

Naples, Florida

March 27, 1987

LET IT BE KNOWN, that this was a continuation of the Meeting of the Board of Supervisors of the Pelican Bay Improvement District held on March 18, 1987, held on this date in a Workshop Session at 4:00 P.M., in the Naples Federal Savings & Loan Building, Fifth Floor, 5801 Pelican Bay Boulevard, Naples, Florida, with the following members present:

PRESIDENT:	Miles Scofield
SECRETARY:	Sue E. MacAlister
TREASURER:	Sylvia A. Moll (Absent) Ramer B. Holtan James D. Hake

ALSO PRESENT: Mr. Gary L. Moyer, District Manager; Mr. James P. Ward, Assistant District Manager; Messrs. Byron Koste, Lou Hoegsted; Jack McKenna and Charles Turner of Westinghouse Communities of Naples, Inc.; Mr. Tom Peek and Steve Means of Wilson, Miller, Barton, Soll & Peek; Mr. Tracy Bolesky, Attorney for the District; Mr. Paul Cumiskey of Coopers & Lybrand; Mr. Harmon Turner, Consultant to the Board; Mr. John Petty of the Pelican Bay Improvement District; Messrs. Jack Portman, Marshall Holman, & James Dunwiddie, Representatives of the Pelican Bay Property Owner's Association and Jean Smith, Assistant Secretary.

AGENDA

1. Roll Call.
2. Discussion on Revisions to the Coopers & Lybrand Rate Study.

3. Discussion on the District's Street Lighting System.
4. Discussion on Bears Paw Lakes Report.
5. Consideration of Bond Counsel Proposals.
6. Adjournment.

ROLL CALL

Mr. Scofield called the meeting to order at 4:00 P.M. and asked the record show Ms. Sylvia Moll absent with all other members present.

DISCUSSION ON REVISIONS TO THE COOPERS & LYBRAND RATE STUDY

Mr. Moyer introduced Mr. Paul Cumiskey of Coopers & Lybrand, who prepared the supplement regarding the Irrigation Rate Alternatives.

Mr. Cumiskey advised that at the last meeting in which he was in attendance, the Board had directed him to look at some additional alternatives for charging irrigation water to the customer and he was in attendance at this meeting to discuss these options.

He began by saying that the irrigation rate alternatives apply solely to the residential customer and not to the Golf Course. He stated that currently and as originally proposed the charge for irrigation water was based on a capacity/commodity approach where all group types receive an identical capacity charge, however, certain parties felt that this might not be an equitable charge because of the different density factors of the group types and this was the reasoning behind the study of irrigation rate alternatives. He explained that three additional alternatives were investigated for charging irrigation water to residential customers. These were:

1. A charge based on the size of individual customer acreage eligible for irrigation
2. A commodity only charge

3. A commodity and capacity charge where the capacity portion of the charge is based on relative densities per housing group.

Mr. Cumiskey explained each option in depth. He began by stating that Option 1 was based upon the actual irrigatable acreage of every unit. He stated that this would probably be the most precise and equitable method of billing. However, he explained that this alternative would involve a complex calculation of irrigatable land on a customer-by-customer basis for the entire District; an extensive and ongoing billing system maintenance to assure accuracy of the records, assumptions about the "necessary" or "correct" inches of irrigation for the District which would include unpredictable weather and temperature variables and changes to the District's current billing system estimated to cost approximately \$45,000. He advised that for these reasons this alternative was eliminated from further consideration.

