

MINUTES

Key Largo Wastewater Treatment District (KLWTD) Meeting



May 3, 2011
98880 OVERSEAS HWY, KEY LARGO, FL 33037

The Key Largo Wastewater Treatment District Board of Commissioners met for a regular Meeting at 4:03 PM. Present were Chairman Robert Majeska, Commissioners Norman Higgins, Andrew Tobin, Charles Brooks, and Susie Hammaker. Also present were the General Manager Charles F. Fishburn, District Counsel Thomas Dillon, District Clerk Carol Walker, and other appropriate District Staff.

Kay Thacker led the Pledge of Allegiance.

APPROVAL OF AGENDA

Commissioner Hammaker moved Item 18 (General Manager's Contract) up to after Item 2. Item 3 (Discussion on Personnel Manual Update) and Item 14 (Communication with Media & Public Policy 3.0) were moved to the Transition meeting. Item 19 (Islamorada Inter-Local) to time specific, 5 P.M. and General Manager Charles Fishburn added Item 20 (FDEP Consent Order).

Motion: Commissioner Tobin made a motion to approve the agenda as amended. Commissioner Higgins seconded the motion.

Vote on Motion

| Member | Yes | No | Other |
|-----------------------|-----|----|-------|
| Commissioner Higgins | X | | |
| Chairman Majeska | X | | |
| Commissioner Tobin | X | | |
| Commissioner Brooks | X | | |
| Commissioner Hammaker | X | | |

Motion passed 5 to 0

PUBLIC COMMENT

The following persons addressed the Board:

- Speaker: Kay Thacker, Key Largo, FL
- Speaker: Pauline Kline, Key Largo, FL
- Speaker: Sue Heim, Key Largo, FL

- Subject: Method of charging Islamorada
- Subject: General Manager Position
- Subject: IT Report

BULK ITEMS

Minutes of April 19, 2011

Motion: Commissioner Tobin made a motion to approve Bulk Items. Commissioner Higgins seconded the motion.

Vote on Motion

| Member | Yes | No | Other |
|-----------------------|-----|----|-------|
| Commissioner Higgins | X | | |
| Chairman Majeska | X | | |
| Commissioner Tobin | X | | |
| Commissioner Brooks | X | | |
| Commissioner Hammaker | X | | |

Motion passed 5 to 0

COMMISSIONER'S ITEMS

Charles Fishburn's Contract

Commissioner Brooks reviewed his reasons for why Mr. Fishburn's contract should not be extended. (See Exhibit "A").

Motion: Commissioner Brooks made a motion to not extend Mr. Fishburn's current contract beyond its expiration date. Commissioner Hammaker seconded the motion.

Vote on Motion

| Member | Yes | No | Other |
|-----------------------|-----|----|-------|
| Commissioner Higgins | X | | |
| Chairman Majeska | | X | |
| Commissioner Tobin | | X | |
| Commissioner Brooks | X | | |
| Commissioner Hammaker | X | | |

Motion passed 3 to 2

GENERAL MANAGER'S REPORT

Islamorada Inter-Local Agreement

Tony Hairston, PRMG reviewed the way the projected cost of the flow charge for Islamorada is calculated. Doug Manson, Manson Law Group, participated by phone.

Motion: Commissioner Tobin made a motion to approve the concept Mr. Hairston has presented for the methodology for charging Islamorada (see Exhibit "B"), excluding the insurance. Commissioner Hammaker seconded the motion.

Vote on Motion

| Member | Yes | No | Other |
|------------------------------|------------|-----------|--------------|
| Commissioner Higgins | | X | |
| Chairman Majeska | X | | |
| Commissioner Tobin | X | | |
| Commissioner Brooks | | X | |
| Commissioner Hammaker | X | | |

Motion passed 3 to 2

General Manager's Contract

Commissioner Hammaker feels that working for the District and for a company bidding on Islamorada is a conflict of interest: If he was a consultant that would not be a conflict.

Commissioner Brooks said he is going to propose that Margaret Blank be made General Manager at the Transition Meeting.

FINANCIAL REPORT

Pending Payments

Motion: Commissioner Brooks made a motion to approve the pending payments contingent upon the availability of funds. Commissioner Higgins seconded the motion.

Vote on Motion

| Member | Yes | No | Other |
|------------------------------|------------|-----------|------------------|
| Commissioner Higgins | X | | |
| Chairman Majeska | X | | |
| Commissioner Tobin | X | | |
| Commissioner Brooks | X | | |
| Commissioner Hammaker | | | Abstained |

Motion passed 4 to 0

Fiscal Year 2012 Budget Process

CFO Sal Zappulla presented the budget calendar.

