

Naples, Florida

June 16, 1987

LET IT BE KNOWN, that the Rate Study Committee of the Pelican Bay Improvement District Board of Supervisors met on this date in a Committee Session at 9:00 a. m., in the offices of the Pelican Bay Improvement District, 801 Laurel Oak Drive, Suite 510, Naples, Florida 33963, with the following members present: Messrs. Gary L. Moyer and Mr. James P. Ward of the Pelican Bay Improvement District; Mr. Lou Hoegsted of Westinghouse Communities of Naples; Mr. James Hake of the Pelican Bay Improvement District Board of Supervisors; Mr. Paul Cumiskey of Coopers & Lybrand; Mr. Thomas Peek of Wilson, Miller, Barton, Soll & Peek, Inc. and Mr. James Dunwiddie, a representative of the Pelican Bay Property Owner's Association.

Mr. Moyer opened the Committee Meeting with a discussion on current requirement of 110% coverage under the existing Bond Resolution. It was the Committee's concern that the proposed rates were artificially inflated 10% by this requirement and Mr. Moyer, at the past meeting, told the Committee he would check with Bond Counsel to see if this requirement could be eliminated. In discussions with Bond Counsel, they had verbally committed that if the District maintained \$130,000 in the the Renewal & Replacement Fund rather than the current \$50,000 requirement, the proposed rates could be calculated without factoring in the additional 10% requirement. Mr. Moyer explained that this change could be accomplished by amending the Bond Resolution. Mr. Ward

explained that the Renewal & Replacement Fund was originally funded at \$50,000, however, the account now held \$150,000 as \$50,000 per year had been set aside in this account for membrane replacement. Mr. Moyer explained that if any of the funds from the Renewal & Replacement Fund were used they would have to be replaced or the rates would have to be readjusted.

Mr. Hoegsted commented that Exhibit Five could then be revised to eliminate the 10%. Mr. Cumiskey explained that until the District issued new Bonds, the \$150,000 would remain adequate.

Mr. Cumiskey stated the next issue regarded the revised calculations of the commodity rate, which currently was one rate per thousand gallons for residential and another for the Golf Course. He explained that on Exhibit Four, the commodity costs were combined and the denominator was the consumption estimates for the total irrigation needs. The new rate then became \$.28 per thousand gallons as opposed to the old rates of \$.31 for residential and \$.26 for the Golf Course.

Mr. Hoegsted questioned the new irrigation rates as under this scenario, the Golf Course would be picking up a portion of the operation and maintenance of the residential and commercial system while on the other hand there was no operation and maintenance of the Golf Course system. Mr. Moyer's opinion was that the District should not maintain the Golf Course distribution system. Mr. Dunwiddie commented that the District provided the distribution lines around the area, and, for a fee, provided maintenance within a subdivision. He suggested that the District should provide the Golf Course with pumping pressure due to the

fact the Golf Course was located near the Plant site and there were no distribution lines to the Golf Course. Mr. Hoegsted stated the difference between the Golf Course and the residential areas was that the Golf Course had no distribution lines. Mr. Dunwiddie then suggested if the Golf Course was put at the same rate as residential, the District should assume the cost of the Golf Course pumping facilities. The Committee agreed and authorized this cost to be included within the rates.

Mr. Cumiskey presented water audit data which showed the commercial equivalent factor of 5.75 was correct.

Mr. Cumiskey reviewed another major point which concerned the excess capacity cost which was brought before the Board, who voted to fund the excess capacity charge through the use of Connection Fees.

Mr. Cumiskey returned to the question of the Golf Course capacity charge and whether or not the Golf Course should be charged any capacity costs from the 1979 Bond issue. He commented that the Committee had agreed they should not pay these costs, due to WCN's \$300,000 contribution. He asked whether the Golf Course should pay a capacity charge for the 1985 Bond Issue. The Committee agreed the Golf Course should pay for these costs.

Mr. Dunwiddie explained the Golf Course had never paid a connection fee, but rather had contributed \$300,000. He calculated a potential connection fee using 170 acres times three units per ares, times \$860.00 per year, which totaled \$438,000, and concluded the \$300,000 connection fee was quite reasonable. He continued with another

calculation which could be the per acre rate for commercial at \$7,145.00/acre times 170 acres equaling \$1,214,000 for a connection fee.

