



**Tohopekaliga Water Authority**  
**101 North Church Street, 2<sup>nd</sup> Floor**  
**Kissimmee, FL 34741**  
[www.tohowater.com](http://www.tohowater.com)

## **Board of Supervisors**

Bruce R. Van Meter, Chairman  
John E. Moody, Supervisor  
James W. Wells, Vice - Chairman  
Robert J. Bornstein, Supervisor  
Richard L. Hord, Supervisor  
Raul S. Banasco, Supervisor

Brian L. Wheeler, Executive Director  
Mike Davis, Attorney  
Nilsa C. Diaz, Executive Assistant

## **AGENDA**

### **JANUARY 27, 2010**

### **5:00 PM**

1. MEETING CALLED TO ORDER
2. INVOCATION AND PLEDGE OF ALLEGIANCE
3. APPROVAL OF THE AGENDA
4. AWARDS AND SPECIAL PRESENTATIONS
5. PUBLIC HEARING
6. HEAR THE AUDIENCE (Anything requiring a vote will be heard at a later date)
7. CONSENT AGENDA

The Consent Agenda is a technique designed to expedite handling of routine and miscellaneous business of the Board of Supervisors. The Board of Supervisors in one motion may adopt the entire Agenda. The motion for adoption is non-debatable and must receive unanimous approval. By request of any individual member, any item may be removed from the Consent Agenda and placed upon the Regular Agenda for debate.

- A. APPROVAL OF MINUTES FROM THE JANUARY 13 BOARD MEETING
- B. APPROVAL OF WATER METER CALIBRATION, MAINTENANCE, AND REPAIR – RENEWAL OPTION #1
- C. APPROVAL TO AWARD THE CONTRACT TO COMPTON PEACHEE CONSTRUCTION, INC. FOR CONSTRUCTION OF THE STRUCTURAL

HARDENING OF TOHO'S LIFT STATIONS MAINTENANCE BUILDING

D. APPROVAL FOR APPROVAL CONSTRUCTION FUNDING ON THE  
POINCIANA BOULEVARD PHASE 2 PROJECT

8. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION):
9. UNFINISHED BUSINESS:
  - A. APPROVAL OF THE ANNUAL FINANCIAL REPORT FOR THE AUTHORITY FOR FISCAL YEAR 2009
  - B. APPROVAL OF AMENDMENT TO THE TOHO WATER AUTHORITY LOCAL VENDOR PREFERENCE POLICY
  - C. ACTION ON THE PROPOSED SUSPENSION OF CONSTRUCTION OF THE CYPRESS LAKE TEST WELL NO. 2
10. NEW BUSINESS
11. STAFF REPORTS:
  - A. TWA ADMINISTRATIVE BUILDING UPDATE
  - B. MAJOR PROJECT SUMMARIES
12. BOARD OFFICIALS

