environmental Financial Group, Inc. ("EFG") in association with Howard C. Osterman, Inc. ("Osterman") is pleased to submit to Palm Beach County Water Utilities Department ("Department") this Business Plan Supplement relating to the proposed Glades Utility Authority (GUA).

This work has been conducted under a Consulting Services Authorization between Palm Beach County and Mathews Consulting, Inc. Environmental Financial Group, Inc. and Howard C. Osterman, Inc. are sub-consultants to Mathews. EFG and Osterman both serve the Department as rate, financial and business consultants. Neither firm provides investment banking, accounting, or legal services.

**INTRODUCTION**

This letter report is a supplement to the Glades Utility Authority (GUA) Draft Business Plan dated 26 February 2009. It serves to update certain conclusions and recommendations based on information collected and analyzed since the draft Business Plan was issued.

Specifically, the following have occurred since that time.

- Discussions with certain lenders of existing Glades cities utility bonds and bank loans.
- Discussions between County staff and the Florida Department of Environmental Protection (FDEP) regarding the restructuring of existing state revolving fund (SRF) loans and potential availability of new grants and loans to the GUA.

- Discussions between County staff and representatives of the three Glades cities on provisions to be included in the Inter-local Agreements that would establish the GUA and which have economic or financial impact on the GUA Business Plan.
- Internal Water Utilities review of operating expenses, capital improvement plans, and administrative matters related to billing, meter reading and customer service.

#### **BUSINESS PLANNING ASSUMPTIONS**

For purposes of this Business Plan Supplement, several important financial planning assumptions have been updated or revised based on the availability of new information. For financial planning purposes, it is assumed that all grants, loans, and refinancings would be completed on or about 1 October 2009, the assumed beginning of GUA operations.

*Initial Operating Revenue* – The amount of water and sewer operating revenue raised each year by the three glades cities is perhaps the most critical assumption in projecting the future financial performance of the proposed GUA. It is assumed that \$13,467,000 will be generated by GUA customers at existing rates, assuming also that Pahokee raises its water and sewer rates to the level of Belle Glade's. Validation of this initial operating revenue is critical to confirming financial viability of the GUA. Note that the projected operating revenue for the GUA's first year of operation assumes a 5 percent improvement in revenue collections and no indexing of rates.

*New State Grant and Loan* – A new \$6,303,570 combination grant and loan will be available in a mix of 83.4 percent grant and 16.6 percent loan. The loan repayment term is assumed to be 4 percent over 30 years.

*Refinancing of Existing State Revolving Fund Loans* – The approximately \$9.3 million in three existing SRF loans held by the City of Belle Glade will be refinanced with interest-only payments each year beginning in 2010 and extending through 2014. In 2015 and beyond, principal and interest payments will be payable each year. The refinancings are assumed to extend the term of the three existing loans for an additional 10 years at an assumed interest rate of 4 percent.

*New Bank Loan* – A new bank loan will be available to the GUA in the amount of \$7.7 million. Terms of the loan will not exceed 5.5 percent interest over a 10-year term. This loan would refinance the existing \$5.7 million Wachovia bank loan to the City of Belle Glade and will make \$2.0 million of additional borrowing available. The principal amount of the loan can be adjusted depending upon the outcome of state grant and loan applications referred to above.

*Additional 2010-2012 Operating Revenue Collections* – An estimated 5 percent annual increase in water and wastewater revenue collections can be attained during the first three years of GUA operations (2010-2012) through more vigorous billing, collection, and customer service administrative methods.

*Indexing Online Water and Wastewater Rates Beginning 1 October 2010* – Online water and wastewater rates will be indexed in accordance with the Consumer Price Index – Water & Sewer Maintenance Series (CPI) maintained by the US Bureau of Labor Statistics. It was assumed that both the CPI and the general level of operating expenses increase 4 percent per year over the forecast period.

*2010-2019 Capital Improvements* – The approximately \$20.6 million in capital improvements including an agreed-upon compliance schedule and other renewal and replacement investments will remain unchanged.

**2010 Operating Expenses** – The \$9.4 million operating expenses estimated by Water Utilities will be sufficient to operate and maintain the water and wastewater systems in 2010.

**Host Fees** – Annual host fees to the three Glades cities will be based on 7 percent of operating revenues. These payments offset the actual loss of municipal revenues and are a proxy for the value of assets deeded to the GUA for its business purposes.

**Renewal and Replacement** – The long-term viability of the GUA depends on its ability to maintain its water and sewer utility systems in a manner to ensure that its assets reach the intended service life. When such assets reach the end of their economic life, the GUA will be required to replace them. For purposes of this Business Plan Supplement, it is assumed that at least a part of the funding to renew and replace assets that have reached the end of their economic lives will be from cash reserves restricted for such use. Transfers into such an account have been assumed to occur, as available, after the first few years of operation, following the accelerated commitment to complete the capital projects included in the FDEP compliance order.

#### **UPDATED CONCLUSIONS AND RECOMMENDATIONS**

There are two accompanying schedules attached to this letter report.

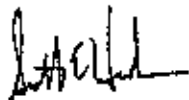
Tables 1 and 2 set forth forecasted operating results and cash flows of the GUA from 2010 through 2019.

*The GUA is projected to sustain a net loss in 2010 followed by positive net surpluses in 2011 and beyond. This is a result of funding a portion of capital projects from operating revenues.*

*The GUA is projected to establish and maintain a positive cash balance throughout the forecast period.*

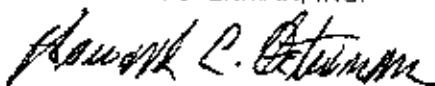
We appreciate the opportunity to submit this Business Plan Supplement to the Department and assist in this important matter. Please do not hesitate to call us at 1-612-872-0510 or 1-561-630-6990. Thank you.

Very Truly Yours,  
ENVIRONMENTAL FINANCIAL GROUP, INC.



Scott E. Harder, President/CEO

HOWARD C. OSTERMAN, INC.



Howard C. Osterman, President

Cc: Debra West, Water Utilities  
Fred Jenkins, Water Utilities  
Rene Mathews, Mathews Consulting, Inc.

**TABLE 1**  
Forecasted Income - GUA Business Plan Supplement

|   | 2010             | 2011             | 2012             | 2013             | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total Operating Revenue   | 14,140,000       | 15,441,000       | 16,852,000       | 17,636,000       | 18,237,000       | 18,966,000       | 19,725,000       | 20,514,000       | 21,335,000       | 22,188,000       |
| Operating Expenses Before Depreciation                              | 9,424,351        | 9,801,325        | 10,194,258       | 10,602,388       | 11,026,964       | 11,468,242       | 11,927,492       | 12,403,992       | 12,901,031       | 13,417,913       |
| Depreciation  | 3,000,000        | 3,100,000        | 3,200,000        | 3,300,000        | 3,400,000        | 3,500,000        | 3,600,000        | 3,700,000        | 3,800,000        | 3,900,000        |
| <b>Operating Income (Loss)</b>                                      | <b>1,715,649</b> | <b>2,539,675</b> | <b>3,467,742</b> | <b>3,633,612</b> | <b>3,810,036</b> | <b>3,997,758</b> | <b>4,197,508</b> | <b>4,410,008</b> | <b>4,633,969</b> | <b>4,870,087</b> |
| Non-Operating Revenues (Expenses)                                   |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Interest income   | 56,140           | 102,881          | 88,235           | 77,582           | 66,255           | 54,470           | 39,992           | 32,379           | 32,921           | 33,386           |
| Interest expense  | (1,191,161)      | (1,117,948)      | (1,039,969)      | (957,434)        | (869,657)        | (776,711)        | (677,645)        | (573,996)        | (463,467)        | (391,489)        |
| Host Fees   | 1969,500         | (1,080,870)      | (1,183,340)      | (1,227,620)      | (1,278,590)      | (1,327,620)      | (1,380,750)      | (1,436,980)      | (1,493,450)      | (1,553,160)      |
| Other income (expense)  | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| <b>Net Income</b>   | <b>(409,172)</b> | <b>443,739</b>   | <b>1,335,679</b> | <b>1,526,240</b> | <b>1,730,085</b> | <b>1,947,896</b> | <b>2,179,105</b> | <b>2,432,411</b> | <b>2,709,973</b> | <b>2,968,825</b> |
| Estimated indexing  | 0.0%             | 4.0%             | 4.0%             | 4.0%             | 4.0%             | 4.0%             | 4.0%             | 4.0%             | 4.0%             | 4.0%             |
| Enhanced Online Collections   | 5.0%             | 5.0%             | 5.0%             | 0.0%             | 0.0%             | 0.0%             | 0.0%             | 0.0%             | 0.0%             | 0.0%             |
| Host Fees, % of Online Revenue                                      | 7.0%             | 7.0%             | 7.0%             | 7.0%             | 7.0%             | 7.0%             | 7.0%             | 7.0%             | 7.0%             | 7.0%             |
| Initial Operating Revenue<br>(from Glades cities published sources) | 13,467,000       |                  |                  |                  |                  |                  |                  |                  |                  |                  |

**TABLE 2**  
Forecasted Cash Flow - GUA Business Plan Supplement

|  | 2010        | 2011        | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         | 2019         |
|--|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>CASH FLOWS FROM OPERATIONS</b>            |             |             |              |              |              |              |              |              |              |              |
| Cash received from customers                 | 14,140,000  | 15,441,000  | 16,862,000   | 17,636,000   | 18,237,000   | 18,966,000   | 19,725,000   | 20,514,000   | 21,335,000   | 22,188,000   |
| Cash disbursements for operating expenses    | (9,424,351) | (9,801,325) | (10,394,258) | (10,602,388) | (11,026,964) | (11,468,242) | (11,927,492) | (12,403,982) | (12,901,031) | (13,417,913) |
| Net cash provided by operating activities    | 4,715,649   | 5,639,675   | 6,467,742    | 6,933,612    | 7,210,036    | 7,497,758    | 7,797,508    | 8,110,018    | 8,433,969    | 8,770,087    |
| <b>CASH FLOWS FROM CAPITAL AND FINANCING</b> |             |             |              |              |              |              |              |              |              |              |
| Bond Proceeds                                | 0           | 0           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Bond Issuance Costs                          | 0           | 0           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Bank Loan Proceeds**                         | 2,000,000   | 0           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| SRF Loan Proceeds**                          | 1,044,176   | 0           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| SRF Grants**                                 | 5,259,394   | 0           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Principal Payments                           | (1,376,870) | (1,424,757) | (1,480,286)  | (1,542,757)  | (1,607,277)  | (2,065,259)  | (2,149,872)  | (2,242,515)  | (1,543,345)  | (1,612,527)  |
| Interest Payments                            | (1,191,161) | (1,117,948) | (1,039,958)  | (957,434)    | (869,657)    | (776,711)    | (677,645)    | (573,596)    | (463,467)    | (381,499)    |
| Capital Projects                             | (2,058,000) | (2,510,778) | (2,393,778)  | (2,142,778)  | (2,195,778)  | (2,063,778)  | (2,405,778)  | (1,155,778)  | (1,155,778)  | (782,444)    |
| Connection Fees                              | 25,000      | 25,000      | 25,000       | 25,000       | 25,000       | 25,000       | 25,000       | 25,000       | 25,000       | 25,000       |
| Lake Region WTP County Capital Payment       | 0           | (886,336)   | (886,336)    | (886,336)    | (886,336)    | (886,336)    | (886,336)    | (886,336)    | (886,336)    | (886,336)    |
| Transfer to Renewal and Replacement Account  | 0           | (500,000)   | (500,000)    | (1,000,000)  | (1,250,000)  | (1,250,000)  | (1,500,000)  | (1,750,000)  | (3,000,000)  | (3,500,000)  |
| Net cash used by capital and financing       | 3,703,340   | (5,913,819) | (6,275,358)  | (6,504,306)  | (6,784,048)  | (7,017,034)  | (7,594,630)  | (6,583,624)  | (7,023,925)  | (7,137,795)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |             |             |              |              |              |              |              |              |              |              |
| Interest income                              | 56,140      | 102,881     | 88,235       | 77,582       | 66,295       | 54,470       | 39,992       | 32,379       | 32,921       | 33,386       |
| Other  | 0           | 0           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Net cash provided by investing activities    | 56,140      | 102,881     | 88,235       | 77,582       | 66,295       | 54,470       | 39,992       | 32,379       | 32,921       | 33,386       |
| Host Fees                                    | (989,800)   | (1,060,874) | (1,180,340)  | (1,222,520)  | (1,276,590)  | (1,322,620)  | (1,380,750)  | (1,438,980)  | (1,493,450)  | (1,553,180)  |
| Net increase (decrease) in cash              | 7,485,329   | (1,253,122) | (699,721)    | (720,631)    | (784,306)    | (792,476)    | (1,137,890)  | 122,783      | (50,486)     | 112,518      |
| Beginning total cash balance                 | 0           | 7,485,329   | 6,232,197    | 5,532,476    | 4,811,845    | 4,027,539    | 3,235,063    | 2,097,182    | 2,219,965    | 2,169,480    |
| Ending total cash balance***                 | 7,485,329   | 6,232,197   | 5,532,476    | 4,811,845    | 4,027,539    | 3,235,063    | 2,097,182    | 2,218,965    | 2,169,480    | 2,281,998    |
| New Bank Loan                                | 2,000,000   |             |              |              |              |              |              |              |              |              |
| SRF Grant                                    | 5,259,394   |             |              |              |              |              |              |              |              |              |
| SRF Loan                                     | 1,044,176   |             |              |              |              |              |              |              |              |              |
| Total SRF**                                  | 6,303,570   |             |              |              |              |              |              |              |              |              |
| Other Grants                                 | 0           |             |              |              |              |              |              |              |              |              |

\*\*Variations in grant funds will affect the required amount of a new bank loan.

\*\*\*Retain minimum \$2 million in working capital in cash reserves.

# **GLADES UTILITY AUTHORITY**

## **BUSINESS PLAN**

**February 2009**

Developed by:

**ENVIRONMENTAL FINANCIAL GROUP, INC.**

In association with

**Howard C. Osterman, Inc.**

26 February 2009

Palm Beach County Water Utilities Department  
8100 Forest Hill Blvd., P.O. Box 16097  
West Palm Beach, FL 33416

Attn: Bevin Beaudet, Director

Re: Glades Utility Authority Business Plan

Dear Mr. Beaudet:

Environmental Financial Group, Inc., in association with Howard C. Osterman, Inc., is pleased to provide to you and the Palm Beach County Water Utilities Department this Business Plan for the proposed Glades Utility Authority.