Mr. Moyer stated that the original connection fee had a direct relation to the product being provided by the District and the fee was based upon the recovery of cost for distribution and collection lines, and that is why the Golf Course did not pay a connection fee as there were no distribution or collection lines to the Golf Course, and because of their \$300,000 contribution for the raw water line from the well field.

Mr. Dunwiddie continued the Hotels' capacity charge was based on the number of rooms, and the average usage of a room was equal to the average usage of a home, therefore everyone was paying their fair share, and also the Hotels' peak was the same as the residential peak, especially since the rooms were empty in the summer. Mr. Ward explained there was little use of water and wastewater in the rooms themselves, that the use came into play from the restaurants, bars, convention facilities, laundry, etc., and, taking into account these facilities, this figure calculated closely to a Group Four Unit. Mr. Cumiskey further explained, when a rate study is performed using peak factors, the basis is normally that the larger customer keeps up the average customer consumption, which in turn keeps the peaking requirements at a lower level. Therefore, he explained that the District would have to give the larger users, i.e., the Golf Course, the Hotels, etc., a lower than average peaking charge, due to the fact they have not contributed to the peak the way the residential customers have. Mr. Cumiskey

advised since Pelican Bay was a major residential community, and there were no major commercial users, they had not calculated the figures on that concept. He continued that the larger the user the lower the rate since they were not contributing to the peaking requirements.

Mr. Cumiskey advised that adding \$23,000 to the plant electric to include the Westinghouse Golf Course pumping station seemed to increase the commodity rate to \$.31 to all users. Mr. Dunwiddie questioned the water plant's high electric rate for wastewater. Mr. Petty explained that two 75 horsepower motors, which blow air into the contact stabilization chamber were the source of the main power draw, and in addition, there were two 20 horsepower motors for the master lift station, two 5 horsepower motors for backwash filters, and two 2½ horsepower motors for well pumps.

Mr. Dunwiddie suggested that certain costs were varied, and some costs were fixed, i.e. electric, chemical, quality, engineering, legal, audit, transportation, etc., and these charges should be included in the capacity charge or be part of the minimum charge for commodity the commodity portion of the rate. He continued it would be easier to add the fixed costs to the capacity charge for billing purposes, to reflect only the truly variable numbers. Mr. Cumiskey commented these numbers were called "semi-fixed", and they were increased year to year due to additional connections. Mr. Moyer suggested as more customers were added to the system, the commodity rates should balance. Mr. Dunwiddie commented the facilities were always available, whether or not the customer was always here, so the volume charge, if increased, would

hit the year round customer. Mr. Moyer stated the minimum fee was a readiness to serve, and this was hard to explain to a part-time resident.

Mr. Dunwiddie was concerned about the one third split for potable, wastewater, irrigation, and suggested that engineering fees, insurance, and trustee fees, be split proportionately to the capital costs, as they were not directly related to the capital involved. Mr. Moyer stated everyone used all the services, and in the end there was no difference in the charges, except possibly for irrigation. Mr. Cumiskey explained that in the original study, the irrigation system was charged on an average.

Mr. Hake asked how the capacity cost was currently being invoiced. Mr. Ward explained that the current customer paid \$7.38 for potable water, \$7.93 for wastewater, and on a sliding scale for irrigation, plus use for each of the above. Thus, if no use was shown, the charge would be the minimum capacity charge. He also stated that if the customer's capacity charge were increased then the per thousand gallon charge would decrease. The Committee agreed to proceed on this basis. A discussion followed regarding customer reaction to the above changes in rate structure.

Mr. Hoegsted calculated that the commodity charge decreased from \$1.66 to \$1.22 on potable, decreased to \$.63 for wastewater, and concerning the capacity charge, the potable increased from \$7.38 per month to \$8.17 a month, and wastewater increased from \$7.93 to \$8.66 per month.

Mr. Hake suggested that the District take over the Westinghouse pumping station and thus lower the cost for everyone, and then to revise the commodity rate. He further suggested that Westinghouse sell the station to the District for approximately \$5.00, and the District pick up the bill for replacement and operation of the equipment and future electric costs, if Westinghouse agreed. Mr. Hoegsted was agreeable to this suggestion.

Mr. Hoegsted then questioned the capacity charges distribution for the operational costs, i.e. engineering through transportation, totaling \$72,000, and asked if it would be the same break down as on Exhibit Four. Mr. Cumiskey stated the costs would be based on flow.