He stated that Option 2 involved the use of a commodity only (flow) rate. He explained that the calculation of the commodity cost under this option was outlined in Exhibit 2 of the Report. He explained that for the calculation of the commodity costs under this option, the same O&M costs that were allocated to the irrigation system for residential customers in the original study were used. The debt service costs, (as shown in Exhibit 3 of the Report) were then added to these O&M costs to arrive at a commodity cost of \$1.09/1,000 gallons. He suggested the Board give this Option consideration for two reasons: 1) it appeared that the "peak season" for irrigation use was not significantly above average use for the year 1986 and therefore a commodity only rate should not cause wide variations in cash flow during the year which in turn meant that there

should be significant cash flow throughout the year to support the District's debt service requirements and 2) there was a perception in the District that a commodity only charge would be more equitable for customers as the size of monthly bills would be directly related to irrigation use. Therefore, customers who irrigated more frequently would have larger monthly irrigation bills than customers with less use. To summarize, he advised that the charge calculated under this option would allow the District to meet its financial obligations plus charge a rate perceived by the District's customers as more equitable than the capacity plus commodity rate now in effect.

Mr. Cumiskey stated that Option 3 involved calculations based on a minimum (capacity) charge per customer plus a consumption (commodity) charge for gallons used. He stated that this was similar to the commodity and capacity irrigation charge now used by the District, however, under this option the capacity portion of the charge was differentiated between the different customer types to reflect the different customer per acre densities of the groups. He advised that these calculations could be found in Appendix B of the Report. Briefly he stated that to arrive at the costs under this option the total acres and customers for each of the customer groups was determined; the relative density percentage of each customer group was then calculated; the share of debt service to be recovered from each customer group was determined and the total group-specific capacity charge was then divided by the total number of customers in each group to calculate the capacity charge for each customer by group type.

He explained that the advantage for keeping a separate capacity

and commodity charge was that it would insure that the District could meet its debt service requirements. In addition, he advised that the District's current billing system would not need to be modified to implement this rate and this option eliminated any concern over revenue stability caused by monthly use variations. He stated that the disadvantage of this option was that the charge to Group I customers would increase significantly and it would not give a conservation incentive.

Mr. Cumiskey stated that the last page of the Report showed a comparison of the following: the irrigation charges based on the previous rates of the District; the rate that Coopers & Lybrand initially computed in the original rate study; the rates under a commodity only method and the rates under a capacity/commodity charge, based on an average density factor. He stated that by looking at this comparison one could see the real impact was that the larger users end up paying more and the smaller users (Group III & IV) end up paying less, which was the end result desired by the Board at the last meeting.

He commented that the real question at this time appeared to be whether the Board desired to use Option 2 or Option 3, which meant considering the advantages of having a conservation incentive using the flow method only or protecting the District from unusual weather conditions, which could be accomplished under Option 3. Mr. Cumiskey advised that the District could proceed using the flow method only and include a provision which would allow the District to charge a surcharge under any wet weather conditions.

Mr. Cumiskey told the Board that his firm's recommendation was

Option 2 because it was simple, easy to understand, and based strictly on the amount of irrigation water that was used.

Mr. Holtan asked Mr. Cumiskey if the Board were to select Option 3 and weather conditions drastically changed whether it would be difficult to switch from Option 3 to Option 2. Mr. Cumiskey replied that if this was the way the Board desired to structure its surcharge, it could be accomplished. However, the problem as he saw it would be deciding what event triggered the switch from one option to the other. He advised that the fewer changes that had to be made in the rate structure the better.

Ms. MacAlister asked how a wet weather surcharge would be handled under Option 2. Mr. Cumiskey replied that when the weather got to the point that consumption levels were not what the District expected and, this level would need to be identified, a surcharge would be implemented to make up for the lost revenue. He explained that a provision in the rate ordinance would be needed to give the District the ability to do this. Mr. Moyer advised that the allocation could be made on the same basis that the commodity charge was calculated under Option 3, i.e., to identify by user category the amount of acreage and then whenever a deficit occurred use the percentage by group type for the surcharge.