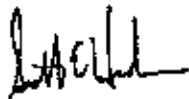
This Business Plan sets forth a program of activities designed to make the proposed Glades Utility Authority financially sustainable. It is assumed that such an Authority will be structured as a self-sufficient, utility business enterprise not requiring ongoing deficit operating subsidies. The success of the Authority depends on the following four cornerstones. Some of these cornerstone efforts must be accomplished prior to establishing the Authority. Others, more programmatic in nature, should be initiated immediately upon its creation. These are described in detail in the attached report and center on the following:

- > Revenue Enhancement,
- > Debt Restructuring,
- > Capital Reinvestment, and
- > Environmental Compliance.

The success of the Authority is by no means assured. However, with the concerted effort of the Glades cities, Palm Beach County and other stakeholders, there is a reasonable chance of success, thereby protecting this critical public service that enhances the health, safety and welfare of Glades customers.

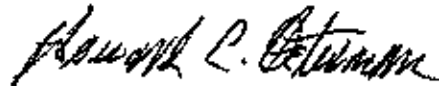
We thank you for the opportunity to address this important matter for the County and its Glades cities. Thank you.

Very Truly Yours,  
ENVIRONMENTAL FINANCIAL GROUP, INC.



Scott E. Harder, President

HOWARD C. OSTERMAN, INC.



Howard C. Osterman, President

Cc: Shannon Larocque-Bass, PBC  
Debra West, PBC

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## **SECTION 1 | Business Objectives**

Water and wastewater service is a critical public health and safety matter. In the current economic and financial climate, small cities acting individually are greatly challenged to provide such services in a cost-effective manner.

An independent non-profit utility authority offers an opportunity to provide these critical public services in a financially sustainable manner. The benefits of such an authority include economies of scale, improved access to capital, shared administrative and overhead expenses, and collective action to ensure future regulatory compliance.

This Business Plan is intended to be a road map to assist the cities of Belle Glade, Pahokee, and South Bay and Palm Beach County to establish a new Glades Utility Authority and ensure its economic viability.



### **Authorization**

This Business Plan has been prepared under a Consulting Services Authorization between Palm Beach County and Environmental Financial Group, Inc. Howard C. Osterman, Inc. is providing sub consultant services to EFG. EFG and Osterman both serve Palm Beach County Water Utilities as rate, financial and business consultants. Neither firm provides investment banking, accounting, or legal services.

### **Scope and Limitations**

This Business Plan relies on certain facts, opinions, documents, and analyses in an attempt to draw conclusions as to the possible financial viability of a Glades Utility Authority.

No attempt was made to examine source documentation beyond published documents. The analyses set forth herein in no way constitute an audit.

This Business Plan includes various forward-looking projections of future financial performance and relies on many assumptions and judgments made by the consultants, Water Utilities staff, Glades cities staff, and others.

### **Authority Organization and Structure**

It is planned that the Glades Utility Authority will be created pursuant to Part I of Chapter 183, Florida Statutes (2008), the Florida Interlocal Cooperation Act of 1969, for the purpose of providing water, wastewater and reclaimed water service to the residents of the cities of Belle Glade, Pahokee, South Bay and surrounding areas in an efficient and fiscally responsible manner.

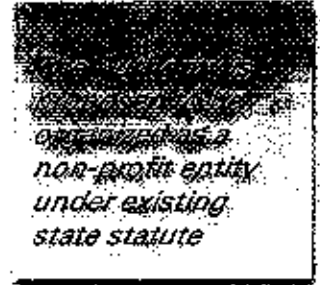
### **Authority Governance**

It is proposed that the Authority will be governed by a Board of Directors with representation by the cities of Belle Glade, Pahokee, South Bay, and Palm Beach County. Specific membership, voting, and other responsibilities of the parties will be spelled out in Interlocal Agreements.

### **Authority Business Objectives**

The Authority is expected to meet the following objectives.

- *Provide safe and effective water and wastewater service to Glades Utility Authority customers.*
- *Establish a revenue and operational program that is financially sustainable and which meets obligations to its customers and other stakeholders.*
- *Assume responsibility for existing utility-supported municipal debt.*
- *Rehabilitate the utility systems and bring them into regulatory compliance.*
- *Establish a system of rates, fees and charges which are uniform across the three cities and which are designed to encourage prompt payment by all customers.*
- *Secure initial working capital necessary at the onset of Authority operations.*
- *Establish and maintain the financial relationships between the new Authority, the three cities and the County.*



## **Authority Powers and Functions**

To successfully complete the objectives described above, the Authority is planned to have certain powers and functions, including:

**Utility Asset Ownership.** The Authority is proposed to be the owner and operator of all facilities providing water, wastewater and reclaimed water services, including:

- Lake Region Water Treatment Plant (LRWTP)
- Belle Glade Wastewater Treatment Plant
- Pahokee Wastewater Treatment Plant
- Water distribution pipelines, wastewater collection pump stations and pipelines

**Rate-setting Authority.** The Authority is proposed to have comprehensive water, wastewater and reclaimed water rate-setting powers

**Construct New Facilities.** The Authority shall be empowered to construct new facilities for the benefit of its customers.

**Assume Existing Glades Cities Utility Debt.** The Authority is proposed to assume existing Glades cities utility debt.

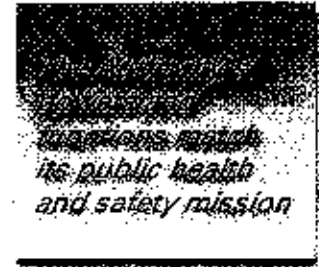
**Issue New Debt in its Own Name.** The Authority will be empowered to issue its own debt.

**Establish a direct billing relationship.** The Authority will establish a direct billing relationship with its customers.

**Establish policies and procedures governing the relationship between the Authority and its customers.** The Authority will establish and maintain comprehensive procedures related to billing, customer service, fees, new connections, and other matters related to utility management.

**Enter into contracts for services.** The Authority will be empowered to enter into contracts for service.

**Acquire easements and rights-of-way.** The Authority will acquire easement and rights-of-way from the cities to conduct its affairs.



## SECTION 2 | Baseline Conditions

### Glades Cities Utility Systems

Certain water and wastewater utility systems of the three Glades cities are proposed to comprise the assets of the new Authority.

**Belle Glade.** Belle Glade comprises about seventy (70) percent of Glades customers. The city's source of potable water supply was Lake Okeechobee. It is now served exclusively by the new LRWTP currently owned and operated by the County. Belle Glade also has a wastewater collection and treatment system necessary to serve its customers. Belle Glade recently adopted two utility rate increases to be effective one year apart. It provides wastewater treatment services to the City of South Bay on a contract basis. Belle Glade has historically transferred varying amounts from its utility enterprise to its general fund. As such, utility revenues have become an integral part of the city's general fund budget.

**Pahokee.** Pahokee comprises about fifteen (15) percent of Glades customers. The city's source of potable water supply was also Lake Okeechobee. It is now served exclusively by the new LRWTP currently owned and operated by the County. Pahokee also has a wastewater collection and treatment system necessary to serve its customers. The Pahokee systems have several outstanding consent orders. Pahokee's general fund has been subsidizing its utility operations to varying degrees over the past several years. Pahokee is currently conducting a rate study designed to address the issue of ongoing general fund support. It is assumed in this Business Plan that a rate increase is implemented prior to the onset of Authority operations.

**South Bay.** South Bay also has approximately fifteen (15) percent of future Authority customers. The city's source of potable water supply was also Lake Okeechobee. It is now also served exclusively by the new LRWTP currently owned and operated by the County. South Bay relied on Belle Glade for wastewater treatment. South Bay has historically transferred varying amounts from its utility



enterprise to its general fund. As such, utility revenues have become an integral part of the city's general fund budget.

**Lake Region Water Treatment Plant.**

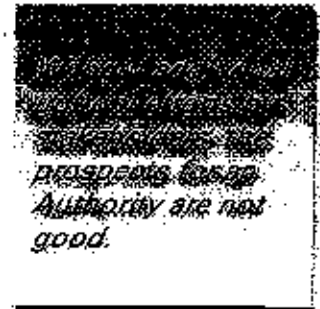
Lake Okeechobee as a source of potable water supply had, by the year 2005, degraded to the extent that the only practical solution was to utilize the Floridan aquifer in its place. This necessitated the construction of a new, state-of-the-art reverse osmosis water treatment facility to treat water to potable drinking water standards in the expectation that such improved quality would reverse the health and skin irritation problems that were prevalent in the service area.

The plan through which the County provides potable water to the three cities is supported by interlocal agreements between the County and each of the three Glades cities. At the time that service commenced, \$26 million of the \$58 million capital investment remained unsupported by grants. This became the responsibility of the three cities. As a result, the cost of bulk water provided by the County to the three Glades cities is based on operations and overhead together with renewal and replacement and a return of investment capital over a 50-year period at two (2) percent interest.

**Baseline Financial Performance**

Once water service from the new Lake Region WTP began and appropriate charges for services were billed, it became apparent that the heavy municipal debt burden coupled with uneven revenue collections, environmental consent orders, and other difficulties contrived to create financially unstable utility enterprises.

Table 1 sets forth the projected financial performance of the Authority in its first year of operation if no additional efforts are made to enhance revenue, restructure debt, reduce expenses, reinvest in the system, or identify sources of working capital. This baseline performance estimate assumes that the Authority is established and has taken ownership of the utility assets of the three Glades cities. Table 1 should be viewed as a starting point demonstrating the size of a financial "gap" that must be addressed through implementation of Cornerstone prerequisites and initiatives.



The annual "gap" (or shortfall) between revenues and costs is judged to be approximately \$5.8 million.

**TABLE 1 | Baseline Financial "Gap"**

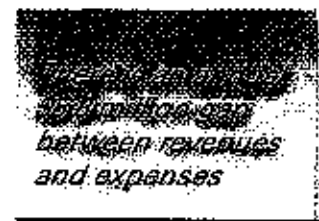
|   | <b>2010</b>        |
|---|--------------------|
| <b>User Fee Revenue</b>                   | <b>13,647,000</b>  |
| <b>Administration</b>                     | <b>450,000</b>     |
| <b>Customer Service</b>                   | <b>650,000</b>     |
| <b>Municipal Debt Service</b>             | <b>3,604,000</b>   |
| <b>Lake Region WTP Operations</b>         | <b>3,400,000</b>   |
| <b>Lake Region WTP Capital</b>            | <b>1,400,000</b>   |
| <b>Wastewater Treatment Operations</b>    | <b>2,300,000</b>   |
| <b>Distribution System Operations</b>     | <b>1,150,000</b>   |
| <b>Collection System Operations</b>       | <b>1,150,000</b>   |
| <b>Emergency Maintenance</b>              | <b>500,000</b>     |
| <b>Environmental Compliance / R&amp;R</b> | <b>3,558,000</b>   |
| <b>Host Fee</b>                           | <b>1,300,000</b>   |
| <b>Income/(Loss)</b>                      | <b>(5,815,000)</b> |
| <b>Cumulative Gain/(Loss)</b>             | <b>(5,815,000)</b> |

User fee revenue is based on current Glades cities budget estimates and collection experience. Revenue has been adjusted to reflect a proposed rate increase in Pahokee addressing the current general fund subsidy of such rates.

Administration and customer service costs assume meter reading and maintaining a physical office presence to provide billing, collection, and other customer services.

Municipal debt service costs are based on actual utility debt instruments that are existing obligations of the Glades cities. It is anticipated that the Authority will assume certain obligations at the onset of services in 2010.

LRWTP operations and capital costs are based on the existing interlocal agreements between the County and three Glades cities for potable water service.



Distribution and collection system operating costs are based on County staff estimates. Wastewater treatment costs are based on existing Belle Glade and Pahokee budget estimates.

Planned emergency maintenance expenditures are based on studies conducted by County staff and reviewed as part of the development of this Business Plan.

Environmental Compliance / R&R is part of a 10-year compliance schedule being discussed between County staff and Florida DEP on outstanding consent orders. The amount shown sets forth the first year of a proposed 10-year program.

Host Fees are based on existing Belle Glade and South Bay transfers from their utility operations to their general funds.



## SECTION 3 | Four Cornerstones

*This Business Plan rests squarely on the following four cornerstones, all of which are necessary to give the Authority the opportunity to build a successful utility enterprise.*

### **Revenue**

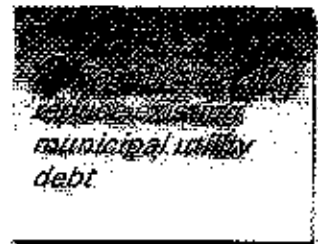
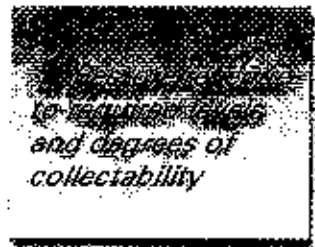
Due to uncollected and unbilled revenue, total actual revenues collected by the three cities comprise (60) percent of the potential revenue of the combined cities systems. This is a result of unpaid service charges, bypassed meters, water leaks, broken or underperforming meters, unregistered users, illegal restoration of service after meter removal, and other issues. In response, the Revenue cornerstone of the Authority is comprised of several important components.

It is assumed that conventional billing practices, fully backed by rules, regulations, procedures and field operations, will be sufficient to raise additional revenue. Elsewhere in this Business Plan alternate methods are discussed in the event that conventional billing practices prove inadequate.

### **Debt**

The second cornerstone of success rests with reducing the large outstanding debt that currently burdens the Glades utilities. This existing burden is approximately \$25 million. In addition, there is an outstanding debt of \$25 million on the County's Lake Region Water Treatment Plant. The combined burden is over \$4,000 per equivalent residential connection (ERC). Payments on this debt are greater than reasonable rates can support.