Mr. Cumiskey stated that the total of the minimum fees, (debt service) and availability fees should equal the debt service payments, if they don't or are less, WCN would have to buy down units. He continued, if they were more than that, the money would be carried forward and used to meet the debt service. Mr. Cumiskey commented the capacity charge plus the connection fees should equal debt service, but some differentiation should be made in the capacity charge as to what was debt service and what was commodity costs, because with changes, the capacity charges would go up to include the administrative and engineering costs. He stated that the Westinghouse Agreement should be structured to include the total of capacity charges and connection fees. Mr. Dunwiddie suggested if Westinghouse did not generate a specified amount in connection fees, they would have to come up with the difference, but if they were over the specified amount, they would

receive a credit against next year. Mr. Moyer advised that this equation was not balanced, due to the fact the District was in a short fall position, however he anticipated overage next year. Mr. Dunwiddie stated the capacity charge did not take additional units into consideration.

Mr. Moyer recommended that the Westinghouse Agreement be structured at certain points in the year when the District required additional funding, Westinghouse would provide funding in the form of a short fall fee or in the alternate by the take down of additional connections equal to the requirement of the District, and at the end of the District's fiscal year, an audit would be performed to find any surplus that the District generated through the normal operations, then would reimburse or purchase back from Westinghouse, the connection fees.

Mr. Hake said that if users created an overage, he saw no reason for Westinghouse to share in that. He continued if the District created a great overage through the method established now to charge the customer, then the money should be used to pay off Bonds ahead of schedule or decrease the amount of charge to the customer, which Westinghouse would share in. Mr. Dunwiddie suggested the overage be kept by the District to pay for a share of future expansion, which in turn reduces the potential demand on Westinghouse. Mr. Cumiskey recommended the District keep the excess funds and invest them until the following year, and use the excess to cover the absorptions. Mr. Dunwiddie suggested the District use the money against the following years connection fees. Mr. Hake advised that if the District used the

money to build new facilities, then Westinghouse's need to come up with the monies was reduced. Mr. Dunwiddie argued the money from connection fees was not to be used for anything but reducing the Bond commitment, and if monies were raised from the other charges, then they should go against future expansion. Mr. Hake stated the purpose of connection fees was for future expansion.

Mr. Dunwiddie questioned that the number of units Westinghouse said they would build in the 1990's would not generate enough income for the District. Mr. Hake stated that if Westinghouse did not meet the commitment and bought connections ahead of time, this would give the District additional monies. Mr. Dunwiddie stated there would be a \$900,000 surplus in 1991 generated by Westinghouse, and the agreement stated it could be used against future short falls. Mr. Ward stated if Westinghouse did not take down the required number of units, they would be required to pay the short fall.

Mr. Cumiskey stated the Stand By Fee would equal the difference between the connection fee revenue necessary to meet debt service payments and actual connection fees received. Thus, if this language is used in the Agreement, this amount would be whatever the connection fees were versus the amount of money required for the year. Mr. Cumiskey suggested that the way the Agreement should be structured was to start with connection fee money received, plus the minimum fee, add these together, and whatever the difference was between this figure and the principal and interest payments, resulted in the Stand By Fee. He stated the Stand By Fee would be based on an estimate that was

adjusted as needed. Mr. Ward advised that it wasn't possible for him to tell the Committee the capacity portion of the rate that is received. Mr. Dunwiddie suggested that the District enter an agreement with WCN whereby any time a short fall exists, then they be asked to take down connection fees. Mr. Cumiskey stated when the build out schedule is not met, ask Westinghouse to buy down connections. Mr. Cumiskey suggested the concept was for Westinghouse to insure the principal and interest payments for the District and the money to pay principal and interest came from two sources: minimum fees plus connection fees. Mr. Ward asked whether the debt service number in Column G could be used; that he could tie to this number. Mr. Cumiskey replied that this figure would change every year, depending upon the number of connections. Mr. Dunwiddie suggested a calculation at the beginning of each budget year totaling the estimated capacity fees for that year, and take the difference of the debt service payments which would state Westinghouse's debt, and any surplus generated by actual payment would be placed in a "Connection Fee Fund", to reduce the requirements for the following year.

