

City of Davenport Commission Workshop of March 10, 2021

Minutes of the Workshop of the City of Davenport, Florida, held Wednesday, March 10, 2021 at 6:00 p.m. in the Commission Room after having been properly advertised with the following members present: Mayor H.B. Robinson and Commission Members Vice-Mayor Brynn Summerlin, Commissioner Bobby Lynch, Commissioner Tom Fellows and Commissioner Jeremy Clark. Also present: City Manager Kelly Callihan. Absent and excused was City Attorney Tom Cloud.

Mayor Robinson declared a quorum present and opened the meeting.

BUSINESS

1. UPDATE ON THE POLK REGIONAL WATER COOPERATIVE (PRWC)

Ryan Taylor, Deputy County Manager provided that what they wanted to do was to make sure that there were consistent messages being laid out to members of the Cooperative with potential participation with certain projects that the Cooperative has been working on.

He pointed out that in 2006 the city had agreed to be part of the preparation of the Cooperative and whatever future proposed solutions to meet future water supply demands. Now pumping of the upper Florida water was creating adverse effects to the ground water supply. In assessing current water supply sources and projected future demand, it has been determined that the Upper Floridian Aquifer will be insufficient to meet future water demand for the region. As a result, Alternative Water Supply (AWS) projects in conjunction with conservation and other initiatives will be needed to meet future water demand and will likely factored into future water use permits for the City. Long story short, they had permitted more water than what the science was saying was available in the Upper Floridian Aquifer. So now they have to start pulling water from other sources. Other sources being, ground surface water, the lower Florida Aquifer, potable reuse, and direct potable reuse.

Mr. Taylor explained that the Rule Change filed in Tallahassee was going to affect everybody and potentially cutting everybody's Water Use Permits in the 5-county region by 30%. Everybody was proposed to get the same "haircut" no matter how much they had conserved already and no matter what their water use was now or what it would be. He explained that the location along the Ridge was not meeting minimum flow levels (MFL). Levels that have been established by the Water Management District to consider a healthy water body. So if the Rule Change didn't pass then the Water District still had the ability to reduce the Water Use permit if they were causing adverse impact to water bodies.

He advised them that they would soon be seeing an example Implementation Agreement with changes based on member feedback. Tonight they would see the costs. As such, they would see that Alternative Water Supply was not cheap. Alternative water required more intensive treatment and intensive treatment required more money. However, their funding partner along the way, the Southwest Florida Water Management District (SWFWMD) was prepared to set aside more money for the Cooperative to move forward. They were in line for about \$240 million dollars to go towards their projects. He emphasized that single member projects would receive low consideration and priority would be given to regional projects. Mr. Taylor advised them that they were 1 of 37 entities selected to apply for a WIFIA loan. This was a \$235 million dollar construction loan.

Taking the floor, Mary advised that the Central Florida Water Initiative (CFWI) was a major water supply driver. It was comprised of a 5-county area, including Polk County. This was an ongoing regional water supply planning effort intended to identify water supply resources to meet the rapidly growing needs of Central Florida. She pointed out that obviously population was growing and along with that came a need for reliable water supplies and the CFWI professionals and scientists had identified primary areas within this region that were most susceptible to ground water withdrawals and as they were aware, additional withdrawals worsen the problem.

She advised that the 2020 regional supply plan estimated that the limit on the upper Floridian system was 760 million gallons per day (mgd) in the 5-county region, which this limitation was expected to be reached in 2025. If the City's sole source of potable water supply today was the upper Floridian and in order to sustain growth population projections beyond 2020, the city would need to find other sources. The DEP Rule would limit all permitted capacity to 2025 demands. Resulting in a 30% average permit cutback to utilities across Polk County. Anything beyond 2025 would need to be supplied by Alternative Water Supplies (e.g. brackish groundwater, surface water, reclaimed water) to meet demands beyond 2025.

Mary explained that they were there tonight to talk to them about the Southeast Wellfield Lower Floridian brackish ground water project. This was the project that they felt could serve this community the best. It was a 12.5 mgd facility at build out with build out being the year 2045.

The City Manager questioned why the Southeast Wellfield the best project for Davenport when it wasn't even the closest. Mary replied that not knowing the city well enough, she couldn't presume what the best project was for the city, but what she could say was that the Southeast Wellfield was permitted already. It would be ready to deliver water the soonest and seemed to fit the needs along the Ridge. This project seemed to fit Davenport the best amongst those the PRWC had evaluated. She further stated that the Ridge communities were at the greatest risk of impacting the MFL's and natural systems and that many of the cutbacks would occur along the eastern portion of Polk County.