<b>Description</b>	Regular meeting of the Tohopekaliga Water Authority. Present at the meeting were Supervisor Bob Bornstein, Supervisor Dick Hord, Supervisor Jim Wells, Supervisor Raul Banasco, Chairman Bruce Van Meter, Commissioner Jerry Gemskie, Attorney Mark Lawson, Executive Director Brian Wheeler, Executive Assistant Nilsa Diaz, Supervisor John Moody, Commissioner Mike Harford and Commissioner Jean Reed.		
<b>Date</b>	1/13/2010	<b>Location</b>	City of Kissimmee Commission Chambers
<b>Time</b>	<b>Item</b>	<b>Minutes</b>	
5:00:44 PM	<b>MEETING CALLED TO ORDER</b>	Chairman Van Meter called the meeting to order at 5:00 pm.	
5:00:53 PM	<b>INVOCATION AND PLEDGE OF ALLEGIANCE</b>	Executive Director Wheeler gave the Invocation and Supervisor Banasco led the audience in the Pledge of Allegiance.	
5:01:49 PM	<b>APPROVAL OF THE AGENDA</b>	Executive Director Wheeler explained that Item 7E was left off the Agenda but that the background was included. Mr. Wheeler asked to add an Item (9B) under Unfinished Business addressing the paving of the parking lot and the dais in the Board Room of the new administrative building. Supervisor Wells moved for approval of the Agenda as amended and Supervisor Banasco seconded the motion. Motion passed 6 to 0.	
5:02:52 PM	<b>AWARDS AND SPECIAL PRESENTATIONS</b>	Commissioner Gemskie thanked the Board for their participation in the Ornaments on Parade and informed the Board that the entry won honorable mention. Tim Noyes, Asset Manager, was the creator of the entry.	
5:04:38 PM	<b>PUBLIC HEARING</b>	None	
5:04:55 PM	<b>HEAR THE AUDIENCE</b>	No one came forth.	
5:05:01 PM	<b>CONSENT AGENDA</b>	<p>After removing Items 7B and 7E for discussion, Supervisor Moody motioned for approval of the Consent Agenda as amended and Supervisor Hord seconded the motion. Motion passed 6 to 0.</p> <p><b>7B. APPROVAL OF CONSTRUCTION CONTRACT WITH C&amp;S TECHNICAL RESOURCES, INC. FOR POINCIANA VILLAGE 7 NEIGHBORHOOD 2 EAST UNEQUIPPED LIFT STATION IMPROVEMENT PROJECT -</b></p> <p>Supervisor Bornstein pulled this item for discussion because he wanted some information regarding Poinciana Village 7 Neighborhood 2 East. Executive Director explained that this area along with many other areas in Poinciana within Polk County had roads and utility lines constructed about 30 years ago and at that time the mechanical components of the lift station to serve this area, including the pumps, were not installed. Of the total residential lots to be served by the lift station, three homes have been constructed and</p>	

connected to the sewer that drains to the lift station without pumps. Severn Trent has been pumping the sewage out of the wet well routinely and hauling it to one of the treatment facilities. Hauling raw sewage over the roadways is a violation of FDEP rules. The three homes were constructed and connected to the sewer without obtaining any approval or information from Severn Trent. This project was initiated by Florida Governmental Utility Authority (FGUA) the previous owner of the Poinciana System and the Authority has been continuing it. The Board discussed the history of the sewage pumping, the costs compared to the proposed contract and the legal liability of continuing the hauling of raw sewage from the pumping. Supervisor Bornstein inquired about the capacity of the pump station to serve more homes and the Executive Director Wheeler indicated that the station would be adequate to serve the area. Some of the Board expressed concerns over expending funds to correct this situation and then have future home builders receive the benefit without having to pay any of the cost.

Supervisor Hord moved not to approve the contract and Supervisor Bornstein seconded the motion. Discussion then ensued about how the Authority could recoup the monies used for the improvement of the lift station. Attorney Lawson informed the Board that an assessment could be imposed on the undeveloped lots to recover the costs. Polk County Commissioner Reed, ex-officio member of the Board, volunteered to attempt to address any questions the Board may have relative to Polk County's involvement in the situation and encouraged the Board to address the problem now before development began again. Executive Director Wheeler asked Commissioner Reed whether Polk County would support the establishment of an assessment program. Commissioner Reed replied that she could only speak as one commissioner but could consider a partial assessment. The Board then discussed the recently approved condition assessment being conducted in Villages 7 and 8 and parts of 3 and how this project might relate. There was discussion of including this lift station project in the corrections and potential assessment that would result from the condition assessment project. Motion passed 5 to 1 with Supervisor Moody ??? voting against it.

**7E. APPROVAL OF DEVELOPER SERVICE AGREEMENT FOR BUFFALO WILD WINGS** - Maybar 106 Associates, developing a Buffalo Wild Wings restaurant at Formosa Gardens Boulevard, had their attorney make some changes in the Authority's standard developer service agreement in addition to the Specific Conditions paragraph. Chairman Van Meter suggested sending the agreement. The Board discussed the standard developer service agreement and