Mr. Hake asked for some conclusion by the Committee. Mr. Hoegsted questioned excess units of  $2\frac{3}{22}$  and asked whether in the Report credit was given each month as units came on line. Mr. Cumiskey stated the figure was taken from the end of the year but when the minimum charges were computed it was assumed that the units were bought in the middle of the year.

Mr. Moyer advised that Mr. Ward could show the actual units which come on line during the year during the preparation of the Fiscal Year Water & Sewer Budget is prepared. Mr. Hoegsted asked what WCN would be charged for in Fiscal Year 1987. Mr. Ward replied that he would go back and re-calculate the actual units on line for Fiscal Year 1987. Mr. Cumiskey advised that in the current report the excess had been determined by assuming that 363 units for F.Y. 1987 would be brought on line in mid-stream (on average). Mr. Cumiskey advised that if Westinghouse bought down units they would pay a capacity charge, which included the debt service and the operating and maintenance costs. Thus, it did not make sense to him for WCN to pay the operating and maintenance portion of the capacity charge. Mr. Dunwiddie suggested that WCN should not pay the capacity charge on units which they bought down. Mr. Ward suggested that this would be fine if the District was not reserving capacity for these units. Mr. Moyer advised the problem with Mr. Dunwiddie's suggestion was that payment for the capacity charge represented income to the District and to let WCN buy down connection fees without using this as generation of revenue would not be in the District's best interests. Mr. Cumiskey advised that the District was now going to have a different capacity charge that was going to include a debt service component and an O&M component. Thus, the decision was whether WCN should be charged the whole capacity charge or just the debt service charge on the connection fees which they buy down. Mr. Hake suggested that they shouldn't be charged anything at all; that this would be WCN's purpose for buying down the connection fees. Mr. Petty

stated the break should only come for the current fiscal year; that past this the Developer should begin paying the minimums. He explained that the Developer's shortfall fees paid for the one fiscal year only otherwise there would be additional short falls to be paid. Mr. Moyer stated if Westinghouse paid short fall fees, which were a contribution, not an asset, he had no problem with this thinking, however, if WCN bought down an asset, it needed to become an income producing asset to the District, and this was the reason for payment of the capacity charges.

Mr. Dunwiddie commented that if WCN paid a shortfall fee in cash which was then put into an account as a credit against future overages, there would be no need to charge WCN for capacity charges. Mr. Cumiskey commented that this would be fine if WCN paid a shortfall fee, however, Mr. Hoegsted had suggested that WCN would not be paying the District shortfall fees, but rather would be buying down connection fees. Mr. Moyer commented that if the capacity portion was not charged when the units were taken down, the possibility existed there would be more connections to the plant than the plant had capacity for. He advised that the District would lose the balance of the equation if WCN did not pay capacity charges. Mr. Dunwiddie stated that if the District needed money from Westinghouse to meet its short fall, and if WCN lent the District the money and funds generated from connection fees were more than needed, then the surplus could be used by WCN to buy down connection fees.

Mr. Hoegsted commented that Mr. Dunwiddie was really talking

about an interest free loan which would be a liability on the District's books that would be placed into an account upon which they could draw against as they took down their connection fees. Mr. Ward advised from a financial point of view, this would not work, that this had to be shown as income or the District would not meet its debt service requirements as shown on the books as it wouldn't be a revenue item but rather a liability item.

Mr. Hoegsted suggested that the District might not have a short fall this year. He advised that the St. Maarten/St. Thomas project would most likely begin before September 30, 1987 and the District would receive approximately \$200,000 in connection fees for this project. The Committee also discussed other projects which might be coming on line before the end of the Fiscal Year.

Mr. Hake suggested that the Committee discuss Exhibit 5 of the Report. Mr. Cumiskey advised that this Exhibit was going to have to be amended now that the Committee desired the Capacity Charge to be redone. Mr. Cumiskey advised that the 1979 Bond Issue figures would be left as shown on Exhibit 5 of the original Report, i.e., the Golf Course is not going to be assessed any of these charges. He explained that for the 1986 Bond Issue, actual numbers would be used. Based upon the actual numbers they would be allocated on the same basis as Exhibit 5 in the original report. Mr. Cumiskey commented that the differences in the numbers would be that the Golf Course would receive a 12% allocation and would get an allocation on the 2.5 MGD Storage Tank. He advised that at this point in time it looked like the the charge for wastewater would

increase and the potable and irrigation charges would decrease.