Robert Beltran with Hydro Solutions further added that although the West Polk Wellfield might be closer, there was a big demand on the west side as well and that demand had been eaten up by those communities that were closer to that facility.

Commissioner Fellows pointed out that the Rule they had mentioned was something that had recently come up that they didn't know about. Mary responded that this particular Rule that was filed by DEP was new. The concept of cutbacks was not.

Mr. Taylor further used the "carrot and stick" analogy with the "carrot" being the funding from SWFWMD and the "stick" being the Rule change. The whole concept of forming the Cooperative was the indication that the Rule change was coming and the impacts were being seen.

Both the City Manager Kelly Callihan and Utilities Director Mike Stripling pointed out that the City's permit was less than what they thought their demand would be in 2025. So if they were going to hold them up to a 2025 demand and if the District would give the city the water it would need in 2025 then the City would sign up right now. Other cities were permitted for more and were going to get a "haircut" based on the 2025 numbers, however Davenport had already gotten its "haircut".

Commissioner Fellows voiced his confusion that when all this had originally started they all had agreed that at some point in time everybody was going to need alternative water. This had been the intent of the Cooperative and they had gone along under those thoughts, until just last year

when it wasn't working as a Cooperative anymore. He was led to believe that they were all going to be in the projects and the cost would be split percentage wise between all the entities. But when it got time to move forward, some of the players decided they didn't want to do that. Then they wanted to mediate but he didn't know how they were going to move forward because he didn't know what had happened to the mediation. They were going to let each member get in whichever project they wanted to be in and he didn't know how this had evolved.

Mr. Taylor responded that mediation was still going on. Further explaining that in Phase One everybody had come to an agreement that they would work together, move forward together and develop all the projects because eventually they were going to need that water. Mr. Taylor informed them that the Implementation Agreement provided that separate agreements could be put in place. So those that wanted to participate could and those that didn't want to participate, didn't. However they needed to keep moving because there was funding that was at risk with the District and financing with WIFIA that was also at risk. All this would help the members who wanted to participate and be able to participate at a lower cost than they would if they went out for a loan or tried to bond it.

Mary further advised that the Attorneys had prepared an implementation agreement that provided a lot of flexibility. There was a lot that they didn't know but what they did know was that the communities within Polk County would need additional alternative water supplies to carry them through decades. She proceeded to provide them with a time schedule of the project; detailing design, permitting and construction, further pointing out that it would take approximately 5 to 6 years. She explained that the implementation agreement that had been distributed and would go before them was for the final design and construction of the 12.5 mgd Southeast Wellfield. Contained within the agreement would be a water allocation table for participants. Each member determined what they needed through 2025. This agreement was not tied to a "safe-yield". It simply invited members to indicate how much alternative water supply they needed. The allocation requested determined the member's share of costs. This agreement allowed for opportunities to adjust over time to meet updated needs.

In addition, this agreement was intended to allow various opportunities for members to modify the amount of water they were taking at key points. Participation in stages with "off ramp" included:

- 60% design level. At this point in time 60% design may take a year. At that point in time after costs are better understood, the members will be invited to re-evaluate their situations.
- The remaining portion of the Agreement is 100% design and Phase I construction. Once again with every phase of this program, every time the facility is expanded the members will be consulted and there will be additional opportunities for members to reevaluate their picture.
- A consultant will be selected to prepare full design
- Consultant presents estimated "Bidding Budget" at 60% design to Project Board
- Members have 45 days to withdraw. Withdrawing member is responsible for costs expended for 60% design plus up to a 10% redesign fee.

Mary shared that the upside to all this was that those members who carried through final design and construction would be reimbursed for a portion of that design fee.

She proceeded to outline approximate costs, further outlining the city's portion to be paid out over 40 years which amounted to approximately \$359,269 a year. Mr. Taylor shared that if they

proceeded to the next phase, 50% was eligible for co-funding from the Water Management District.

Discussion ensued with Mike asking what percent of the design had already been completed. Ryan Taylor responded that they were about to finish 30%. Mike further voiced his concern at the commitment made by previous administration to PRWC; and based on the figures being provided, they were looking at a little over \$1 million dollars a year for AWS that they would have to pass on to its residents.