		<p>the implications of allowing a developer to make changes to the standard language in the body of the agreement. The Board and attorney agreed that individual developers should not be allowed to make changes to the agreement. Attorney Lawson advised the Board that the agreement should be sent back to the developer with the guidance that changes to the standard agreement is not acceptable. Supervisor Wells inquired whether the changes and the Special Conditions were acceptable. Mr. Wheeler advised that the Special Conditions were acceptable and that the changes to the standard agreement were primarily difference in legal language. Supervisor Wells moved for approval of the developer service agreement for Buffalo Wild Wings with no modifications to the standard developer service agreement. Supervisor Moody seconded the motion. Motion passed 6 to 0. .</p>
<p>5:33:25 PM</p>	<p><b>INFORMATIONAL PRESENTATION</b></p>	<p><b>8. REPORT TO THE BOARD ON THE SUSPENSION OF CONSTRUCTION OF THE CYPRESS LAKE TEST WELL NO. 2</b> – Mr. Wheeler reported that the Authority’s been pursuing permitting and development of a lower Floridan Aquifer wellfield near Cypress Lake as an Alternative Water Supply. A test production well was constructed and a Water Use Permit application was submitted to SFWMD in February 2009 for 30 MGD. The results of the test well did not correspond to the SFWMD projected characteristics and modeling results. The Authority has proceeded with the construction of a second test well with the encouragement of SFWMD to confirm the results of the first test well. Construction of the second test well is approximately 50% completed and should be completed by August 2010. In December staff from SFWMD presented consultants for the Authority with results of modeling they had performed on the projected Cypress Lake Wellfield. Those results raised significant doubts about the permitability of the wellfield and did not consider the data produced by the Authority’s test well. Staff is recommending suspension of construction of Test Production Well #2 due to the uncertainty of the SFWMD position on permitting of the Cypress Lake wellfield. The suspension would be until the Authority got some more definitive indication from the SFWMD that the result of the Authority’s test wells will be incorporated into their modeling. There is approximately \$1.06 million in work to be completed after the suspension. The Board and staff discussed the implications of the proposed suspension and the continuation of the work. There also was discussion on involving the local representative on the SFWMD Board and discussions with the executive staff at the District. Silvia Alderman, the Authority’s environmental attorney, is providing assistance in discussions with the SFWMD. Some of the Supervisors expressed opinions that the Authority should continue the construction because the well and data from the testing will be critical for the Authority to make a</p>

		<p>case for a permit for the Cypress Lake Wellfield. Supervisor Wells made a motion to delay the decision to suspend construction of the Cypress Lake Test Well No. 2 until the next Board meeting, January 27<sup>th</sup>. Supervisor Banasco seconded the motion. Motion passed 6 to 0.</p>
<p>5:54:12 PM</p>	<p><b>UNFINISHED BUSINESS</b></p>	<p><b>9A. APPROVAL OF INITIAL ASSESSMENT RESOLUTION TO SET FORTH A PROCEDURE TO ASSESS, LEVY, COLLECT, AND ENFORCE SPECIAL ASSESSMENTS CHARACTERIZED AS NON-AD VALOREM ASSESSMENTS FOR WASTEWATER COLLECTION AND TREATMENT SERVICES</b> – At the December 9, 2009 Board meeting, the Board approved a Notice of Intent Resolution, the first step in implementing an assessment program to recover a portion of the unpaid wastewater bills from TWA wastewater customers within the O&amp;S Water service area. There are certain required steps that need to occur to implement the assessment process. The next step in the process is the adoption of an initial assessment resolution which will set the date for a public hearing on the assessments and initiate notification to the customer who is to be assessed. Attorney Lawson told the Board that staff will work with customers who want to pay the past due amounts and avoid an assessment placed upon their property tax bills. Supervisor Bornstein asked if the assessments would involve court and attorney costs and advised that court costs will not be included in the assessments. When asked how many customers were involved; staff responded that it would be about 24 customers with the amounts owed ranging from \$3600 down to \$1800.</p> <p>Supervisor Wells moved for approval of the Resolution to set forth a procedure to assess, levy, collect, and enforce special assessments characterized as non-ad valorem assessments for wastewater collection and treatment services. Supervisor Bornstein seconded the motion. Motion passed 6 to 0.</p> <p><b>9B. UPDATE ON THE ADMINISTRATIVE BUILDING CONCERNING THE PARKING LOT PAVING AND THE BOARD ROOM DAIS</b> – Staff reviewed a proposed change order for the Administrative Building which would provide concrete paving for the parking and drive areas instead of asphalt. The concrete alternative would include wire mesh and would be six inches throughout for an additional cost of \$_____. The Board discussed the advantages and concerns with the use concrete. Supervisor Wells moved for using concrete with a 6” _____. Supervisor Hord seconded the motion. Motion passed 6 to 0.</p> <p>Staff presented pictures to the Board of the tables used to make up the Board dais for the Metro Plan Board which the</p>