Mr. Dunwiddie stated that he had taken the sum of the debt service for 1979 and the sum of 1979 costs (\$4,530,000), and allocated the debt service cost charge, based on \$1,222,232, and divided by \$4,530,000, which equaled \$134,000, for the cost of potable water and his figure differed from that as shown in the Report. Mr. Cumiskey explained the reason for this was the two Notes which had been taken out for improvements to the R.O. Plant. Mr. Hake asked how one tied Notes to any specific expenditure. Mr. Cumiskey explained that it depended on what the Notes were for. Mr. Cumiskey also advised that in the 1986 Bond Issue future Notes for the line distribution system had been included. He stated it had been assumed there would be three (3) \$800,000 Notes issued in the next few years to complete the financing of the line distribution system. Mr. Ward explained that for bonds or notes currently in place the debt service was based upon the actual debt service schedules and future bonds or notes were based on either eight or nine percent interest. Mr. Cumiskey stated that the numbers represented what had been expended from the Bond Proceeds and the principal and interest on the Bond Proceeds were allocated based on actual percentages and to these actual numbers were added the debt service on the notes. Mr. Ward stated the debt service numbers did not mean anything in regard to the allocations except for allocating the Principal and Interest on the Bond Issues. He explained that the P & I on the notes were added to the numbers. Mr. Cumiskey advised that he would show these numbers separately when he reworked the Report.

Dunwiddie suggested that if peak numbers were used, it would generate a considerable smaller number of units that could be served. Mr. Cumiskey suggested that one must first look at the rating of the Wastewater Plant. He explained that the plant is rated at 1.0 MGD, however, it allows for peaking at 2.5 MGD. Thus to consider the available servicable units one would not take 1.0 MGD and divide by a peak number. Mr. Moyer also advised that one couldn't run a 1.0 MGD plant at 2.5 MGD. Mr. Dunwiddie suggested that the District has a 1.0 MGD Plant and a .5 MGD Plant which were both operable and asked what the capacity was to run both combined plants day after day on an average basis. Mr. Petty suggested that both plants could not be run simultaneously, that the District could only run the new plant when it was built and the old plant would have to come off line. He suggested that if both plants were to be run at the same time the District would have to build another 1.5 MG of storage. Mr. Moyer advised that there was a three day storage requirement for fire protection. Mr. Dunwiddie asked the current storage capacity. Mr. Ward answered that the current storage capacity was 4.2 MG.

Mr. Dunwiddie remarked that the study says the District is limited to 4,444 units that can be supplied by the plant at 225 gallons per day because of the 1.0 MG Tank. He asked what the real capacity of the plant was. Mr. Means replied that in actuality the District could serve more units because of the 1.0 MGD Storage, plus the supply of water coming in. Mr. Petty stated that with the City of Naples Agreement which stated that the City has to fill the storage tank within

a twelve hour period and the peak factor built into the 1 MDG, the District can meet the requirements of Pelican Bay with the one million gallon storage and the City of Naples water. However, if, as Mr. Dunwiddie suggests, the supply represents more than acceptable for 4,444 units, then the peak factor and safety margins would be decreased and there could be times the District could not keep up with the flows.

Mr. Dunwiddie asked what would have to be done to attain capacity of 1.5 MGD. Mr. Petty suggested that the high service pumping building would have to be increased, as well as the chlorination facilities and storage tanks.

Mr. Hake asked how the excess wastewater be handled, for study purposes. Mr. Cumiskey suggested that to increase the size of the storage one would be adding costs as well as capacity, and it became a trade off in terms of rising costs in proportion to the amount of increased capacity.

Mr. Moyer advised the most limiting factor in the system was the wastewater plant, and if it could only serve 4,444 units, the oversizing of the other facilities did not matter. In conclusion, the Committee decided that the figure of 4,444 units was a good number.

Mr. Dunwiddie asked if all the potable, wastewater and irrigation lines were the same size. Mr. Means replied that they were not. Mr. Dunwiddie commented that the costs were distributed equally among these three services and asked whether the costs should be allocated in proportion to the cost of each of the lines or whether all line distribution costs should be allocated to customers the same way

irrigation costs were allocated, i.e, on a density factor, since they were distance oriented. Mr. Cumiskey replied that as long as all the customers were going to be charged for all of the services in the commodity portion of the rates, it would not make much difference, even taking into consideration the density factor.