At this time, Mr. Holtan called for comments by Mr. Dunwiddie. It was Mr. Dunwiddie's opinion that everyone was striving toward the same goal, an assignment of costs that came as close to reflecting Option 1 as possible and it was his feeling that Option 3 came closer than Option 2 in this regard because an average figure for each Group was determined. For this reason, he preferred Option 3 and recommended this Option to the

Board. He commented that his original suggestion was to bill on acreage alone and if one was going to make a simplified assumption it seemed that the amount of any given acreage built on was about the same. He did not think in making a simplified assumption that each class of customer had the same percentage of acreage being irrigated. He stated that it was probably no more incorrect than the assumption Coopers & Lybrand made that, in effect, everyone in each group had the same size of acreage. In conclusion, he stated he would be quite happy with Option 3. He also suggested that the Board consider the implementation of a surcharge based on flows, i.e., a different commodity rate for flows above a certain number of gallons. Mr. Cumiskey commented that the problem with a surcharge based on flow was that the District would have to implement a very stiff penalty in order to make it effective.

Mr. Hake had some comments regarding Option 1. He asked why it would be so cumbersome to allocate irrigation rates based on acreage and also stated he did not understand why it would cost \$45,000 for a billing program to carryout this method. Mr. Cumiskey stated that first of all someone would have to determine irrigatable acreage for every unit and there would be many disputes regarding the amount of irrigatable acreage. Secondly, he explained that as far as billing was concerned every single unit would have a different capacity charge and this method would take a great deal of time and involve numerous changes in the computer programs.

Mr. Scofield stated that he agreed Option 1 should be dismissed and said that he personally liked either Option 2 or 3.

At this time, Mr. Scofield asked for additional comments by the

Board. Mr. Hake stated that he felt Option 3 was more acceptable than Option 2. Ms. MacAlister stated that she personally preferred Option 2 because it was easier to understand and administer and more equitable.

Mr. Scofield called for comments by District staff. Mr. Moyer stated that he leaned more towards Option 3 only because he was concerned about the District's ability to consistently meet its debt service requirements and if the District had fixed revenue coming in every month this concern would disappear. Ms. MacAlister asked Mr. Moyer whether there was a heavier seasonality factor to Option 3 versus Option 2 than was shown in the Report. Mr. Moyer replied that the seasonality factor was not as much of a concern as the sensitivity to water conditions. He explained that Florida has a history of wet and dry weather conditions and he was concerned about the sensitivity to these cycles. This was the reason for his preference for a fixed revenue source coming into the District.

Mr. Portman stated that he wanted to make sure that only the concept of the rates was currently being addressed; that when one addressed the actual numbers used in the Report, he felt it was an entirely different thing and should be addressed separately. He urged that the Board not adopt the rates as presented because he felt the numbers used in the rate study had never been proven. He agreed with the concept but suggested that the figures needed further attention.

Mr. Moyer suggested the issue of the irrigation rates be brought to a conclusion in a timely manner so that District staff could readvertise, hold public hearings and adopt new rates in order to foreclose some of the criticism regarding adoption procedures that were

used in the past. He stated that the longer the matter was dragged out, the more the District would be subject to criticism. He told Mr. Portman that if he had concerns regarding the derivation of the numbers and was now in a position to discuss the matter, he would like to do so at this time. Mr. Scofield asked Mr. Portman what his concerns were. Mr. Dunwiddie suggested that the problem really went back to his letter and the concerns which were raised in the letter. He explained that he was concerned over such things as the allocation of costs between the potable, wastewater and irrigation water systems; the allocation of costs between residential and the Golf Course; the original standby charges as a major source of revenue, etc.

Mr. Scofield suggested that the Board act upon this issue at this time and stated that the Report only concerned irrigation water. At this time, Mr. Holtan moved, seconded by Mr. Hake and approved unanimously the philosophy embodied in Option 3 of the Report.

Following this motion, Mr. Hake suggested that it was important that the Board adopt rates in accordance with the Statutes and asked if there was anything in the Statutes that said that after proper study and three months down the road the rates could not be readjusted with the proper notifications. Mr. Moyer advised Mr. Hake that the rates could be changed as often as the Board desired as long as the requirements of the Bond Indenture were met. Mr. Hake then suggested that the Board accept the study in front of them and take it upon themselves to form a Committee to further study the rates and recommend changes in the rates if they found it appropriate.