In response, the Debt cornerstone of the Authority rests on its ability to reduce existing Glades cities utility debt by at least fifty (50) percent of its current level. Reaching this goal will require the concerted effort of the Glades cities and County stakeholders to negotiate the reduction of this debt to its true market value. These reductions should be secured prior to creation of the Authority. Likewise, the County (that has provided the new LRWTP) should be asked to delay collection of capital payments



during the first year of Authority operation. Any further request for County forbearance should be related to the restructuring agreement of other debt holders.

### **Reinvestment**

The third cornerstone of success is the ability to address the long-term repair and replacement needs of system assets. Such funds do not exist at present.

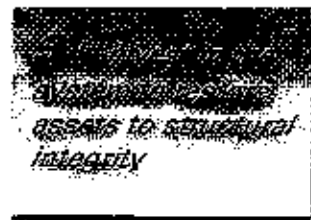
In response, the Reinvestment cornerstone of the Authority is the ability to reserve sufficient capital to address immediate and long-term capital needs. This includes an estimated \$500,000 in immediate emergency repairs to be undertaken during the first year of operation. In addition, amounts are needed to conduct ongoing renewals and replacements. A study should be made to determine how much reserve is necessary over the long-term for adequate reinvestment. This will enable utility assets to achieve their useful life and to be replaced when such assets warrant such replacement.

Reinvestment of funds in the assets of the new combined Authority is essential to the long-term viability and effectiveness of the utility system. Structural integrity tests of pipes removed from various locations in the system indicate both a severe deterioration and, in some areas, lack of proper bedding and cover during construction. The failure rate under such conditions can be high.

### **Environmental Compliance**

The fourth cornerstone of success is the ability to comply with outstanding environmental orders and violations that have been levied against the Glades utilities systems. County staff has been involved in discussions with the Florida Department of Environmental Protection to secure a 10-year compliance program under which specific compliance items would be prioritized and incorporated into a single multi-faceted consent order. The estimated cost of this program in the first year is included in the Baseline Financial Performance table. (Refer to Table 1)

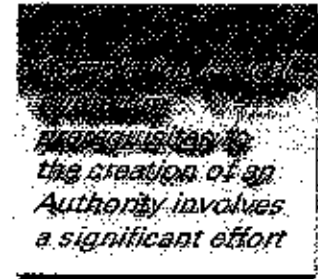
No utility can function in today's environment without due concern for regulation and the orders of regulatory agencies. These orders have recently been difficult to comply with due to the lack of available funds. A certain forbearance has possibly been exercised by regulators to ensure continuity of service to the public.



## Cornerstone Prerequisites

Table 2 below presents a summary of several cornerstone prerequisites addressing revenue, debt, reinvestment, and environmental compliance. For each initiative, various action items are summarized. Also, a financial goal has been identified. These goals are based on various analyses, interviews, and estimates.

*These cornerstone prerequisites should be accomplished as a precondition to establishing the Authority.*



**TABLE 2 | Cornerstone Prerequisites**

| Cornerstone Prerequisites   | Action Items   | Goal  |
|---|--|---|
| <b>1</b> Establish a Program of Uniform Rates, Fees, and Charges            | Rate Study   | First Year of Operation                       |
| <b>1</b> Establish Host Fees to Avoid Unstructured Transfers to Cities      | 5% Host Fee<br>Paid after O&M and debt payments<br>Amount increases with collections   | 5% of Operating Revenue                       |
| <b>2</b> Reduce Utility Municipal Debt Assumed by Authority                 | Identify utility support debt in each city<br>Negotiate restructuring with bondholders<br>Address state revolving fund loans | At Least \$1.8 million Debt Service Reduction |
| <b>2</b> Take Title to Glades Cities Utility Assets and the Lake Region WTP | Inventory equipment used in utility service  | Upon Authority Creation                       |
| <b>2</b> Secure easements, rights-of-way and permits                        | Provide blanket easements<br>Identify other rights-of-way<br>Identify other permits  | First Year of Operation                       |
| <b>3</b> Secure Working Capital   | Identify sources<br>Negotiate work capital terms, as necessary<br>Negotiate other transition agreements                      | \$4.5 Million                                 |
| <b>4</b> Secure 100% Environmental Compliance Within 10 Years               | Utilize working capital or grants  | Completed by 2019                             |

### **Secure Grant Funding**

Grants are, from time to time, available to support some activities and needs of local water and wastewater utilities. Similarly, we expect there may be other federal, state and local agency grants available that could provide financial assistance to the Authority. Revenue enhancement through grants is both essential and possible if aggressively pursued.

### **Host Fees**

If the Authority decides that continued subsidies to Glades cities general funds are warranted, these should take the form of Host Fees. In this case, the Authority should establish uniform Host Fees and eliminate unstructured transfers of utility funds to Glades cities general funds. Therefore, revenues must be adequate to provide for such Host Fee payments not to exceed five (5) percent of User Fee Revenue. The inclusion of such fees is a practical recognition of the severe financial burden facing the cities general funds.

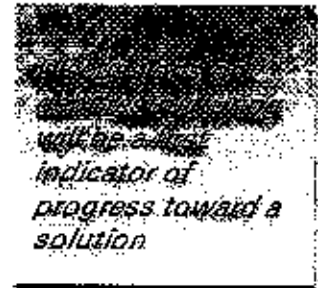
### **Debt Assumption and Restructuring**

The Authority, notwithstanding this Business Plan, carries a substantial capital burden both in the need for new capital to improve property, plant and equipment, but also to come to grips with an extensive debt burden from prior years.

A cornerstone of this Business Plan is to assume, restructure, and reduce the corresponding debt service to a level at which reasonable rates will provide both for the operations and debt service needs of the utility.

The debt of the three cities assumed by the Authority must be viewed in the context of the value of the debt, the ability to Authority to absorb it, and the cooperative role to be assumed by bondholders (some of which have other debt interests with the Glades cities.)

- > Secure the cooperation of Glade city officials to authorize the County to meet with bondholders and creditors to demonstrate their inability to pay the debt without a successful restructuring.
- > Develop documentation setting forth the declining financial standing of the cities' utility operations and the ability of the Authority to successfully absorb a proper portion of it.



- Negotiate with bondholders and creditors to reduce debt to a level that can be supported by the Authority, either through outright forgiveness or major reduction.
- Secure agreements with bondholders and creditors to both transfer the debt and approve of the Authority to pay it.

#### **State Revolving Fund Loans and LRWTP Capital**

It is recommended that the Glades cities seek forgiveness of Florida State revolving fund loans due to deteriorating economic conditions that have been exacerbated by the increase in the homestead exemption allowance and consequent further erosion in the tax base.

- Request the state to waive these loans.

With regard to the repayment of capital charges attributable to the Lake Region WTP, the County has already deferred such capital payments for a period of one year. This has allowed time for the Authority to be organized.

- Negotiate with the County to defer such capital payments through the end of 2012.

#### **Cornerstone Program Initiatives**

Table 3 below presents a summary of several cornerstone program initiatives addressing revenue, debt, reinvestment, and environmental compliance. For each initiative, various action items are summarized. Also, a financial goal has been identified. These goals are based on various analyses, interviews, and estimates.

*These initiatives can only be implemented after the Authority is established, but a concerted effort to implement all of these programs is necessary to provide the opportunity of success of the Authority.*

**TABLE 3 | Cornerstone Program Initiatives**

| Cornerstone Initiatives   | Action Items   | Goal  |
|---|--|---|
| <b>1</b> Eliminate unmetered service arrangements               | GIS to locate properties served<br>Secure problem meter locations<br>Re-plumb bypasses   | Up to 7.5% Increase in Operating Revenue over 2 Years         |
| <b>1</b> Reduce delinquent customer payments                    | Implement enforcement procedures<br>Ensure perpetuity of service through base facility fees<br>Rely on late fees and application of deposits | An additional 7.5% Increase in Operating Revenue over 2 Years |
| <b>1</b> Secure Grants for Capital Projects and Operations      | SFWMD<br>Housing & Community Dvlpmt<br>USDA  | As available  |
| <b>1</b> Index Rates to Keep Pace with Inflation                | US Consumer Price Index<br><br>Apply Directly to Base Fee  | First Year of Operation                                       |
| <b>3</b> Conduct Emergency Maintenance                          | Utilize working capital  | Estimated \$500,000 in 2010.                                  |
| <b>3</b> Implement 10-Year Capital Renewal and Replacement Plan | Utilize working capital or grants<br>Conduct renewals and replacements<br>Implement terms of consent order                                   | \$13 Million (cumulative 10 years)                            |
| <b>3</b> Reduce Water Leaks                                     | Conduct leak and t/l studies<br><br>Develop prioritized capital plan   | Reduce Operating Expense 10% Within First Year of Operation   |

**Operations**

To establish the above cornerstones for the Authority, it will be necessary to secure stable, cost-effective operations under professional management. As an integral partner to this effort, the County is in the best position to provide such services at least until such time as the Authority has fully attained financial stability. To avoid duplication of effort, the operations contract between the County and the Authority should be as comprehensive as possible. The services anticipated to be provided by the County include the following.

- > Administration
- > Facilities operations
- > Preventative maintenance
- > Laboratory services
- > Billing and bookkeeping
- > Customer service
- > Engineering design services
- > Training
- > Project management
- > Other services.

### **Uniform Rates**

The Business Plan acknowledges the differential in existing water and wastewater rates between the three cities. Pahokee's rates are artificially low because that city's utility operations have been recently subsidized by transfers from the city's general fund in amounts equal to approximately \$500,000 per year. Conversely, the other two city systems have withdrawn monies from the utility operations, thereby exerting upward pressure on utility rates, which would have otherwise been sufficient to operate the utility.

The Business Plan suggests that ultimately it would be necessary to put all customers on an equal rate footing. After all, the Authority will consolidate debt, each system will utilize the new Lake Region WTP, and each will share in the cost of the operations. The Business Plan, therefore, recommends movement toward establishment of a uniform rate. Such a study should commence in due course, to be completed prior to the Authority commences service. The Pahokee general fund subsidy should be reversed and rates increased prior to commencement of Authority operations. Consistent with overall revenue goals, some phasing of the movement toward a uniform rate may be possible.

### **Billing Procedures and Rate Structure**

To successfully increase revenues and billing participation rates to address the revenue shortfall set forth in Table 1, the following billing procedures and rate structure are recommended to be instituted. Its goal is the ratable participation of all utility customers. The details of this billing system and rate structure will be addressed in a separate rate study that should be completed to coincide with commencement of Authority operations.

**Cost of Service.** The Glades Utility Authority (GUA) will adhere to standard utility cost of service principles in allocating costs between defined classes of customers across its entire service area. The GUA will have a defined residential customer class and a non-residential customer class. The residential class will include single family, duplex, multi-family and other structures comprised of residential dwellings. The non-residential customer class will be comprised of commercial establishments, industrial facilities, government and institutional facilities.

**Equivalent Residential Connection (ERC).** One ERC will be defined as the average water consumption for a

single-family residential dwelling. Multi-family residential structures will be assigned a number of ERC based on the number of dwelling units. Non-residential customers will be assigned ERCs based on the size of water meter. ERCs will be used to allocate costs between customer classes and to establish other parameters as they relate to the GUA water and wastewater rate structure.

**Rate Structure.** The GUA rate structure will be comprised of a water Base Facility Fee, a wastewater Base Facility Fee, a water Commodity Fee and a wastewater Commodity Fee.

**Utility Service Agreements.** Occupants of a residential or non-residential property (either owner or tenant) will apply for and enter into a Utility Service Agreement through which the GUA will furnish water and wastewater service. Occupants will pay both Commodity Fees and Base Facility Fees billed on a monthly basis.

**Base Facility Fees.** Water and wastewater Base Facility Fees will address the fixed and non-variable cost of service to a non-residential property. Base Facility Fees will be billed to customers on a monthly basis.

**Commodity Fees.** Commodity Fees will address the variable cost of providing potable water and collecting and treating wastewater for each customer. Variable costs will include direct variable operating costs (e.g. electric power and chemicals) incurred to provide pressurized, potable water service and to collect and treat wastewater.

**Non-payment or Default.** Non-payment of Base Fees and Commodity Fees will be addressed by applying the amount on deposit with the GUA, late fees, turn-off notices, and other utility management mechanisms.

#### **Alternate Billing Procedures and Rate Structure**

It is possible that conventional billing procedures and collections will not increase revenues sufficiently. This should be addressed by establishing a mechanism that provides guaranteed receipt of the fixed and non-variable cost of operations and should reflect the value of the availability of service independent of any commodity usage. In this case, the usage of water would be metered and billed in the conventional manner utilizing conventional customer service and collection techniques. However, a fixed service availability fee would be billed monthly with delinquent balances being billed through property tax mechanisms.



The occupant (owner or tenant) would be responsible to pay the Commodity Fee for the actual water and wastewater commodities consumed. That portion billed to the property would be paid monthly by the owner but non-payment would be backed by an annual posting to the tax bill and collection through that mechanism. When and if balances are transferred to the tax bill, they would carry an appropriate penalty and charges that would logically be imposed by the tax collector. This would in effect establish a standard "perpetuity of service" defined as the automatic transfer of future base facility charges to the owner in the event of a discontinuance or abandonment of service by a tenant or non-owner occupant. No attempt to transfer any delinquency is intended, however the following months' base facility charges will be billed to the owner or new occupant.

Because of the participation of the three cities, applicable Florida law may not allow such billing practices. In such case, the alternate billing method set forth herein should be instituted, if needed, or other legislative relief should be pursued.

**Service Availability Fees.** Residential water and wastewater Service Availability Fees will address the fixed and non-variable cost of establishing the availability of service to a residential property. Fixed and non-variable costs will include capital and fixed operating costs incurred to provide pressurized, potable water service and wastewater collection and treatment service to each residential customer. Service Availability Fees will be billed to the owner of each developed residential property benefiting by the availability of such water and wastewater service.

**Commodity Fees.** Commodity Fees would be billed and collected as described above

## SECTION 4 | Target Performance

If the Cornerstones described above are successful in supporting the Authority, baseline financial performance set forth in Table 1 can be recast into a 5-year forward forecast of financial results. Table 4 below presents this forecast in detail. The notes to the table are an integral part of the schedule. This target forecast includes losses through 2011, the assumed second year of Authority operations. It also estimates that the Authority will realize about a \$2 million loss in 2010.