Motion: Commissioner Brooks made a motion to approve the Fiscal Year 2011 Budget Calendar. Commissioner Higgins seconded the motion.

Vote on Motion

| Member | Yes | No | Other |
|------------------------------|------------|-----------|--------------|
| Commissioner Higgins | X | | |
| Chairman Majeska | X | | |
| Commissioner Tobin | X | | |
| Commissioner Brooks | X | | |
| Commissioner Hammaker | X | | |

Motion passed 5 to 0

2010 CAFR

Mr. Zappulla presented the 2010 CAFR.

Monthly Financial Report

Mr. Zappulla presented the monthly report.

Customer Service Report

Greg Matthews presented the monthly service report.

OPERATIONS REPORT

Monthly Status Report

Margaret Blank, Operations Manager, presented the report.

Package Plant Status Report

Greg Matthews presented his report.

Tie In Status Report

Carol Walker presented her report.

TECH REPORT

IT Report

Paul Christian presented the IT Report.

ENGINEER'S REPORT

Monthly Status Report

Ed Castle presented his written report.

GENERAL MANAGER'S REPORT

Basin C-2 (Phase C-4) Change Order, STM Change Order #3, and Basin J/K4 & J/K 9 Change Order

Mr. Fishburn presented the Change Orders.

Motion: Commissioner Brooks made a motion to approve Basin C-2 (Phase C-4) Change Order, STM Change Order #3 and J/K4 & J/K9 Change Order. . Commissioner Higgins seconded the motion.

Vote on Motion

| Member | Yes | No | Other |
|------------------------------|------------|-----------|--------------|
| Commissioner Higgins | X | | |
| Chairman Majeska | X | | |
| Commissioner Tobin | X | | |
| Commissioner Brooks | X | | |
| Commissioner Hammaker | X | | |

Motion passed 5 to 0

FDEP Consent Order

The Consent Order will be brought back.

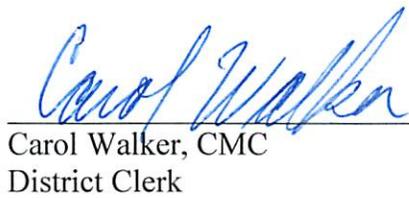
ADJOURNMENT

The KLWTD Board adjourned the Board Meeting at 8 PM.

The KLWTD meeting minutes of May 3, 2011 were approved on May 17, 2011.



Chairman Majeska



Carol Walker, CMC
District Clerk

My Reasons Why We Should Let Mr. Fishburn's Contract Expire

KLWTD Commissioner Charles Brooks

There's been ample discussion regarding our transition and how we are going to organize the utility services. I believe the discussion has indicated our present district manager is lacking some of the qualities that are needed for utility general manager. We will be moving away from the construction phase, actually where finishing out the last nine contracts, and we are at the time where we need somebody who has high administrative skills emphasizing administrative skills to smoothly direct us into a utility. We do not have that now in our present general manager. We do not want to get into a position where the construction is gone and we need administrative qualifications only to find ourselves lacking the administrative procedures that the utility requires. Asking ourselves why didn't we hire an administrator back then. I think now is the best time to have a general manager who can apply experienced administrative qualities.

We have talked a lot about we can't move forward because of the loss of our present general manager will leave us in a gaping hole. If we really think about it and we don't have the administrative mechanisms (administrative procedures) that should be developed now we may find ourselves with a gaping hole on the other side of this equation. Construction crews gone (including Fishburn) and no administrator or administrative procedures in place. Evidence shows Mr. Fishburn does not display these qualities.

We have recently made a dynamic change in our finance department and in my opinion that change is been very beneficial and was a move in the right direction in moving towards a utility. I think that's obvious to everybody on this board. We could very possibly experience the same level of improvement if we make a similar change in the general managers position and qualifications. (The Marty scenario)

We have (each board member) recently received by e-mail a comprehensive synopsis which displays a keen sense of thinking ahead about administrative procedures. E-mail authored by Margaret Blank shows that she can readily take over Mr. Fishburn's position with the qualities that we need for the future. (Not part of my motion-perhaps a second motion)

Based on my conversations with Mr. Fishburn and several other staff members and even though I'm aware that Mr. Fishburn's absence will create a different environment and perhaps certain amount of adjustment I believe it is the time for Mr. Fishburn to move on for the best interest of the district.