Mr. Portman suggested that the Board investigate the matter of standby fee revenue and several other issues before adoption of the new rates. Mr. Dunwiddie suggested it would be better to operate under the old rates until the Committee had met and reached some conclusion regarding the proposed rates. Mr. Moyer suggested that even if the Board stayed with the old rates at this time that staff be authorized to properly advertise and hold a public hearing on the old rates. He said that this matter had been delayed because he thought the Board would reach a conclusion on this issue within a short period of time. He also suggested that the new rates, as proposed, better approximated what the Board was trying to accomplish, i.e., equitably allocating the cost of the irrigation system. He felt corrective action should be taken now with the understanding that the Board would revisit the rates in the next few months.

Following further discussion, Mr. Hake moved, seconded Ms. MacAlister and approved unanimously that the rates be accepted as presented in Option 3 of the Report and staff be authorized to proceed with the advertisement of a Public Hearing and to perform whatever steps were necessary to adopt the rates in accordance with the Statutes.

Mr. Moyer asked if he could clarify the issue regarding the standby fee. He explained the difference between the rate of \$7.00 that had originally been proposed and the rate of \$2.60 that was actually billed. He stated that the \$7.00 figure was the figure used by PBS&J to cover the full debt service requirements under the philosophy that was in existence at that time, i.e., that any surplus within the lines that were not connected to the system equated to \$7.00 per month. The figure of

\$2.60 that was actually billed, he explained, was consistent with the representations made in the Offering Statement and the understanding of all the parties involved at that time, i.e., during the construction period interest was capitalized and what was actually paid represented only the interest carry and not the principal reduction, as the principal reduction kicked in later in the amortization schedule. This, he explained, was the difference is the \$7.00 fee and the \$2.60 fee.

At this time, Mr. Scofield appointed a Committee to study the rates. He suggested that there be one representative each from the Property Owners Association, the Board, District staff, WCN, and the District's Engineers. Mr. Hake asked that the Committee include a member from Coopers & Lybrand. Mr. Cumiskey said that this would be agreeable and the charge for their services would be their hourly rate which would be approximately \$100.00 per hour. It was the consensus of the Board that Mr. Hake be the Board's representative on this Committee and Mr. Scofield asked that all Committee members names be submitted by next week.

Mr. Moyer advised the Board that Mr. Cumiskey had prepared a written response to the Property Owner's Association letter and he distributed the letter to the Board. It was the consensus of the Board that the newly formed Committee would discuss the issues contained in Coopers & Lybrand's response at their first meeting.

Mr. Scofield asked if there was still an outstanding balance to be paid to Coopers & Lybrand for their work on the Rate Study. Mr. Moyer replied in the affirmative. At this time, Mr. Hake moved, seconded by Ms. MacAlister and approved unanimously that the invoice from Coopers & Lybrand

for the outstanding balance due for services rendered for the Rate Study be paid.

DISCUSSION ON THE DISTRICT'S STREET LIGHTING SYSTEM

Mr. Moyer stated that a Memorandum outlining the discussions with Florida Power & Light regarding this issue had been included in the Agenda Packages. He explained that the intent of the Memorandum had been to update the Board on the alternatives available for providing street lighting services with the Pelican Bay Community. He explained that the major issues discussed a few months ago were whether the District should continue in the business of purchasing unique street lights which gave the community some identity and if the answer was yes, how the expenditures were to be repaid. He stated that current policy was to add land to the street lighting system as it was served by the new street lights. He commented that previous discussions regarded whether the District should include all of Pelican Bay within the MSTU if the District was to continue the operation and financing of the street lighting system. In his opinion these were the issues that needed to be addressed at this time.

Mr. Hake asked if the Board could receive a more complete study regarding this issue, that the Report they had received in the Agenda packages was less than desirable. Mr. Scofield asked that District staff provide the Board with a 30-50 year cost comparison between the current poles being purchased by the District and the standard FP&L poles. Mr. Scofield also advised that WCN should address this issue and suggested that if they desired the unique poles in their subdivision they should include the added costs in the price of their lots.