This forecast clearly identifies the need for upfront working capital and grants to initiate operations and cover operating costs during the first two critical years of operations. Working capital includes amounts required for accounts receivable, emergency repairs, capital projects, and bridging initial operating losses.

### Conclusions

In summary, this Business Plan offers the following summary conclusions.

*The Authority has a reasonable chance of success to operate its affairs as a self-sufficient, independent utility business enterprise unaided by ongoing operating subsidies.*

*Whether or not the Authority is established hinges entirely on the ability of the parties and other stakeholders to implement the Cornerstone Prerequisites prior to establishment of the Authority. (Table 2)*

*Its success also is reliant on vigorous implementation of the Cornerstone Program Initiatives. These initiatives are critical to establishing a sound utility operation. (Table 3)*

*Without the success each such effort, the Authority would likely not be able to operate in a financially sustainable manner and would require ongoing operating deficit subsidies.*

Table 4 below sets forth forecasted revenue collections based on common utility billing practices.

*For the 5-year period, the Authority will require \$4.6 million to start up and will lose \$2 million in its full first year of operation.*

**TABLE 4 | Target 5-Year Financial Performance**

|  | 2010               | 2011               | 2012               | 2013               | 2014              |
|--|--------------------|--------------------|--------------------|--------------------|-------------------|
| <b>User Fee Revenue (1)</b>                    | <b>13,647,000</b>  | <b>14,325,000</b>  | <b>15,045,000</b>  | <b>15,797,000</b>  | <b>16,587,000</b> |
| <b>Enhanced Collections</b>                    | -                  | <b>1,128,375</b>   | <b>2,256,750</b>   | <b>2,369,550</b>   | <b>2,488,050</b>  |
| <b>Administration (2)</b>                      | <b>450,000</b>     | <b>477,000</b>     | <b>506,000</b>     | <b>536,000</b>     | <b>568,000</b>    |
| <b>Customer Service (3)</b>                    | <b>650,000</b>     | <b>689,000</b>     | <b>730,000</b>     | <b>774,000</b>     | <b>820,000</b>    |
| <b>Municipal Debt Service (4)</b>              | <b>1,802,000</b>   | <b>1,802,000</b>   | <b>1,802,000</b>   | <b>1,802,000</b>   | <b>1,802,000</b>  |
| <b>Lake Region WTP Operations (5)</b>          | <b>3,400,000</b>   | <b>3,604,000</b>   | <b>3,820,000</b>   | <b>4,049,000</b>   | <b>4,292,000</b>  |
| <b>Lake Region WTP Capital (6)</b>             | -                  | <b>1,408,000</b>   | <b>1,400,000</b>   | <b>1,400,000</b>   | <b>1,400,000</b>  |
| <b>Wastewater Treatment Operations (7)</b>     | <b>2,300,000</b>   | <b>2,438,000</b>   | <b>2,584,000</b>   | <b>2,739,000</b>   | <b>2,903,000</b>  |
| <b>Distribution System Operations (8)</b>      | <b>1,150,000</b>   | <b>1,219,000</b>   | <b>1,292,000</b>   | <b>1,370,000</b>   | <b>1,452,000</b>  |
| <b>Collection System Operations (8)</b>        | <b>1,150,000</b>   | <b>1,219,000</b>   | <b>1,292,000</b>   | <b>1,370,000</b>   | <b>1,452,000</b>  |
| <b>Emergency Maintenance (9)</b>               | <b>500,000</b>     | -                  | -                  | -                  | -                 |
| <b>Environmental Compliance / R&amp;R (10)</b> | <b>3,558,000</b>   | <b>2,761,000</b>   | <b>2,394,000</b>   | <b>2,143,000</b>   | <b>2,196,000</b>  |
| <b>Host Fee (11)</b>                           | <b>682,350</b>     | <b>772,869</b>     | <b>865,088</b>     | <b>908,328</b>     | <b>953,753</b>    |
| <b>Income/(Loss)</b>                           | <b>(1,995,350)</b> | <b>(924,494)</b>   | <b>616,663</b>     | <b>1,075,223</b>   | <b>1,236,298</b>  |
| <b>Cumulative Gain/(Loss)</b>                  | <b>(1,995,350)</b> | <b>(2,919,844)</b> | <b>(2,303,181)</b> | <b>(1,227,959)</b> | <b>8,339</b>      |

User Fee Revenue is indexed five (5) percent per year beginning in 2011. All operating expenses are indexed six (6) percent per year beginning in 2011.

- 1 – User Fee Revenue is based on existing Glades cities budgets, adjusted for an anticipated Pahokee rate increase. Enhanced collections are based on a 7.5 per cent per year increase for the first two years.
- 2 – Administration expenses assume County management.
- 3 – Customer service expenses assume County management of a customer service center based in the Glades.
- 4 – Assumes a fifty (50) percent reduction of Glades cities utility debt service payments due to either outright debt forgiveness or deferred repayment.
- 5 – Lake Regions WTP operations are based on costs projected by the County and included in the existing three interlocal agreements for potable water service.
- 6 – Lake Regions WTP capital is based on costs projected by the County and included in the existing three interlocal agreements for potable water service.
- 7 – Wastewater Treatment operations is based on existing budget estimates for the Belle Glade and Pahokee WWTPs.
- 8 – Distribution and Collection System operating costs are based on current County estimates.
- 9 – Emergency Maintenance expenses are based on current County estimates.
- 10 – Environmental Compliance and R&R expenses are based on the 10-year compliance schedule being discussed with the FDEP.
- 11 – Host Fees, or payments in-lieu-of taxes, are based on five (5) percent of User Fee Revenues.



# Florida Department of Environmental Protection

Southeast District Office  
400 N. Congress Avenue, Suite 200  
West Palm Beach, FL 33401  
(561) 681-6600

Charlie Crist  
Governor

Jeff Kottkamp  
Lt. Governor

Michael W. Sole  
Secretary

Jack Long, Director  
Southeast District Office

Mr. Bevin Beaudet, P.E., Director  
Palm Beach County Water Utilities Department  
P.O. Box 16097  
West Palm Beach, Florida 33416

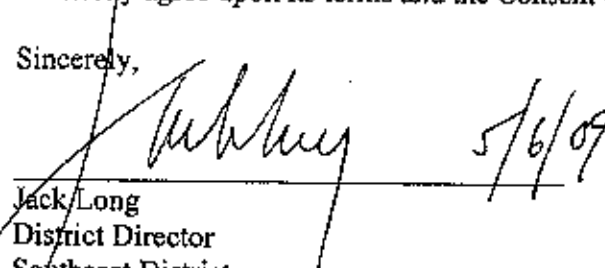
Dear Mr. Beaudet:

The Department understands that the prospective Glades Utility Authority ("Authority") is intended to assume responsibility for and control of the water and wastewater utilities in the Cities of South Bay, Belle Glade, and Pahokee ("Cities"). The Department wishes to clarify its intent as to resolution of existing Department enforcement cases and any other noncompliance issues involving these utilities.

The Department or its delegated agent will pursue the appropriate enforcement penalties against the Cities for any water or wastewater violations, including failures to properly operate and maintain the systems, occurring prior to the date the Authority assumes responsibility for the systems. Any portion of any system not transferred to the Authority will remain the responsibility of the applicable City. Any violations occurring soon after the transfer of responsibility to the Authority will be individually evaluated to determine whether they resulted from a City's failure to properly operate and maintain the system prior to the transfer of responsibility. Each of the Cities was notified of the Department's intent by letter dated January 22, 2009 (attached).

The Department does not intend to transfer any existing enforcement actions from the Cities to the Authority. In order to resolve those noncompliance issues that are anticipated to exist when the Authority assumes control of the utilities, the Department intends to enter into a Consent Order with the Authority. The Department has prepared a preliminary draft Consent Order (attached), which has not been issued and remains subject to change until the Department and the Authority agree upon its terms and the Consent Order is executed.

Sincerely,

  
\_\_\_\_\_  
Jack Long  
District Director  
Southeast District

JL/TP/lms



Jack Long, Director  
Southeast District Office

JAN 22 2009

# Florida Department of Environmental Protection

Southeast District Office  
400 North Congress Avenue, Suite 200  
West Palm Beach, Florida 33401-2913

Charlie Crist  
Governor

Jeff Kottkamp  
Lt. Governor

Michael W. Solc  
Secretary

## RETURN RECEIPT REQUESTED

Virginia Walker, Interim City Manager  
City of South Bay  
335 SW Second Avenue  
South Bay, Florida 33493

Palm Beach County

**SUBJECT:** Drinking Water and Wastewater Compliance and Enforcement for the Cities of  
South Bay, Belle Glade, and Pahokee

Dear Ms. Walker:

The purpose of this letter is to advise you of the Department's position regarding the operation and maintenance of the drinking water and wastewater systems in Belle Glade, South Bay, and Pahokee from the present until the date when responsibility for these systems is transferred to the proposed Glades Utility Authority ("GUA").

The Department understands that the referenced Cities wish to invest as little as possible in their respective systems while awaiting the transfer of responsibility to the GUA; however, the Department wishes to emphasize that each of the referenced Cities remains responsible for proper operation, repairs, and maintenance of their respective systems, including *preventive* maintenance, until such time as the GUA assumes control of and responsibility for each City's systems. Any portion of any system not transferred to the GUA will remain the responsibility of the applicable City.

The Department or its delegated agent will pursue the appropriate enforcement penalties against the Cities for any water or wastewater violations, including failures to properly operate and maintain the systems, until the GUA assumes responsibility for the systems. Any violations occurring soon after the transfer of responsibility to the GUA will be individually evaluated to determine whether they resulted from a City's failure to properly operate and maintain the system between the present and the transfer of responsibility. It is the Department's intent that the GUA not be burdened with penalties and enforcement actions arising from this interim period.

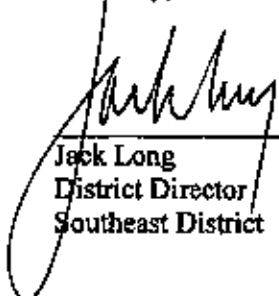
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[www.dep.state.fl.us](http://www.dep.state.fl.us)

Ms. Virginia Walker, Interim City Manager  
City of South Bay  
Page 2 of 2

Chapters 373 and 403, Florida Statutes (F.S.), provide that it is a violation to fail to obtain any permit or to violate or fail to comply with any rule, regulation, order, permit, or certification adopted or issued by the Department pursuant to its lawful authority. Violations of Florida Statutes or administrative rules may result in liability for damages and restoration, and the judicial imposition of civil penalties up to \$10,000.00 per violation per day, pursuant to Sections 403.141 and 403.161, Florida Statutes.

We look forward to your cooperation in maintaining proper drinking water and wastewater service to the citizens of South Bay while waiting for the transfer of utilities responsibility to take place. If you have any questions regarding this letter or any utilities-related compliance or enforcement issues during this time, please contact Lisa Self of this office at (561) 681-6699.

Sincerely,

  
\_\_\_\_\_  
Jack Long  
District Director  
Southeast District

1/21/09  
Date

  
JL/LAB/TRB/lms

cc:

Michele Owens, FDEP Drinking Water  
Darrel Graziani, Palm Beach County Health Department  
Hassan Hadjimiry, Palm Beach County Water Utilities  
Hon. Shirley Walker-Turner, Mayor, City of South Bay  
Hon. Steve B. Wilson, Mayor, City of Belle Glade  
Lomax Harrelle, City Manager, City of Belle Glade  
Hon. Wayne Whitaker, Mayor, City of Pahokee  
Matthew Brock, City Manager, City of Pahokee

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[mbrock@cityofpahokee.com](mailto:mbrock@cityofpahokee.com)



# Florida Department of Environmental Protection

Southeast District Office  
400 North Congress Avenue, Suite 200  
West Palm Beach, Florida 33401-2913

Charlie Crist  
Governor

Jeff Kottkamp  
Lt. Governor

Michael W. Sole  
Secretary

Jack Long, Director  
Southeast District Office

JAN 22 2009

**RETURN RECEIPT REQUESTED**

Mr. Lomax Harrelle, City Manager  
City of Belle Glade  
110 Dr. Martin Luther King Jr. Blvd. West  
Belle Glade, Florida 33430-3900

Palm Beach County

**SUBJECT: Drinking Water and Wastewater Compliance and Enforcement for the Cities of Belle Glade, South Bay, and Pahokee**

Dear Mr. Harrelle:

The purpose of this letter is to advise you of the Department's position regarding the operation and maintenance of the drinking water and wastewater systems in Belle Glade, South Bay, and Pahokee from the present until the date when responsibility for these systems is transferred to the proposed Glades Utility Authority ("GUA").

The Department understands that the referenced Cities wish to invest as little as possible in their respective systems while awaiting the transfer of responsibility to the GUA; however, the Department wishes to emphasize that each of the referenced Cities remains responsible for proper operation, repairs, and maintenance of their respective systems, including *preventive* maintenance, until such time as the GUA assumes control of and responsibility for each City's systems. Any portion of any system not transferred to the GUA will remain the responsibility of the applicable City.

The Department or its delegated agent will pursue the appropriate enforcement penalties against the Cities for any water or wastewater violations, including failures to properly operate and maintain the systems, until the GUA assumes responsibility for the systems. Any violations occurring soon after the transfer of responsibility to the GUA will be individually evaluated to determine whether they resulted from a City's failure to properly operate and maintain the system between the present and the transfer of responsibility. It is the Department's intent that the GUA not be burdened with penalties and enforcement actions arising from this interim period.

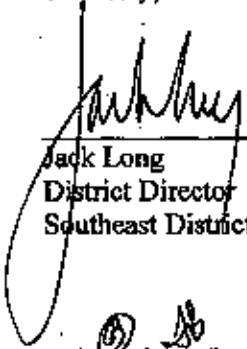
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Mr. Lomax Harrelle, City Manager  
City of Belle Glade  
Page 2 of 2

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We look forward to your cooperation in maintaining proper drinking water and wastewater service to the citizens of Belle Glade while waiting for the transfer of utilities responsibility to take place. If you have any questions regarding this letter or any utilities-related compliance or enforcement issues during this time, please contact Lisa Self of this office at (561) 681-6699.