		<p>Board had previously approved as a basis for design of the Authority's dais. This design of dais was recommended by the staff to maintain the maximum flexibility for the Board Room use. Supervisor Hord stated that he would like for the dais to have some curvature so that the members may be able to see each other better. There was discussion concerning a curved dais versus a straight dais; advantages, disadvantages, and costs. Staff was requested to bring the Board two alternatives with estimated costs, a curved dais and a straight dais. .</p> <p>Chairman Van Meter asked if the Board would be interested in doing a tour of the administrative building. A tour will be coordinated with the contractor.</p>
6:13:15 PM	<b>NEW BUSINESS</b>	<p><b>10A. APPROVAL OF REIMBURSEMENT RESOLUTION FOR PROJECT COSTS FOR POTENTIAL FUTURE TAX EXEMPT FINANCING</b> – Supervisor Moody moved for approval of Reimbursement Resolution for project costs for potential future tax exempt financing. Supervisor Hord seconded the motion. Motion passed 6 to 0.</p>
6:14:47 PM	<b>STAFF REPORTS</b>	<p><b>UNAUDITED FINANCIAL REPORT SEPTEMBER 2009</b> – Rick Figueroa, Finance Manager, presented the Unaudited Financial Report for September 2009. The financial audit should be completed by the next Board meeting. The Board requested that the Financial Report be broken down so that the numbers concerning residential vs. commercial meter accounts reflect the correct numbers.</p> <p>Executive Director Wheeler provided the Board with a memo on the SEC Action filed against a former broker, Harold Jaschke, who was a former broker for the City of Kissimmee and the Authority.</p> <p>Executive Director Wheeler advised the Board that he would propose modifications to the Local Preference because of declining numbers of bidders from outside the county.</p> <p>Supervisor Hord asked if we were due any monies from O&amp;S Water; not till the end of the month.</p>
6:46:43 PM	<b>ADJOURNED</b>	<p>There being no further business to come before the Board of Supervisors, Chairman Van Meter adjourned the meeting at 6:47 PM.</p> <p>_____ Bruce R. Van Meter, Chairman</p> <p>_____ John E. Moody, Secretary</p>

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CATEGORY: Consent

Attachment(s): Contract Change Order

**APPROVAL OF WATER METER CALIBRATION, MAINTENANCE AND REPAIR – RENEWAL OPTION #1**

**Explanation:** The current water meter calibration, maintenance and repair to all of Toho Water Authority's (TWA) water meters have been serviced by Reed and Show's Meter Repair and Supply Co., Inc. The contract was awarded in January 2009 for one (1) year of service. The Bid consisted of four (4) renewal options after the first year, which is based on the vendor's satisfactory performance and funding. The option to renew shall not exceed the percentage change from the previous 12 months based on the most recent available data from the Consumer Price Index (CPI).

Renewal option #1 is requested for the continued calibration, maintenance and repair to all water meters. Reed and Show's Meter Repair and Supply Co., Inc. has agreed to continue the services as requested for a price of \$60,490.00.

The work will be funded by the Professional Services accounts.

**Recommendation:** Staff recommends approval of Contract Change Order (renewal option #1) for the continued calibration, maintenance and repair to all water meters with Reed and Show's Meter Repair and Supply Co.

WaterMeterCalibration,MaintenanceandRepair.01.27.10.al

**7B**

CATEGORY: Consent

Attachment(s): Architect Letter of Bid Award Recommendation

**APPROVAL TO AWARD THE CONTRACT TO COMPTON PEACHEE CONSTRUCTION, INC. FOR CONSTRUCTION OF THE STRUCTURAL HARDENING OF TOHO'S LIFT STATIONS MAINTENANCE BUILDING**

**EXPLANATION:** The Lift Station Maintenance Building sustained damage during the 2004 Hurricane season. This facility is the operations center for maintenance staff, lift stations remote monitoring via SCADA and an equipment storage facility. Following the 2004 hurricane season Toho submitted an application to the Department of Homeland Security, Federal Emergency Management Agency (FEMA) for financial assistance under the Hazard Mitigation Grants program to strengthen the building against hurricane force winds. FEMA approved a 75% grant for the project in 2005. Following the grant approval a design was initiated to improve the building structure's ability to withstand hurricane force wind loads of up to 115mph and impacts from flying debris.