Mr. Cumiskey stated that the new irrigation rates were established based on the consumption patterns for the irrigation flows and for water and wastewater there was not a great deal of difference in the consumption pattern between the group types.

Mr. Dunwiddie disagreed with this analysis and stated he thought there was a significant difference, particularly in the usage by the Hotels.

Mr. Hake asked Mr. Petty if the average daily usage by the Hotels fluctuated greatly year round. Mr. Petty replied that potable use by the Ritz was fairly steady year round and that he didn't have much data on the Registry as it hadn't been open long enough.

Mr. Dunwiddie suggested that the figure of \$161,654 as it appeared in the report for the degasifier and scrubber should be omitted as it will most likely not be built. Mr. Ward advised that this figure would be eliminated from the costs and the numbers revised. He also advised that approximately \$30,000 would be added to the figures in the report to convert the wastewater storage tank to a potable storage tank.

Mr. Hake asked what the difference was in the pipe sizes for the main distribution lines. Mr. Petty explained that the irrigation lines were normally larger than the potable lines because they must

carry more flow at higher pressures and also are used for fire protection.

Mr. Dunwiddie suggested that even though there was a great deal of difference in costs of the lines, everyone would pay a share of the costs except for irrigation, which costs were partially allocated by area.

Mr. Cumiskey stated the average number of persons living in the different Group Types were as follows - Group I was three people, Group II was 2.5 people, Group III was 2.3 people, and Group IV was 2.1 people. Mr. Dunwiddie asked the Committee whether the consensus of the Committee was that these figures were satisfactory. Mr. Hake stated that he was comfortable with these numbers. Mr. Moyer agreed the impact of these numbers was insignificant and the Committee concurred.

It was the opinion of the Committee that enough information had been gathered by the Committee to date and it would not be necessary to have Mr. Cumiskey at another meeting. Mr. Moyer agreed the information gathered today was sufficient for Coopers & Lybrands final rate study.

Mr. Hake suggested that the Committee had accomplished more tasks than anyone had thought possible and he felt strongly that the Committee should proceed with what was finally on the table, not try to search anything out any further and get this year behind them and then the next time the Committee met to discuss additional rate change they could take the next steps based upon the information already at hand. It was his opinion that what had been accomplished by the Committee to

date was fair and equitable to everyone. He commented that the Committees recommendations might not be the ultimate but he thought the meetings were an extensive study of the rates.

Mr. Dunwiddie suggested that he was comfortable with letting the things remain as they were for the remainder of the fiscal year.

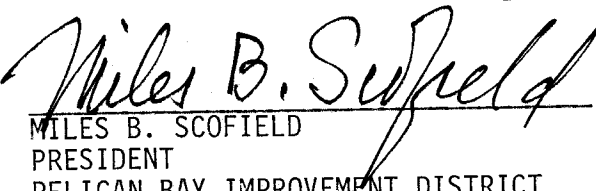
In conclusion, Mr. Cumiskey summarized the following points: re-run the numbers for the Board using the figures from the proposed Fiscal Year 1988 Water & Sewer Budget and prepare a summary of changes and recommendation for the Board by the next Board Meeting; the District would not allocate costs on density at this time, i.e. Hotels, and line distribution temporarily stay as is; on Exhibit Four compute the capacity charge and add to the revised charged the estimated electric costs for the Golf Course; remove the fixed typed costs (engineering through transportation) and use the updated Budget figures to compute the new commodity charge; on Exhibit Five show the principal and interest payment allocations on the dead issues and on the notes and show a credit on the connection fees for the amount of excess capacity on the connection fee; use actual numbers concerning what had been spent from the Bond Proceeds; leave the allocation of the distribution of lines as is; remove the 110% coverage; and the fixed commodity costs will be added. He advised that he will add an exhibit which will show the recomputed capacity charge (five separate charges) by Group types for irrigation water, and the water and wastewater will remain as is, i.e, a single fixed charges. He advised that the connection fee schedule would remain the same.

Pelican Bay Improvement District  
June 16, 1987

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ADJOURNMENT

There being no further business, the meeting was adjourned.

  
MILES B. SCOFIELD  
PRESIDENT  
PELICAN BAY IMPROVEMENT DISTRICT