Sincerely,

  
\_\_\_\_\_  
Jack Long  
District Director  
Southeast District

1/21/05  
Date

JL/LAB/TRB/lms

cc:

Michele Owens, FDEP Drinking Water  
Darrel Graziani, Palm Beach County Health Department  
Hassan Hadjimiry, Palm Beach County Water Utilities  
Hon. Shirley Walker-Turner, Mayor, City of South Bay  
Virginia K. Walker, City of South Bay  
Hon. Steve B. Wilson, Mayor, City of Belle Glade  
Hon. Wayne Whitaker, Mayor, City of Pahokee  
Matthew Brock, City Manager, City of Pahokee

[Michele.Owens@dep.state.fl.us](mailto:Michele.Owens@dep.state.fl.us)  
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[mbrock@cityofpahokee.com](mailto:mbrock@cityofpahokee.com)





Jack Long, Director  
Southeast District Office

JAN 22 2009

## Florida Department of Environmental Protection

Southeast District Office  
400 North Congress Avenue, Suite 200  
West Palm Beach, Florida 33401-2913

Charlie Crist  
Governor

Jeff Kottkamp  
Lt. Governor

Michael W. Sole  
Secretary

### RETURN RECEIPT REQUESTED

Matthew Brock, City Manager  
City of Pahokee  
171 North Lake Avenue  
Pahokee, Florida 33476

Palm Beach County

**SUBJECT:** Drinking Water and Wastewater Compliance and Enforcement for the Cities of  
Pahokee, South Bay, and Belle Glade

Dear Mr. Brock:

The purpose of this letter is to advise you of the Department's position regarding the operation and maintenance of the drinking water and wastewater systems in Belle Glade, South Bay, and Pahokee from the present until the date when responsibility for these systems is transferred to the proposed Glades Utility Authority ("GUA").

The Department understands that the referenced Cities wish to invest as little as possible in their respective systems while awaiting the transfer of responsibility to the GUA; however, the Department wishes to emphasize that each of the referenced Cities remains responsible for proper operation, repairs, and maintenance of their respective systems, including *preventive* maintenance, until such time as the GUA assumes control of and responsibility for each City's systems. Any portion of any system not transferred to the GUA will remain the responsibility of the applicable City.

The Department or its delegated agent will pursue the appropriate enforcement penalties against the Cities for any water or wastewater violations, including failures to properly operate and maintain the systems, until the GUA assumes responsibility for the systems. Any violations occurring soon after the transfer of responsibility to the GUA will be individually evaluated to determine whether they resulted from a City's failure to properly operate and maintain the system between the present and the transfer of responsibility. It is the Department's intent that the GUA not be burdened with penalties and enforcement actions arising from this interim period.

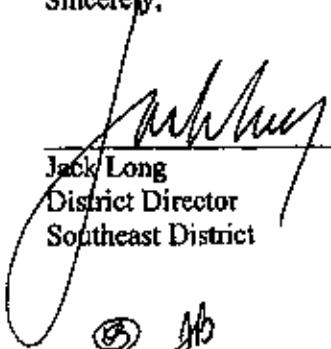
*"More Protection. Less Process"*  
[www.dep.state.fl.us](http://www.dep.state.fl.us)

Mr. Matthew Brock, City Manager  
City of Pahokee  
Page 2 of 2

Chapters 373 and 403, Florida Statutes (F.S.), provide that it is a violation to fail to obtain any permit or to violate or fail to comply with any rule, regulation, order, permit, or certification adopted or issued by the Department pursuant to its lawful authority. Violations of Florida Statutes or administrative rules may result in liability for damages and restoration, and the judicial imposition of civil penalties up to \$10,000.00 per violation per day, pursuant to Sections 403.141 and 403.161, Florida Statutes.

We look forward to your cooperation in maintaining proper drinking water and wastewater service to the citizens of Pahokee while waiting for the transfer of utilities responsibility to take place. If you have any questions regarding this letter or any utilities-related compliance or enforcement issues during this time, please contact **Lisa Self** of this office at (561) 681-6699.

Sincerely,

  
\_\_\_\_\_  
Jack Long  
District Director  
Southeast District

1/21/09  
Date

Ⓟ JB  
JL/LAB/TRB/lms

cc:

Michele Owens, FDEP Drinking Water  
Darrel Graziani, Palm Beach County Health Department  
Hassan Hadjimiry, Palm Beach County Water Utilities  
Hon. Shirley Walker-Turner, Mayor, City of South Bay  
Virginia walker, Interim City Manager, City of South Bay  
Hon. Steve B. Wilson, Mayor, City of Belle Glade  
Lomax Harrelle, City Manager, City of Belle Glade  
Hon. Wayne Whitaker, Mayor, City of Pahokee

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[wwhitaker@cityofpahokee.com](mailto:wwhitaker@cityofpahokee.com)

**ATTACHMENT A**

**Copies of Letters dated January 22, 2009,  
from the Department to the Cities of South Bay, Belle Glade, and Pahokee**

ATTACHMENT B

Preliminary Draft Consent Order

**DRAFT**



City of Belle Glade. The Belle Glade WWTF is a 6.5 million gallons per day (maximum monthly daily flow) oxidation ditch wastewater treatment facility, with effluent disposal via one 10.2 million gallons per day (peak hourly flow) underground injection well discharging to Class G-IV groundwater. The underground injection well is located within the Belle Glade WWTF site, which is located at 2205 West Canal Street South, Belle Glade, Palm Beach County, Florida, 33430. The Belle Glade WWTF with its associated collection and transmission system, and the underground injection well were both formerly owned and operated by the City of Belle Glade under Department permits FLA027740 and 0048217-UO, respectively.

B. The effluent pump station portion of the decommissioned South Bay Wastewater Treatment and Disposal Facility ("South Bay WWTF"). The effluent pump station is located on Northwest First Avenue, South Bay, Palm Beach County, Florida, 33493. The South Bay WWTF, with the exception of the effluent pump station and its piping, is owned by the City of South Bay and was formerly operated under Department permit FLA021300.

C. The South Bay wastewater collection and transmission system serving the City of South Bay. This collection and transmission system was formerly owned and operated by the City of South Bay in association with the South Bay WWTF under Department permit FLA021300.

D. The Pahokee Wastewater Treatment and Disposal Facility ("Pahokee WWTF") and the associated wastewater collection and transmission system serving the City of Pahokee. The Pahokee WWTF is a 1.2 million gallons per day (three-month average daily flow) activated sludge wastewater treatment facility, with effluent disposal via one 4.0 million gallons per day (peak hourly flow) underground injection well discharging to Class G-IV groundwater. The underground injection well is located within the Pahokee WWTF site, which is located at 1001 Rim Canal Road, Pahokee, Palm Beach County, Florida, 33476. The Pahokee WWTF, with its associated collection and transmission system, and the underground injection well were

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both formerly owned and operated by the City of Pahokee and Department permits FLA136778 and 0138286-UO, respectively.

4. The Department finds that:

A. The Respondent operates the facilities described in Paragraph 3 according to the agreements reached between Respondent and the Cities of Belle Glade, South Bay, and Pahokee ("Cities").

B. Prior to the transfer of ownership of the facilities identified in Paragraph 3, the referenced facilities were in violation of Department Rules and permits, as described in the attached Compliance Evaluation Inspections, Consent Final Judgment, and correspondence (Attachments A through C).

C. Additional equipment failures are likely after the transfer of ownership of the facilities to the Respondent, due to lack of maintenance or improper operation of the facilities by the Cities prior to the transfer of ownership. The Respondent has agreed to assume the responsibility for operation, maintenance, repair, and upgrades of the referenced facilities; however, the Department recognizes that the extensive work and expenditures necessary to bring the facilities into full compliance with Department Rules and permits will require considerable time to complete.

5. Having reached a resolution of the matter the Department and the Respondent mutually agree and it is

**ORDERED:**

6. Wastewater permits for operation of the facilities described in Paragraph 3 of this Consent Order are required pursuant to 403.087 and 403.088, Florida Statutes, and Chapters 62-4 and 62-620, Florida Administrative Code. This Consent Order is not intended to directly or indirectly authorize the temporary or permanent operation of the facilities described in Paragraph 3 of this Consent Order.

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7. The Department, in consideration of and in exchange for the Respondent's commitment and agreement to (1) apply for the required wastewater permit as identified in Sub-Paragraph 10(A), below, and (2) adhere to the requirements set forth in Sub-Paragraph 10(B), below, hereby conditionally waives its right to sue the Respondent for the violations addressed by this Consent Order. This waiver is conditioned upon the Respondent's complete compliance with all of the terms of this Consent Order. If the Respondent fails to comply with any of the terms and conditions of this Consent Order, the conditions of the waiver will be considered not to have been met and the waiver will not become effective.

8. The Respondent further agrees not to assert any claims of waiver and/or estoppel against the Department in the event the Respondent fails to comply with any requirement of this Consent Order, and the Department, as a result thereof, elects to pursue the Respondent for civil penalties assessed as a result of the Respondent's non-compliance with the terms of this Consent Order.

9. The Respondent acknowledges and agrees that in no event shall these Paragraphs 7 through 9 be construed to apply as a waiver by the Department to undertake causes of action not addressed by this Consent Order.

10. The Department's conditional waiver of its right to sue as detailed in Paragraphs 7 through 9, above, is also expressly conditioned upon the Respondent's complete and timely performance of all requirements set forth in this Paragraph. Respondent shall comply with the following corrective actions within the stated time periods:

A. On the effective date of this Consent Order, the Cities may not have completed the formal transfer of Department permits FLA027740, 0048217-UO, FLA136778 and 0138286-UO to the Respondent. If the applications to transfer all the permits have not been submitted to the Department by the Cities, Respondent shall submit the necessary application materials to the Department, including the required signatures and materials from the Cities,



within 30 days of the effective date of this Consent Order or within 30 days of the transfer of ownership of the referenced facilities to the Respondent, whichever is later.

B. Respondent shall make improvements, submit documentation to the Department, and perform testing, studies, and planning as detailed in Attachment D. Respondent may amend the scope and schedule of activities shown in Attachment D by obtaining the consent of the Department for each change.

11. In the event of a sale or conveyance of the facility or of the property upon which the facility is located, if all of the requirements of this Consent Order have not been fully satisfied, Respondent shall, at least 30 days prior to the sale or conveyance of the property or facility, (1) notify the Department of such sale or conveyance, (2) provide the name and address of the purchaser, or operator, or person(s) in control of the facility, and (3) provide a copy of this Consent Order with all attachments to the new owner. The sale or conveyance of the facility, or the property upon which the facility is located shall not relieve the Respondent of the obligations imposed in this Consent Order.

12. Unauthorized discharges of wastewater, and any other violations that can reasonably be shown to result from the poor condition of the referenced facilities at the time of the transfer of ownership to the Respondent, will not be penalized by the Department if the violations occur during the effective term of this Consent Order. Violations arising from improper operation of the referenced facilities, or from failure to take prompt and appropriate action to address a violation as it develops, will be subject to penalties in accordance with Department Rules.

13. Respondent agrees to pay the Department stipulated penalties in the amount of \$50.00 per day for each and every day Respondent fails to timely comply with any of the requirements of Paragraphs 10 and 11 of this Consent Order. A separate stipulated penalty shall be assessed for each violation of this Consent Order. Within 30 days of written demand from the

**DRAFT**

Department, Respondent shall make payment of the appropriate stipulated penalties to "The Department of Environmental Protection" by cashier's check or money order and shall include thereon the OGC number assigned to this Consent Order and the notation "Ecosystem Management and Restoration Trust Fund." Payment shall be sent to the Department of Environmental Protection, 400 North congress Avenue, suite 200, West Palm Beach, Florida, 33401. The Department may make demands for payment at any time after violations occur. Nothing in this Paragraph shall prevent the Department from filing suit to specifically enforce any terms of this Consent Order. Any penalties assessed under this Paragraph shall be in addition to the settlement sum agreed to in Paragraph 12 of this Consent Order. If the Department is required to file a lawsuit to recover stipulated penalties under this Paragraph, the Department will not be foreclosed from seeking civil penalties for violations of this Consent Order in an amount greater than the stipulated penalties due under this Paragraph.

14. If any event, including administrative or judicial challenges by third parties unrelated to the Respondent, occurs which causes delay or the reasonable likelihood of delay, in complying with the requirements of this Consent Order, Respondent shall have the burden of proving the delay was or will be caused by circumstances beyond the reasonable control of the Respondent and could not have been or cannot be overcome by Respondent's due diligence. Economic circumstances shall not be considered circumstances beyond the control of Respondent, nor shall the failure of a contractor, subcontractor, materialman or other agent (collectively referred to as "contractor") to whom responsibility for performance is delegated to meet contractually imposed deadlines be a cause beyond the control of Respondent, unless the cause of the contractor's late performance was also beyond the contractor's control. Upon occurrence of an event causing delay, or upon becoming aware of a potential for delay, Respondent shall notify the Department orally within 24 hours or by the next working day and shall, within seven calendar days of oral notification to the Department, notify the Department in

**DRAFT**

writing of the anticipated length and cause of the delay, the measures taken or to be taken to prevent or minimize the delay and the timetable by which Respondent intends to implement these measures. If the parties can agree that the delay or anticipated delay has been or will be caused by circumstances beyond the reasonable control of Respondent, the time for performance hereunder shall be extended for a period equal to the agreed delay resulting from such circumstances. Such agreement shall adopt all reasonable measures necessary to avoid or minimize delay. Failure of Respondent to comply with the notice requirements of this Paragraph in a timely manner shall constitute a waiver of Respondent's right to request an extension of time for compliance with the requirements of this Consent Order.

15. Persons who are not parties to this Consent Order, but whose substantial interests are affected by this Consent Order, have a right, pursuant to Sections 120.569 and 120.57, Florida Statutes, to petition for an administrative hearing on it. The Petition must contain the information set forth below and must be filed (received) at the Department's Office of General Counsel, 3900 Commonwealth Boulevard, MS# 35, Tallahassee, Florida 32399-3000 within 21 days of receipt of this notice. A copy of the Petition must also be mailed at the time of filing to the District Office named above at the address indicated. Failure to file a petition within the 21 days constitutes a waiver of any right such person has to an administrative hearing pursuant to Sections 120.569 and 120.57, Florida Statutes.