Mr. Hake suggested that staff compare the costs of the last street lighting project, Oakmont, with what the costs would have been if FP&L had provided comparable services. Mr. Ward replied that he would be happy to provide the Board with this comparison.

Ms. MacAlister suggested that costs were not the only thing to be considered, that aesthetic value also had to be taken into consideration.

Mr. Koste asked to speak on this issue. He told the Board that WCN needed their help on this issue. He stated that when this issue first arose it was fully discussed and decided just how good everyone wished to make Pelican Bay. He explained that this was not an independent decision on the part of WCN, that the numbers were looked at at the onset and it was collectively decided that everyone wanted Pelican Bay to be better. He asked that the Board please tell WCN when they did not wish Pelican Bay to be better. He suggested that for the Board to arbitrarily say at this point in time that WCN should take care of the costs of the poles was not the solution; that it was changing policy in mid-stream. He said that the regrettable thing about this issue was that everyone knew that for five or six years the costs would be high, however, the point had now been reached where the costs were starting to come down and would most likely continue to do so. In conclusion, he said that originally this was not WCN's idea that it was collectively agreed upon to create a better community to live in.

DISCUSSION ON BEARS PAW LAKES REPORT

Mr. Moyer stated that the Report on the Bears Paw Lakes had been included in the Agenda packages for the Board's review. He explained that

one of the things Mr. Petty pointed out in his Report was that lakes at Bears Paw were not part of a drainage system and the runoff from the surrounding property did not find its way into these lakes. He stated that this was significantly different than Pelican Bay where the lakes were very shallow in order to encourage aquatic growth within the lakes which would absorb the nutrients from the runoff and to discharge water to the berm area.

Mr. Hake asked why the Permits which allowed the District to put in water hyacinths and Japanese Koi were allowed to expire without the District acting on this issue. Mr. Petty replied that when this issue was first explored it was for all of the lakes and was done for feasibility in mid-budget year. He explained that it was strictly a feasibility study and DNR was told at the time the permits were secured that these costs were not included in the budget and the District would most likely not be enacting the program.

Mr. Scofield asked Mr. Petty to explain the difference between the Japanese Koi and the White Amore. Mr. Petty explained that they were both hybrid fish and the White Amore (triploid grass carp) had been hybridized three times to try and make them sterile. He stated that the Koi has been hybridized for appearance. He told the Board that the Japanese Koi was less expensive than the White Amore. Mr. Holtan asked whether the Japanese Koi would have a harmful affect on the bass currently in the lakes. Mr. Petty replied that Japanese Koi would not compete with the bass however they could raise the turbidity in the lake which bass fishermen do not care for because the raised turbidity makes the lure less

attractive to the fish. Mr. Petty explained that if the Koi were put in the lakes too small the bass would eat them.

Mr. Petty told the Board that Koi were readily available locally. and in response to a question regarding the Koi's diet, Mr. Petty explained that approximately 1/3 of their diet is vegetative.

Mr. Scofield asked Mr. Petty to explain his recommendation that water hyacinths be used along with the Japanese Koi. Mr. Petty explained that the idea behind the hyacinths was that if the submerged plants in the lakes were aesthetically offensive, hyacinths could fulfill the function of absorbing nutrients while offering a pleasant appearance. Mr. Scofield asked whether the Koi would eat the water hyacinths. Mr. Petty replied that the Koi might nibble on the roots but would not eat the plant itself.

Mr. Moyer stated that the hyacinth was an excellent plant for absorbing nutrients, however, advised that the hyacinths would need to be isolated in a controlled structure and harvested to control the nutrients.

Mr. Hake asked whether this program would be instituted in one lake or the entire system. Mr. Petty proposed that the program initially be tested in two lakes in order to generate field data that would be helpful for the entire program. He suggested that the two test lakes be the Tierra Mar Lake and the Sand Pointe Lake.