Charles Brooks

Tuesday, May 03, 2011

EXHIBIT "B"

When the Flow Charge is modified pursuant to the rate review provisions of this Agreement, an independent financial consultant will perform a wholesale treatment cost analysis based on the most recent audited annual District financial statements (the year corresponding the recent audited annual financial statements is the TEST YEAR) supplemented with other operational data provided by the District. The wholesale treatment cost analysis shall include: 1) the wholesale treatment cost per thousand gallons during TEST YEAR using the methodology specified below; 2) the amount of overpayment or underpayment by the Customer during the TEST YEAR as specified below; and 3) a revised Flow Charge based on the TEST YEAR wholesale treatment cost and other recent cost and operational information.

The wholesale treatment cost analysis will reflect the average cost per thousand gallons of wastewater treatment and disposal for all wastewater treated by the District at the RTP during the TEST YEAR. Since the Agreement contemplates that the Customer conveys its wastewater to the Point of Connection in proximity to the RTP, the wholesale treatment cost analysis does not include any transmission costs or customer service costs. The wholesale treatment cost analysis shall be based on the following formula and methodology, all based on TEST YEAR data to the extent practical:

Wholesale Treatment Cost per Thousand Gallons =

\$5.28

ANNUAL TREATMENT EXPENSE / TOTAL RTP TREATED FLOW + R&R COST PER THOUSAND GALLONS

Where:

TOTAL RTP TREATED FLOW is the total amount of wastewater influent, stated in thousands of gallons per year, entering the headworks of the RTP and includes Customer flow and all other District flow;

The following sets forth the methodology to be utilized in calculation of ANNUAL TREATMENT EXPENSE AND THE R&R COST PER THOUSAND GALLONS:

1. ANNUAL TREATMENT EXPENSE are operating expenses for operations and maintenance of the RTP such as labor, electric, chemicals, sludge treatment and disposal, lab, repairs and maintenance, insurance, permitting, and other similar costs generally accepted in the operation of a wastewater treatment facility permitted and designed similar to the RTP.
2. ANNUAL TREATMENT EXPENSE shall be based on the most recent audited financial statements of the District.
3. For any ANNUAL TREATMENT EXPENSE, excluding any administrative expense, that is not specifically allocated to wastewater treatment and disposal functions in the audited financial statements and detailed worksheets supporting such audited statements, such expense shall be reasonably

allocated to wastewater treatment and disposal functions based on certain factors as available and applicable, such as i) monthly statements for electric and power service; ii) gross plant value for allocation of insurance expenses; and iii) allocation of direct personnel positions by function for supervisory labor related expenses (such supervisory labor expenses are to exclude General Manager, Finance, and other administrative expenses).

4. ANNUAL TREATMENT EXPENSE shall exclude administrative expenses such as District Manager, Finance Director, Personnel Director, legal (other than permitting), general consulting/audit, District Board, or other general expenses. In lieu of allocation of such administrative expenses, 14.00% shall be added to the sum of those operating costs enumerated above for wastewater treatment and disposal to obtain the total ANNUAL TREATMENT EXPENSE.
5. R&R COST PER THOUSAND GALLONS is a contribution to a renewal and replacement fund that is designated by the District exclusively for the funding of future RTP renewals and replacements (the RTPRR FUND). The RTPRR FUND CONTRIBUTION is 35 cents (\$0.35) per thousand gallons and is intended to fund normal repair and renovations but not future changes to the RTP to comply with new state or federal treatment requirements.

An illustration of the ANNUAL TREATMENT EXPENSE and wholesale treatment cost per thousand gallons methodology is shown on Figure E-1 below.

The wholesale treatment cost analysis shall provide the amount of overpayment or underpayment by the Customer during the TEST YEAR. The total wholesale cost of service for the Customer during the TEST YEAR equals the wholesale treatment cost per thousand gallons multiplied by the Customer wastewater flow (measured in thousands gallons) through the Customer Service Meter during the TEST YEAR. TEST YEAR Customer payments include the sum of charges paid by the Customer to the District for wastewater treatment and exclude surcharges for high strength, salinity, or similar charges in accordance to the surcharge provisions in the Agreement. Should the wholesale treatment cost analysis determine the Customer underpaid during the TEST YEAR, the Customer shall remit payment equal to such underpayment to the District within 40 days of invoice by the District. Should the wholesale treatment cost analysis determine the Customer overpaid during the TEST YEAR, the District shall remit payment equal to such overpayment to the Customer within 90 days of completion of the wholesale treatment cost analysis.