The petition shall contain the following information:

- (a) The Department's Consent Order identification number and the county in which the subject matter or activity is located;
- (b) The name, address, and telephone number of each petitioner; the name, address, and telephone number of the petitioner's representative, if any, which shall be the address for service purposes during the course of the proceeding;

- DRAFT**
- (c) An explanation of how the petitioner's substantial interests will be affected by the Consent Order;
  - (d) A statement of when and how the petitioner received notice of the Consent Order;
  - (e) A statement of all material facts disputed by petitioner, if any;
  - (f) A statement of the specific facts the petitioner contends warrant reversal or modification of the Consent Order;
  - (g) A statement of which rules or statutes the petitioner contends require reversal or modification of the Consent Order; and
  - (h) A statement of the relief sought by the petitioner, stating precisely the action petitioner wishes the Department to take with respect to the Consent Order.

If a petition is filed, the administrative hearing process is designed to formulate agency action. Accordingly, the Department's final action may be different from the position taken by it in this Notice. Persons whose substantial interests will be affected by any decision of the Department with regard to the subject Consent Order have the right to petition to become a party to the proceeding. The petition must conform to the requirements specified above and be filed (received) within 21 days of receipt of this notice in the Office of General Counsel at the above address of the Department. Failure to petition within the allowed time frame constitutes a waiver of any right such person has to request a hearing under Sections 120.569 and 120.57, Florida Statutes, and to participate as a party to this proceeding. Any subsequent intervention will only be at the approval of the presiding officer upon motion filed pursuant to Rule 28-106.205, Florida Administrative Code.

A person whose substantial interests are affected by the Consent Order may file a timely petition for an administrative hearing under Sections 120.569 and 120.57, Florida Statute, or may choose to pursue mediation as an alternative remedy under Section 120.573, Florida Statutes, before the deadline for filing a petition. Choosing mediation will not adversely affect the right to a hearing if mediation does not result in a settlement. The procedures for pursuing mediation are set forth below.

Mediation may only take place if the Department and all the parties to the proceeding agree that mediation is appropriate. A person may pursue mediation by reaching a mediation agreement with all parties to the proceeding (which include the Respondent, the Department, and any person who has filed a timely and sufficient petition for a hearing) and by showing how the substantial interests of each mediating party are affected by the Consent Order. The agreement must be filed in (received by) the Office of General Counsel of the Department at 3900 Commonwealth Boulevard, MS #35, Tallahassee, Florida 32399-3000, within 10 days after the deadline as set forth above for the filing of a petition.

The agreement to mediate must include the following:

- (a) The names, addresses, and telephone numbers of any persons who may attend the mediation;
- (b) The name, address, and telephone number of the mediator selected by the parties, or a provision for selecting a mediator within a specified time;
- (c) The agreed allocation of the costs and fees associated with the mediation;
- (d) The agreement of the parties on the confidentiality of discussions and documents introduced during mediation;
- (e) The date, time, and place of the first mediation session, or a deadline for holding the first session, if no mediator has yet been chosen;

(f) The name of each party's representative who shall have authority to settle or recommend settlement; and

(g) Either an explanation of how the substantial interests of each mediating party will be affected by the action or proposed action addressed in this notice of intent or a statement clearly identifying the petition for hearing that each party has already filed, and incorporating it by reference.

(h) The signatures of all parties or their authorized representatives.

As provided in Section 120.573, Florida Statutes, the timely agreement of all parties to mediate will toll the time limitations imposed by Sections 120.569 and 120.57, Florida Statutes, for requesting and holding an administrative hearing. Unless otherwise agreed by the parties, the mediation must be concluded within sixty days of the execution of the agreement. If mediation results in settlement of the administrative dispute, the Department must enter a final order incorporating the agreement of the parties. Persons whose substantial interests will be affected by such a modified final decision of the Department have a right to petition for a hearing only in accordance with the requirements for such petitions set forth above, and must therefore file their petitions within 21 days of receipt of this notice. If mediation terminates without settlement of the dispute, the Department shall notify all parties in writing that the administrative hearing processes under Sections 120.569 and 120.57, Florida Statutes, remain available for disposition of the dispute, and the notice will specify the deadlines that then will apply for challenging the agency action and electing remedies under those two statutes.

16. This Consent Order is a settlement of the Department's civil and administrative authority arising under Florida law to resolve the matters addressed herein. This Consent Order is not a settlement of any criminal liabilities which may arise under Florida law, nor is it a settlement of any violation which may be prosecuted criminally or civilly under federal law.

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17. The Department hereby expressly reserves the right to initiate appropriate legal action to prevent or prohibit any violations of applicable statutes, or the rules promulgated thereunder that are not specifically addressed by the terms of this Consent Order, including but not limited to undisclosed releases, contamination or polluting conditions.

18. The terms and conditions set forth in this Consent Order may be enforced in a court of competent jurisdiction pursuant to Sections 120.69 and 403.121, Florida Statutes. Failure to comply with the terms of this Consent Order shall constitute a violation of Section 403.161(1)(b), Florida Statutes.

19. Respondent is fully aware that a violation of the terms of this Consent Order may subject Respondent to judicial imposition of damages, civil penalties up to \$10,000.00 per day per violation, and criminal penalties.

20. Entry of this Consent Order does not relieve Respondent of the need to comply with applicable federal, state or local laws, regulations or ordinances.

21. No modifications of the terms of this Consent Order shall be effective until reduced to writing and executed by both Respondent and the Department.

22. Respondent acknowledges and waives its right to an administrative hearing pursuant to Sections 120.569 and 120.57, Florida Statutes, on the terms of this Consent Order. Respondent acknowledges its right to appeal the terms of this Consent Order pursuant to Section 120.68, Florida Statutes, and waives that right upon signing this Consent Order.

23. This Consent Order is a final order of the Department pursuant to Section 120.52(7), Florida Statutes, and it is final and effective on the date filed with the Clerk of the Department unless a Petition for Administrative Hearing is filed in accordance with Chapter 120, Florida Statutes. Upon the timely filing of a petition this Consent Order will not be effective until further order of the Department.

FOR THE RESPONDER

**DRAFT**

\_\_\_\_\_  
DATE

\_\_\_\_\_  
NAME  
Title  
Glades Utility Authority

DONE AND ORDERED this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_, in West Palm Beach, Florida.

STATE OF FLORIDA DEPARTMENT  
OF ENVIRONMENTAL PROTECTION

**DRAFT**

\_\_\_\_\_  
Jack Long  
District Director  
Southeast District

Filed, on this date, pursuant to Section 120.52, F.S., with the designated Department Clerk,  
receipt of which is hereby acknowledged.

\_\_\_\_\_  
Clerk

\_\_\_\_\_  
Date

**DRAFT**

**Attachments:**

Attachment A: Compliance Evaluation Inspection Report for Belle Glade WWTF, May 27, 2008  
Attachment B: Consent Final Judgment, FDEP vs. City of South Bay, No. 2007 CA 6409-MB  
Attachment C: Compliance Evaluation Inspection Report for Pahokee WWTF, May 27, 2008  
Attachment D: Schedule of Improvements and Activities for GUA Wastewater Facilities

**Copies furnished to:**

Lea Crandall, Agency Clerk, FDEP/TLH  
Darrel Graziani, Palm Beach County Health Department  
Lomax Harreille, City Manager, City of Belle Glade  
Virginia Walker, Interim City Manager, City of South Bay  
Matthew Brock, City Manager, City of Pahokee



ATTACHMENT A

COMPLIANCE EVALUATION INSPECTION REPORT  
INSPECTION OF BELLE GLADE WWTF ON MAY 27, 2008



## Florida Department of Environmental Protection

Southeast District  
400 N. Congress Avenue, Suite 200  
West Palm Beach, Florida 33401

Charlie Crist  
Governor

Jeff Kottkamp  
Lt. Governor

Michael W. Sole  
Secretary

JUL 07 2008

City of Belle Glade Public Services  
Mr. William F. Underwood  
City Manager  
110 Southwest Avenue "E"  
Belle Glade, FL 33430

Notice Of Non Compliance  
Palm Beach County  
D/W-City of Belle Glade WWTF  
Permit Number: FLA027740

Re: Compliance Evaluation Inspection

Dear Mr. Underwood:

On May 27, 2008, representatives of the Florida Department of Environmental Protection (FDEP or Department) and the Palm Beach County Health Department (PBCHD) conducted a Compliance Evaluation Inspection (CEI) at the City of Belle Glade WWTF, located at 2055 West Canal Street in Palm Beach County. The Department wishes to convey its thanks to your staff for their assistance during this inspection. A copy of the inspection report is enclosed for your records.

Please see Sections #1, #6, #8 and #9 for the Out of Compliance details. You are requested to respond in writing within 15 days of this letter with documentation that any noted deficiencies have been corrected. If you have any questions concerning this report, please contact Meghna Pandya at (561) 681-6894.

Sincerely,

Todd R. Brown, C.P.M.  
Environmental Manager  
Water Facilities Compliance/Enforcement Section

TRB/mp

cc: Jeff Harris, Chief Wastewater Treatment Plant Coordinator  
Dave Hebert, PBCHD  
Jennifer Paris, DEP/THL

[David.Hebert@doh.state.fl.us](mailto:David.Hebert@doh.state.fl.us)  
[Jennifer.paris@dep.state.fl.us](mailto:Jennifer.paris@dep.state.fl.us)

**COMPLIANCE EVALUATION INSPECTION ATTACHMENT**

**PERMITS/ORDERS**

**1. Permit No.: FLA027740-005-DW1P**

Date of Issue: August 7, 2003  
Expiration Date: August 6, 2008

A copy of the permit was not available at the site at the time of the inspection. A copy of the permit must be available at the facility at all times. According to Chapter 62-620.410 (5), F.A.C, if the permittee wishes to continue operation of the wastewater facility after the expiration date of the permit, the permittee shall submit an application for renewal, using Department Forms 62-620.901(1) and (2), no later than one-hundred and eighty days (180) prior to the expiration date of the permit. To date, the Department has not received an application for permit renewal.

Rating: Out of Compliance

**2. Compliance Schedule**

Rating: Not Evaluated

**SELF MONITORING PROGRAM**

**3. Laboratory**

Sampling analyses are performed by I2J Environmental Services, Inc.

Rating: Not Evaluated

**4. Sampling**

Wastewater compliance sampling points used by operators were correct and in conformance with permit requirements.

Rating: In Compliance

**5. Records and Reports**

A copy of the Daily Operations and Maintenance Log and Manual is maintained at the site to record daily activities, process control, and maintenance information in accordance with Chapter 62-601, F.A.C. The operator had copies of DMRs for the required minimum of three years, per Chapter 62-600, F.A.C.

Rating: In Compliance

**FACILITY OPERATIONS**

**6. Facility Site Review**

Upon arrival at the facility, the main gate was open and unlocked. Since the facility currently uses gas chlorine as a source of disinfection, the gates must be locked at all times or a security telephone/ camera must be installed at the entrance of the facility to allow or deny access. No indications of spills or wildlife concerns were noted.

Rating: Out of Compliance

**7. Flow Measurement**

The facility is treating approximately 3 mgd of wastewater. Calibrations were performed throughout the facility in April, 2007. The Department strongly recommends that the permittee have all the meters calibrated at least once every twelve months rather than once every calendar year. At the time of inspection, the influent flow meter read 2.92 mgd.

Rating: In Compliance

**8. Operations and Maintenance**

The City of Belle Glade WWTF is an existing 8.0 mgd maximum monthly average daily flow (MMADF) oxidation ditch aeration type activated sludge wastewater treatment plant consisting of:

**Headworks** - The bar screens, vortex grit units, and the splitter box appeared to be operating properly. At the time of the inspection, South Bay was pumping into Belle Glade's headworks.

**Aeration Basin** - The mixed liquor appeared to be adequately aerated with no dead areas using the fine pore aeration system around the race-track flow pattern, carousel oxidation ditch basin. At the time of the inspection, oxidation ditch no. 2 had a crack on the side wall (see attached pictures). The structural integrity of the ditch must be evaluated by a Professional Engineer and a copy of the report, signed and sealed by the P.E., submitted to the Department. Algae buildup was visible on the sides of the basins.

**Clarifiers** - At the time of the inspection, a significant amount of algal growth was present in all the clarifier weirs. The on-site operator indicated that once a week the weirs of one clarifier are cleaned. A significant amount of duck weed was noted in all the clarifiers. The weirs must be cleaned more often in order to minimize the excess algal growth. At the time of the inspection, the clarifier ring covering the radius of the clarifier number 4 was broken (see attached pictures). The clarifier ring must be either replaced or repaired and photo documentation must be submitted within 15 days to show the ring has been replaced. The clarifier stilling well had a significant amount of scum, grease and vegetation. The stilling well needs cleaning. Chapter 62-620.610(7), F.A.C states that "The permittee shall at all times properly operate and maintain the facility and systems of treatment and control, and related appurtenances, that are installed and used by the permittee to achieve compliance with the conditions of the permit." Failure to do so may result in enforcement action with associated penalties.

**Disinfection** - Gas chlorine is used to disinfect the effluent before it is discharged down the injection well or into the percolation pond.

**Alternative Power** - The on site generator is tested weekly for one hour.

Rating: Out of Compliance

**EFFLUENT/DISPOSAL**

**9. Effluent**

Effluent appeared to be colorless and free of solids content, which is consistent with DMR data submitted to the Department. At the time of the inspection, the effluent flow meter read 3.049 mgd and the effluent pH meter read 7.64. The effluent chlorine analyzer was out of service, at the time of inspection. The pH and chlorine analyzers must be maintained and functional at all times.

Rating: Out of Compliance

10. Disposal

Effluent is discharged into Class G-IV ground water via one Class I underground injection well and can be disposed to the percolation pond.

Rating: In Compliance

11. Residuals Management

The sludge from the clarifier is pumped to the sludge holding tank and then hauled.

Rating: In Compliance

12. Ground Water

Not evaluated.

13. Other

Not applicable.

FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION  
**WASTEWATER COMPLIANCE INSPECTION REPORT**  
 FACILITY AND INSPECTION INFORMATION

|   |                         |                               |  |
|---|-------------------------|-------------------------------|--|
| Name and Physical Location of Facility<br>City of Belle Glade WWTF<br>2205 West Canal Street South<br>Belle Glade, FL 33430   | WAFR ID:<br>FLA027740   | County<br>Palm Beach<br>Phone | Entry Date/Time<br>05/27/2008 @ 12:30 AM<br>@ Exit Date/Time<br>05/27/2008 @ 2:00 PM |
| Name(s) of Field Representative(s)<br>Jeff Harris   | Title<br>Chief Operator | Phone<br>(561) 992-1643       |  |
| Name and Address of Permittee or Designated Representative<br>William F. Underwood<br>City of Belle Glade Public Services<br>110 S.W. Avenue "B"<br>Belle Glade, FL 33430 | Title<br>City Manager   | Phone                         | @ Operator Certification #   |

Inspection Type:  C  E  I  
 Domestic  Industrial  
 Samples Taken (Y/N): NO @ Sample ID#: N/A Samples Split (Y/N): N/A  
 Were Photos Taken (Y/N): Y @ Log book Volume: N/A @ Page: N/A

| PERMITS/ORDERS             | SELF MONITORING PROGRAM | FACILITY OPERATIONS           | EFFLUENT DISPOSAL           |
|----------------------------|-------------------------|-------------------------------|-----------------------------|
| NC 1. Permit               | NE 3. Laboratory        | NC 6. Facility Site Review    | NC 9. Effluent              |
| NE 2. Compliance Schedules | IC 4. Sampling          | IC 7. Flow Measurement        | IC 10. Disposal             |
|                            | IC 5. Records & Reports | NC 8. Operation & Maintenance | IC 11. Residuals Management |
| NA 13. Other:              |                         |                               | NE 12. Groundwater          |

Facility and/or Order Compliance Status:  In-Compliance  Out-Of-Compliance  Significant-Out-Of-Compliance  
 Recommended Action: See attached letter

|  |  |                    |
|--|--|--------------------|
| Name(s) and Signature(s) of Inspector(s)<br>Meghna Pandya    | District Office/Phone Number<br>SED/(561) 681-6694 | Date<br>06/10/2008 |
| @ Signature of Reviewer<br>for Todd Brown <i>[Signature]</i> | District Office/Phone Number<br>SED/(561) 681-6698 | Date<br>7/3/08     |

Transaction Code:  H  S  F  L  A  D  T  T  A  S  O  S  D  S  T  T  C  S  S

Inspection Type (Field 1): A-PAL B-CBI C-CBI S-CBI X-XSI BFR  
 Inspection Code (Field 2): S-State, J-Joint EPA/State EPA, C-C, T-Town, S-S, A-Site Lead, L-Local Program  
 Facility Type (Field 3): M-Municipal (Publicly Owned), I-Industrial and Privately Owned Domestic, A-Agricultural, R-Residential  
 Every other field is self-explanatory

ATTACHMENT C  
COMPLIANCE EVALUATION INSPECTION REPORT  
INSPECTION OF PAHOKEE WWTF ON MAY 27, 2008



## Florida Department of Environmental Protection

Southeast District  
400 N. Congress Avenue, Suite 200  
West Palm Beach, Florida 33401

Charlie Crist  
Governor

Jeff Kotkamp  
Lt. Governor

Michael W. Sole  
Secretary

JUN 11 2008

Mr. Mathew Brock  
City Manager  
City of Pahokee  
171 North Lake Avenue  
Pahokee, FL 33476

Palm Beach County  
DW-City of Pahokee WWTF  
Facility ID Number: FLA136778

Re: Compliance Evaluation Inspection

Dear Mr. Brock:

On May 27, 2008, representative of the Florida Department of Environmental Protection (FDEP) conducted a Compliance Evaluation Inspection (CEI) at the City of Pahokee WWTF, located in Palm Beach County. The Department wishes to convey its thanks to your staff for their assistance during this inspection. A copy of the inspection report is enclosed for your records.

The overall status of the plant is In Compliance. Please see Sections #2 and #8 for the Out of Compliance details. You are requested to respond in writing within 15 days of this letter with documentation that any noted deficiencies have been corrected. If you have any questions concerning this report, please contact Meghna Pandya at (561) 681-6694.

Sincerely,

*Todd R. Brown*  
for

Todd R. Brown, C.P.M.  
Environmental Manager  
Water Facilities Compliance/Enforcement Section

TRB/imp

cc: Catherine E. Nance, Chief Operator  
Dave Hebert, PBCHD



**COMPLIANCE EVALUATION INSPECTION ATTACHMENT**

**PERMITS/ORDERS**

**1. Permit No. FLA136778-003-DWTP**

Date of Issue: May 02, 2007  
Expiration Date: May 01, 2012

A copy of the permit was available at the site at the time of the inspection.

Rating: In Compliance

**2. Compliance Schedule**

The current permit requires the facility to complete the following improvement actions according to the following schedules:

| No | Improvement Action  | Completion Date    |
|----|---|--------------------|
| 1  | For the Walker Process System, replace metal bracing that stabilizes the 3" air diffuser piping on each side of the digester. | September 30, 2008 |
| 2  | For the Walker Process System, replace metal divider walls between the aerator and digester.                                  | September 30, 2008 |
| 3  | For the Walker Process System, replace the metal weirs and launders.  | September 30, 2008 |
| 4  | For the Walker Process System, replace the metal braces that keep the launders connected to the notch weirs.                  | September 30, 2008 |
| 5  | For the Walker Process System, replace all airtight piping that extends into the tank 12" below the surface.                  | September 30, 2008 |
| 6  | For the Walker Process System, replace the main bearings that carries the weight of the walking bridge.                       | September 30, 2008 |
| 7  | For the Walker Process System, replace the seals around the main bearing for the walking bridge.                              | September 30, 2008 |
| 8  | For the Walker Process System, replace the supporting brackets that keep the recuperating pipe secured.                       | September 30, 2008 |
| 9  | For the Walker Process System, repair fist size holes in wall of the mixing chamber.  | September 30, 2008 |
| 10 | Replace above ground electrical conduit that feed the back half of the plant from Blower House #2.                            | September 30, 2008 |

At the time of the inspection none of the above mentioned schedules were being implemented. The facility must complete the above mentioned improvements by September 30, 2008. Failure to do so may result in enforcement action.

Rating: Out of Compliance

**SELF MONITORING PROGRAM**

**3. Laboratory**

Sampling analyses are performed by Flowers Chemical Labs and I2J Environmental Services, Inc.

Rating: In Compliance

4. Sampling

Wastewater compliance sampling points used by operators were correct and in conformance with permit requirements. On the day of the inspection, the temperature of the thermometer inside the sampling refrigerator read 2.5 degrees Celsius.

Rating: In Compliance

5. Records and Reports

Copies of all pertinent permits were onsite and accessible. A Daily Operations and Maintenance Log and Manual were maintained at the site to record daily activities, process control, and maintenance information in accordance with Chapter 62-601 F.A.C. The operator had copies of DMRs for the required minimum of three years, per Chapter 62-600 F.A.C.

Rating: In Compliance

FACILITY OPERATIONS

6. Facility Site Review

The facility site was well secured and clean. Structures, roads, fences, and equipment appeared to be in good condition.

Rating: In Compliance

7. Flow Measurement

Effluent and Influent flows are measured continuously. At the time of the inspection, the Influent flow meter read 741 Gallons per minute flow. Calibrations through out the facility were done in March, 2008.

Rating: In Compliance

8. Operations and Maintenance

The City of Pahokee WWTF is an existing 1.2 mgd activated sludge wastewater treatment plant consisting of the following:

**Headworks** - The headworks include one automatic bar screen and one standby manual bar screen. No deficiencies were noted at the headworks.

**Aeration Tank** - The mixed liquor appeared to be adequately mixed with no dead spots. There was minimal algae build-up on the sides of the tank. The safety railing at the aeration tank is damaged and needs to be repaired.

**Clarifiers** - Two clarifiers contained a minimal amount of popups. There was minimal algae on the weirs and no solids were passing over the weirs. At the time of the inspection, the sludge blanket was measured as 12".

**Package Plant** - The clarifier, digester, and aeration tank appeared to be operating properly. At the time of the inspection, a significant amount of scum was observed in the stilling well of the package plant. The scum from the stilling well must be removed and the clarifier must be maintained at all times. The overall plant needs maintenance and the issues noted in the compliance schedule from the permit need to be implemented.

**Disinfection** – Chlorine is used for disinfection. Chlorine injection is tested every month for 4 hours. No deficiencies were noted at the chlorine contact chamber.

**Dewatering Building** – At the time of the inspection, the residuals process was not operating. Normally the belt presses are run once or twice a month.

Rating: Out of Compliance

#### **EFFLUENT/DISPOSAL**

##### **9. Effluent**

Effluent appeared to be satisfactory in color and free of solid contents, which was consistent with DMR data submitted to the Department. At the time of the inspection, the effluent meter read 1.4 mgd.

Rating: In Compliance

##### **10. Disposal**

The effluent is disposed of through a Class I underground injection well discharging to Class G-IV groundwater. For back-up use, the facility also has the ability to discharge into a percolation pond.

Rating: In Compliance

##### **11. Residuals Management**

The facility usually generates about one load per week of Class AA lime-stabilized residuals. The facility does not have a contracted hauling company at this time. Instead of using the residuals for land application, the facility is stockpiling the residuals in low-lying areas.

Rating: In Compliance

##### **12. Ground Water**

Not evaluated

FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

WASTEWATER COMPLIANCE INSPECTION REPORT

FACILITY AND INSPECTION INFORMATION

@=Optional

|   |                        |                         |  |
|---|------------------------|-------------------------|--|
| Name and Physical Location of Facility<br>City of Pahokee WWTF<br>1050 McClure Road<br>Pahokee, FL 33476                                    | WAPR ID:<br>FLA136778  | County<br>Palm Beach    | Entry Date/Time<br>01/27/2008 @ 09:30 AM |
| Name(s) of Field Representative(s)<br>Catherine E. Nace   | Title<br>Lead Operator | Phone<br>(561) 924-2926 |  |
| Name and Address of Permittee or Designated Representative<br>Mathew Brock<br>City of Pahokee<br>171 North Lake Avenue<br>Pahokee, FL 33476 | Title<br>City Manager  | Phone                   | @ Operator Certification #               |

|   |                        |                   |                          |
|---|------------------------|-------------------|--------------------------|
| Inspection Type<br><input checked="" type="checkbox"/> Domestic <input type="checkbox"/> Industrial | Sampler Taken(Y/N): NO | @ Sample ID#: N/A | Samples Split (Y/N): N/A |
| Ware Photos Taken(Y/N): Y   | @ Log book Volume: N/A | @ Page: N/A       |                          |

| PERMITS/ORDERS             | SELF-MONITORING PROGRAM | FACILITY OPERATIONS           | EFFLUENT DISPOSAL           |
|----------------------------|-------------------------|-------------------------------|-----------------------------|
| IC 1. Permit               | IC 3. Laboratory        | IC 6. Facility Site Review    | IC 9. Effluent              |
| NC 2. Compliance Schedules | IC 4. Sampling          | IC 7. Flow Measurement        | IC 10. Disposal             |
|                            | IC 3. Records & Reports | NC 8. Operation & Maintenance | IC 11. Residuals Management |
|                            |                         |                               | NC 12. Groundwater          |

Facility and/or Order Compliance Status:  In-Compliance  Out-Of-Compliance  Significant-Out-Of-Compliance

Recommended Action: See attached letter

|   |  |                    |
|---|--|--------------------|
| Name(s) and Signature(s) of Inspector(s)<br>Meghna Pandya | District Office/Phone Number<br>SED/ (561) 681-6694                          | Date<br>06/07/2008 |
| @ Signature of Reviewer<br>for Todd Brown                 | <i>Michelle K. Chen</i><br>District Office/Phone Number<br>SED(561) 681-6698 | Date<br>6/10/08    |

NPDES Compliance Station for All Surface Water Discharge Inspections (CFL, CFI, CBI, ERI, XSI, RSI)

| Transaction Code | NPDES Number | YR/MO/DA | Insp Type | Inspector | Par Type |
|------------------|--------------|----------|-----------|-----------|----------|
| N                | FLA136778    | 080327   | IC        | ZS        | 32       |

ADDITIONAL NPDES COMMENTS

Inspection Type (Field): A=PAL, B=CBI, C=CEI, S=CSI, X=XSI, R=RSI

Inspection Code (Field): 1=Residential, 2=Industrial, 3=Commercial, 4=Public Works, 5=Local Program

Facility Type (Field): 1=Municipal, 2=Industrial, 3=Commercial, 4=Public Works, 5=Agricultural, 6=Federal

ATTACHMENT B

CONSENT FINAL JUDGMENT, FDEP v. CITY OF SOUTH BAY  
NO. 2007 CA 6409-MB, FIFTEENTH JUDICIAL CIRCUIT COURT

IN THE CIRCUIT COURT OF THE FIFTEENTH JUDICIAL  
CIRCUIT IN AND FOR PALM BEACH COUNTY, FLORIDA

STATE OF FLORIDA DEPARTMENT  
OF ENVIRONMENTAL PROTECTION,

Plaintiff,  
vs.

Case No.: 2007 CA 6409-MB

CITY OF SOUTH BAY,

Defendant.

CONSENT FINAL JUDGMENT

THIS MATTER having come before this Court pursuant to a Stipulation for Settlement and Joint Motion for Entry of Consent Final Judgment filed by the parties and the parties having resolved this matter in accordance with the provisions of the Stipulation, it is

ORDERED AND ADJUDGED that the terms of the Stipulation entered into between the parties dated September 11, 2007, are hereby adopted and incorporated as though fully set forth herein and, accordingly, it is

FURTHER ORDERED AND ADJUDGED that the parties shall comply with and be bound by the terms of the Stipulation and this Court shall retain jurisdiction to enforce this Judgment by contempt proceedings or other appropriate sanctions.

DONE AND ORDERED in Chambers, Palm Beach County, **SIGNED AND DATED** \_\_\_\_\_ day of

September, 2007.

SEP 17 2007

Chambers of Judge  
DIANA LEWIS

Diana Lewis  
Circuit Court Judge

cc: Kirk S. White, Esq.  
Thomas Montgomery, Esq.