Mr. Moyer advised that sufficient money had been budgeted in the lake and swale maintenance portion of the Water Management Budget to begin the initial funding for the test program.

Mr. Dunwiddie suggested that the experiment be limited to one lake because a terrible weed was being introduced into the system and a

little caution was desirous at the onset.

Mr. Petty stated that there were control structures throughout the system to prevent the hyacinths from getting into the bay system and additional screening devices could be put up for added safety precaution.

Mr. Koste stated that potentially what might happen was that you would end up with a lake you could walk across because the hyacinths were capable of covering the whole surface area. He suggested that the lakes were for aesthetics as well as drainage and the hyacinths be carefully controlled so they wouldn't take over the entire lake.

Mr. Ward advised the Board that staff would have no problem with initiating the program in just one lake to see how the program worked and then to proceed accordingly.

Following further discussion, Mr. Scofield moved, seconded by Mr. Holtan and approved unanimously the use of Japanese Koi and controlled water hyacinths in one test lake in Pelican Bay.

CONSIDERATION OF BOND COUNSEL PROPOSALS

Mr. Moyer told the Board that per their instructions at the last meeting, he had written to several Bond Counsel Firms in the State of Florida requesting proposals for the refunding of a portion of the 1985 Water/Sewer Bonds and to date had received five proposals. He advised that the fees in these proposals ranged from \$25,000 to \$30,000 with the exception of a local firm, Cummings & Lockwood, who had proposed a fee of \$9,275. He stated that he had spoken that day with two additional firms who told him their fees would range from \$30,000 to \$40,000. Mr. Scofield asked Mr. Moyer to also solicit a Proposal from the firm of Squires,

Sanders & Dempsy out of Miami. Mr. Moyer replied that he would be happy to do this.

Mr. Moyer distributed copies of the Proposals to the Board for their review and suggested that the Board bring this matter to a conclusion at the April Meeting. Mr. Ward advised the Board that copies of the Corporate Resumes were available in the offices of the District should they care to take a look at them.

Mr. Hake asked Mr. Moyer if he had received a letter from Hawkins, Delafield and Wood expressing their opinion on the issues raised regarding notification of Bond Counsel of the new rate structure and the interpretation of questions regarding the Official Statement. Mr. Moyer stated that he had talked to Mr. Stack that day who advised him that the letter was in route.

At this time, Mr. Scofield asked Mr. Ward to make a brief statement on the joint use of the PBID pickup truck with Gateway and Mr. Parmelee's current position. Mr. Ward told the Board that Mr. Parmelee was taken off the District payroll effective March 6, 1986 and his vehicle had been turned into the District on March 23, 1986. He stated that PBID has billed Gateway for services rendered by PBID for the entire period of time that Mr. Parmelee's services were jointly rendered. Mr. Moyer stated that this invoice included every identifiable cost, plus a 10% administrative fee.


Mr. Hake asked for a status report on the Glencove easement. Mr. Ward suggested that all the documentation had been compiled and he had scheduled discussion on this item for the April Meeting.

Mr. Hake asked whether the Construction Inspection Proposal from PBS&J was complete and had been accepted by PBS&J. Mr. Ward told Mr. Hake that he had recently received a letter from PBS&J which stated that they disagreed with some of the changes proposed, i.e. whether PBS&J would accept responsibility for errors in design and omissions. He advised that he and Mr. Bolesky were working to conclude this issue with Post, Buckley, Schuh & Jernigan, Inc.

Mr. Hake asked what the time frame was for the Rate Committee. Mr. Scofield suggested that he would like the findings of this Committee reported to the Board by the June Meeting. Mr. Hake asked that all members of the Committee contact him within the next ten days so that the Committee could proceed.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned. Time: 5:30 P.M.



MR. MILES B. SCOFIELD
PRESIDENT
PELICAN BAY IMPROVEMENT DISTRICT