The City Manager further questioned the responsibility of blending. Robert Beltran provided that they would be looking at blending it into the City's GSR. There would have to be some kind of area of additional storage which would be needed for their system no matter what the source was. They would take it all the way to the meter then the city would have to tie it in to their influent pipe.

Robert proceeded to supply PRWC's Funding & Financing Plan which included 47% from SWFWMD, 48% through the Water Infrastructure Finance and Innovation Act (WIFIA), 4% through the State Revolving Fund (SRF) and bank notes of 1%. In addition, he pointed out that the Water District had also passed Resolutions of financial commitment. He informed them that the State's commitment has been significant and had allocated another \$11.7 million.

Robert shared that PRWC had been invited to apply for a \$235 million loan. By going this route vs bonding it would:

- Reduce application and closing costs
- Provide low interest rates
- Provide deferred payments
- Would have a 35-year repayment period resulting in smaller payments

In addition, Robert outlined their funding timeline, emphasizing the risk of delayed funding if they decided to pause.

He also outlined the City's need of 1.06 mgd based on what the City had told them it needed which was the basis being used in the figures they were viewing. Vice-Mayor Summerlin asked if the 1.06 mgd the total or in addition to what they were pumping today. He was informed that this was in addition to.

Robert further outlined the City's current and projected water use at years 2019 and 2045, based on people served and the per capita use.

At this time Mr. Taylor took the floor again and explained that what they were looking for at their March 17th meeting was for those members to identify who wanted to take the implementation agreement back to their Commission for consideration. At this meeting they would get an idea of who wanted to participate. Right now they had about 8 members who have shared that they intend to take the Agreement to their Commissions for consideration with the intention of moving forward. They were not asking for a commitment tonight but next week at the March 17th meeting they would be looking for a consensus.

Mike asked if there was any consideration of Davenport participating in the West Polk Wellfield or the Peace Creek projects. He further asked if there was an "off ramp" cost associated with those projects. Ryan responded that once they got to that point with these other projects they would expect a similar presentation with similar graphs that would detail those costs.

Vice-Mayor Summerlin voiced his concern with spending the money and committing to the Southeast Wellfield then finding out that the West Polk Wellfield was a better deal for them. Cindy Rodriguez with SWFWMD answered that based on the length of their current permit and when the West Polk project might even possibly be permitted, completed and producing water, they were going to need water well before that. So commitment to the Southeast Wellfield was the only one that worked with the timeline. She further added that the problem was the ticking timeclock of when they would need the water and when these projects would be available. There was going to be a gap plan of some sort, whether it was one that the city developed or one that they worked cooperatively with the District through the permitting process.

Lengthy discussion ensued with the Commission voicing their concerns of not knowing who was going to participate. Of not knowing the cost of how much it was going to cost per year and not being able to fund their share. They needed to see some hard numbers. These were concerns that needed to be answered because they had to be able to sell it to their residents.

Directing his question to Mr. Taylor, the City Manager asked when was the date that they would know who was participating or not. Mr. Taylor responded that on March 17th they would know which members intended to take it to their commission. To which the City Manager added that they still needed to know who was going to be in the projects so they could have time to work the numbers. He asked if he was going to ask for the commitment and then would they get the numbers after that. Mr. Taylor responded that they would have clean numbers in the agreement and all he could ask for was for a commitment of who intended to take it to their commission for consideration.

The Vice-Mayor reiterated that they were going to get an intent to present, however there was a possibility that some members would not do anything. Mr. Taylor replied that at that point, they would be marked off the list and the numbers recalculated. The Vice-Mayor pointed out that they could still run the risk of the ones that presented it to their Commissioning of still saying no and this would skew the numbers again. Mr. Taylor replied that they would work on a number based on the intent to present scenario and if it changed, they would run it again.

Mike drew their attention to the fact that PRWC was looking for some kind of decision. The Commission responded that there were too many things that needed answered and they wanted to see the numbers after the March 17th meeting.

Mr. Taylor closed by stating that all they were looking for was who intended to bring it to their Commission for due process. If they needed another workshop, they could come back. All they were looking for was that Davenport wanted to see the Agreement.

There being no further business, a motion to adjourn was made by Vice-Mayor Summerlin and seconded by Commissioner Lynch and carried unanimously.

Meeting adjourned at 7:42 p.m.

I HEREBY CERTIFY that the foregoing Minutes are true and correct.

Raquel Castillo, City Clerk