IN THE CIRCUIT COURT OF THE FIFTEENTH JUDICIAL  
CIRCUIT IN AND FOR PALM BEACH COUNTY, FLORIDA

STATE OF FLORIDA DEPARTMENT  
OF ENVIRONMENTAL PROTECTION,

Plaintiff,

vs.

Case No.: 2007 CA 6409-MB

CITY OF SOUTH BAY,

Defendant.

---

**STIPULATION FOR SETTLEMENT AND  
JOINT MOTION FOR ENTRY OF CONSENT FINAL JUDGMENT**

The parties, the State of Florida Department of Environmental Protection ("Department") and City of South Bay, ("City") in order to resolve the matters at issue in the above-captioned matter without the necessity of further litigation, hereby enter into this Stipulation for Settlement ("Stipulation") and Joint Motion for Entry of Consent Final Judgment.

The City and Department hereby stipulate and agree to the following:

1. The Consent Final Judgment shall constitute the complete settlement for the parties of all issues raised in this litigation.
2. The parties have negotiated in good faith and agreed to a just, fair, and reasonable settlement of the claims in this action. The parties agree that a Consent Final Judgment should be entered and jointly move this Court for entry of Consent Final Judgment adopting and incorporating the terms of this Stipulation.

WHEREFORE, it is hereby stipulated and agreed to between the Department and City that

---

A. Judgment is entered in favor of Plaintiff, State of Florida Department of Environmental Protection (3000 Commonwealth Blvd., Tallahassee, Florida 32399-3000) and against City of South Bay ( 335 Southwest Second Avenue, South Bay, Florida 33493) in the total amount of \$11,000.00 for which an execution issue. Payment is due and payable to the Department 180 days after the date of this judgment. Payment shall be made by cashier's check or money order payable to the "State of Florida Department of Environmental Protection" and shall include thereon the OGC NO.: C3-0342 and the notation "Ecosystem Management and Restoration Trust Fund." Payment shall be sent to the Department of Environmental Protection, Southeast District Office, 400 North Congress, Suite 200, West Palm Beach, FL 33411.

Stipulations for the Wastewater System

B. Commencing upon the day immediately following the date of this judgment, City shall report to the Department and to the Palm Beach County Health Department all unauthorized discharges from the City's wastewater collection, transmission, and pumping system, and shall report such discharges that exceed 1,000 gallons to the State Warning Point at telephone number 800-320-0519. All reports shall be made within 24 hours of City's discovery of the unauthorized discharge.

C. Commencing upon the day immediately following the date of this judgment and continuing until the headworks structure is permanently removed from operation, City shall prevent any structural or operations failure of the headworks structure that may result in unauthorized discharge of wastewater.



D. Commencing upon the day immediately following the date of this judgment and continuing until completion of all terms contained herein, City shall pump all the City's wastewater to the Belle Glade facility for treatment and disposal. Discharges to the ponds at the former City wastewater facility site are prohibited except for applicable gubernatorial declarations of a state of emergency or prior Department approval. City shall maintain in good working condition all equipment necessary for pumping 100% of its wastewater to the Belle Glade facility, including a backup pump and equipment.

E. Within 135 days of the date of this judgment, City shall submit to the Department a plan for operating the City's wastewater collection, transmission, and pumping system during abnormally high rainfall conditions, including states of emergency declared by the Governor. The plan shall address preparations, backup parts and equipment, emergency power, lift station management, pump management, staffing, and training, and any other items necessary to minimize exposure of the public to raw sewage or sewage-contaminated floodwaters and to minimize environmental pollution. Within 120 days of receipt of Department comments, City shall revise the plan as required by the Department and shall resubmit the plan. Upon Department approval, City shall immediately commence implementation of the plan and comply with all timeframes contained therein including acquisition and installation of necessary parts and equipment. City shall begin staff training called for in the plan no later than 30 days of Department approval of the plan, or as otherwise approved by the Department. City shall continue to follow the Department-approved plan thereafter, unless modifications are approved by the Department.

F. Within 150 days after the date of this judgment, City shall complete installation of a new pump at the wastewater wet well. The new pump shall be designed to handle untreated wastewater, rainy season conditions and otherwise have sufficient capacity to pump 100% of the City's wastewater to the City of Belle Glade's wastewater facility. The existing 75-horsepower pump shall be kept operable as a backup pump for times when the new pump is out of service.

G. Within 180 days of the date of this judgment, City shall complete proper installation and calibrate flowmeters to measure wastewater entering the old City wastewater facility site, wastewater pumped to the Belle Glade facility, and wastewater discharged to the ponds.

H. Within 270 days of the date of this judgment, City shall submit to the Department either (1) a permit application to build a new wastewater treatment and disposal facility, including the appropriate application fee, or (2) a permit application to convert the City's new sewage connection to the City of Belle Glade's wastewater treatment facility headworks from a temporary connection to a permanent connection, including the appropriate application fee. The permit application shall include an estimated schedule showing projected start and completion dates, along with any significant interim dates. City shall respond within 120 days to Department Requests for Additional Information to complete processing the permit application. City shall make all changes to the application necessary to comply with Department rules and requirements. Upon permit issuance, City shall adhere to the completion schedule in the permit unless a schedule modification is approved by the Department.

I. Within 270 days of the date of this judgment, City shall have a Professional Engineer, certified in the State of Florida, complete an evaluation of the entire wastewater collection and transmission system Citywide, and submit for Department approval a written infiltration and inflow Program proposal. The proposed Program shall be designed to correct existing equipment failures and existing breaks, leaks, or collapses in piping, and to maintain the system thereafter through preventive maintenance and the prompt detection and correction of piping or equipment deterioration or failures. The Program proposal shall include an estimated schedule for improvements. City shall obtain Department approval of the Program within 365 days of the date of this judgment. City shall commence implementation of the infiltration and inflow Program within 120 days of Department approval, and shall complete all requirements of the Program in accordance with the timeframes contained therein unless a modification is approved by the Department.

Stipulations for the Drinking Water System

J. Commencing upon the day immediately following the date of this judgment and continuing until drinking water is supplied to the entire City by the proposed County-operated regional facility, City shall issue a "Boil Water" notice in the affected area(s) of the City whenever the water pressure in the distribution system falls below 20 pounds per square inch (PSI). City shall notify the Palm Beach County Health Department and the Department within 24 hours of issuance of all "Boil Water" notices.

K. Within 120 days of the date of this judgment, City shall calibrate the existing recording pressure gauge at the drinking water plant, or shall replace it with a

new, properly calibrated recording pressure gauge. Within 150 days of the date of this judgment, City shall properly install and calibrate recording pressure gauges at each pumping station in the water distribution system.

Within 270 days of the date of this judgment, City shall have a Professional Engineer certified in the State of Florida complete an evaluation of the entire drinking water distribution system Citywide, and submit for Department approval a written Distribution System Improvement Program proposal. The proposed Program shall be designed to maintain water pressure throughout the distribution system above 20 PSF, to correct existing equipment failures and breaks, leaks, or collapses in piping and to maintain the system thereafter through preventive maintenance and the prompt detection and correction of piping or equipment deterioration or failures. The Program proposal shall also include an estimated schedule for improvements. City shall obtain Department approval of the Program within 270 days of the date of this judgment. City shall commence implementation of the Distribution System Improvement Program within 30 days of Department approval, and shall comply with all timeframes contained therein unless a modification is approved by the Department.

J. The parties shall bear their own costs, expenses, and attorney's fees.

K. This Court shall retain jurisdiction over this matter to enforce the terms and conditions of this Stipulation and any order adopting said Stipulation until completion of all terms contained herein.


O. The undersigned, duly authorized to sign and thereby bind the respective parties, consents to the Court's entry of this Consent Final Judgment incorporating the terms of this Stipulation without further notice.

FOR THE PLAINTIFF:

  
Kirk White  
Assistant General Counsel  
Department of Environmental Protection  
3950 Commonwealth Blvd LR 15  
Tallahassee, FL 32399-3000

Date: 4/11/07

FOR THE DEFENDANT:

  
Honorable Clarence Anthony  
Mayor, City of South Bay, FL  
335 SE Second Ave  
South Bay, Florida 33493

Date: Sept 4, 2007

| City        | Corrective Action/Other Item  | Estimated Cost | Complete | Status or Comment  |
|-------------|---|----------------|----------|--|
| BELLE GLADE | Repair weir in Clarifier #4   |                | Complete | Repaired by City of Belle Glade prior to 02/09.  |
|             | Repair canopy protecting chlorine cylinders   |                |          | Repaired by City of Belle Glade prior to 02/09.  |
|             | If the City of Belle Glade has not done so, complete inspecting all aerial crossings of collection system pipes   | \$10,000.00    | FY 2009  | Inspect wastewater pipes crossing over canals or other obstacles and identify needed repairs.                          |
|             | If the City of Belle Glade has not done so, complete repairs for structural integrity of Oxidation Ditch #2   | \$5,000.00     | FY 2009  | Bridge Design assessed the oxidation ditch in October 2008. Report not yet delivered.                                  |
|             | Complete permit renewal for Belle Glade wastewater treatment facility, FLA027740  |                | FY 2010  | City of Belle Glade submitted application in August 2008. GUA will complete process.                                   |
|             | Repair or replace malfunctioning chlorine analyzer and pH analyzer  | \$8,000.00     | FY 2010  | Prior repairs appear to have been insufficient to maintain operability.  |
|             | Refurbish grit removal units  | \$240,000.00   | FY 2011  | Part of overall Refurbish/repair/replace project.  |
|             | Mechanical integrity testing of injection well  | \$100,000.00   | FY 2012  |  |
|             | Conduct Infiltration and Inflow Study throughout City of Belle Glade collection system, including search for source of elevated suspended solids          | \$310,000.00   | FY 2012  | The Study will include smoke testing and installation/repair of manhole protectors.                                    |
|             | Repair stilling well  | \$10,000.00    | FY 2012  | Part of overall Refurbish/repair/replace project.  |
|             | Clean rectangular clarifiers  | \$100,000.00   | FY 2013  | These units out of service as of 1/30/09.  |
|             | Paint metal surface components to prevent decay   | \$300,000.00   | FY 2014  | Part of overall Refurbish/repair/replace project.  |
|             | Repaint non-metal buildings and structures  | \$200,000.00   | FY 2015  | Part of overall Refurbish/repair/replace project.  |
|             | Perform additional permitting, sampling, reporting, and operation and maintenance activities as required by applicable State and local permits and rules. | ongoing        | ongoing  | Beginning on date that GUA assumes responsibility for Belle Glade's wastewater utilities and continuously thenceforth. |

| City      | Corrective Action/Other Item  | Estimated Cost | Complete | Status or Comment  |
|-----------|---|----------------|----------|--|
| SOUTH BAY | Permit, construct, and obtain approval to operate new Master Lift Station to replace former effluent pump station   | \$600,000.00   | FY 2010  | Piping will bypass the former wastewater treatment facility.   |
|           | Conduct Infiltration and Inflow Study for unimproved portions of City of South Bay collection system  | \$60,000.00    | FY 2010  | The Study will include smoke testing and installation/repair of manhole protectors.                                  |
|           | Assist City of South Bay to prevent structural or operational failures at the headworks that result in unauthorized discharges (GUA is not assuming ownership of headworks) | \$250,000.00   | FY 2011  | Until wastewater flow is rerouted to bypass the existing headworks structure.  |
|           | Prevent discharges to the onsite ponds or offsite canal   |                | ongoing  | Beginning on date that GUA assumes responsibility for South Bay's wastewater pumping and continuously thenceforth.   |
|           | Perform additional permitting, sampling, reporting, and operation and maintenance activities as required by applicable State and local permits and rules.                   | ongoing        | ongoing  | Beginning on date that GUA assumes responsibility for South Bay's wastewater utilities and continuously thenceforth. |

| City    | Commodity/Grant/Other Item  | Estimate       | Fiscal Year | Commitment  |
|---------|---|----------------|-------------|---|
| PAHOKEE | Assist City of Pahokee repairing concrete and replacing bar screen at headworks   | \$250,000.00   | FY 2009     | Underway; grant funding acquired to provide new headworks   |
|         | If the City of Pahokee has not done so, replace above-ground electrical conduit supplying power to rear of wastewater treatment facility  | \$250,000.00   | FY 2010     | Permit # FLA136778-003-DW1P required the City of Pahokee to complete this by 9/30/08  |
|         | Repair/replace safety railing on the aeration tank  | \$100,000.00   | FY 2010     |   |
|         | Refurbish grit removal system   | \$80,000.00    | FY 2010     |   |
|         | Replace skimmer arm in Clarifier #1   | \$50,000.00    | FY 2013     |   |
|         | Conduct Infiltration and Inflow Study throughout City of Pahokee collection system  | \$110,000.00   | FY 2014     | The Study will include smoke testing and installation/repair of manhole protectors.   |
|         | If the City of Pahokee has not done so, complete these items for the Walker Plant (round package plant):<br>replace metal bracing for air diffuser in digester<br>replace metal divider walls between aerator and digester<br>replace metal weirs and launders<br>replace metal braces connecting launders and weirs<br>replace all airlift piping<br>replace main bearings supporting the walking bridge<br>replace seals around bearings for the walking bridge<br>replace support brackets securing the supernate pipe<br>repair fist-sized holes and other holes in chamber walls | \$1,000,000.00 | FY 2018     | Permit # FLA136778-003-DW1P required the City of Pahokee to complete these items by 9/30/08.<br>Each item shall be replaced or repaired in a timely manner to maintain the operability of the Walker Plant. |
|         | Perform additional permitting, sampling, reporting, and operation and maintenance activities as required by applicable State and local permits and rules.   | ongoing        | ongoing     | Beginning on date that GUA assumes responsibility for Pahokee's wastewater utilities and continuously thenceforth.  |



Palm Beach County  
Water Utilities  
Department  
Service Area (SA) and  
Major Facilities

Attachment 6

Legend

- ..... P.B.C. W.U.D. SA
- MANDATORY RECLAIMED SA
- - - - - COUNTY LIMITS
- ★ Administration
- Water Reclamation Plant
- ▲ Water Treatment Plant
- Wetlands