The original bid was advertised in the Orlando Sentinel on August 23 and 30, 2009 and in Demand Star on August 24, 2009 and a bid opening was held on September 24, 2009. TWA was unable to award the bid at that time because of correspondences with FEMA concerning TWA's Local Vendor Preference Purchasing Policy (LVPPP). TWA requested FEMA to approve using the LVPPP; however FEMA found it to be inappropriate. Therefore, TWA rebid the project removing the LVPPP from the bid documents.

The re-bid project was publicly advertised again in the Orlando Sentinel on December 10 and 13, 2009 and in Demand Star on December 8, 2009. The bid opening was held January 7, 2010. Five bids were received. The bids are summarized below:

<b>BIDDER</b>	<b>TOTAL BID AMOUNT</b>
Compton Peachee, Construction, Inc.	\$281,980.00
AAGard McNary Construction, Inc.	\$303,959.00
MVB & Associates, Inc.	\$316,832.00
C & S Technical Resources, Inc.	\$320,080.00
INSTAR.	\$332,849.00

Based on the bids received, the low bidder is Compton Peachee Construction, Inc. Jay Ammon Architect, Inc (JAA), Architect for the project, has reviewed the bids and recommends award to Compton Peachee Construction, Inc. (CPC). JAA has also contacted owners from previous projects constructed by CPC and has received favorable references.

**7C**

The work will be funded by 1539-DR-FL of FEMA Project No. 1539-163-R and TWA 109048.

**RECOMMENDATION:** Staff recommends approval of the contract award to Compton Peachee Construction, Inc. in the amount of \$281,980.00 and a 5% contingency of \$14,100.00 for the Structural Hardening of Toho's Lift Stations Maintenance Building.

LSMB Bid Award Approval.01.27.10.kd

CATEGORY: Consent

Attachment(s): None

## **APPROVAL FOR APPROVAL CONSTRUCTION FUNDING ON THE POINCIANA BOULEVARD PHASE 2 PROJECT**

**Explanation:** The Board is requested to approve construction funding, in the amount of \$208,278 for utility relocation within the County's Poinciana Boulevard Phase 2 project limits, 1,000 feet south of Crescent Lakes Way to US17-92.

The road construction requires the Authority to adjust 26 manholes, 8 air release valve vaults, 16 hydrants, and 62 valve cans to the new road elevations within the Poinciana service area.. Additionally, 840 LF of 10" water main is in conflict with the proposed drainage improvements and will need to be relocated.

The utility work will be performed by the County's Construction Manager at Risk (CMAR) for this project, Kraft Construction Company, Inc. Kraft has obtained three competitive bids for the performance of the utility work.

The bids obtained by Kraft include unit pricing for work which is expected to be performed (adjust manholes, valve cans, etc) and unit pricing for unexpected work (water main relocation, line stops, etc) due to unknown conflicts. Staff determined the unit pricing for unknown work was needed to be in place prior to initiation of the utility construction given the uncertainty of utility infrastructure within the former FGUA service area. Having unit prices in place for unforeseen conflict resolution, the Authority will be less likely to experience delay claims by being able to utilize the unit pricing in place and proceeding with the work as soon as funding is approved. The requested funding, \$208,278, covers the known utility adjustments.

The utility work will be performed by the low bidder, Johnson Brothers, LLC, under the supervision of the CMAR. The work will be performed under the County's agreement with the CMAR. The Authority will reimburse the County for the utility work pursuant to the Interlocal Agreement between the County and the Authority executed by the Board on December 9, 2009. The unit prices include the CMAR's fee, bond, and insurance (8% of the total funding) as allowed in their contract with the County.

This project will be funded by 110009.

**Recommendation:** Staff recommends approval of \$208,278 for utility construction funding for the Poinciana Boulevard Ph 2 project.

Poinciana Blvd Ph 2 - Funding Approval.01.27.10.ge

**7D**

CATEGORY: Unfinished Business

Attachment(s): 2009 Comprehensive Annual Financial Report

## **APPROVAL OF THE ANNUAL FINANCIAL REPORT FOR THE AUTHORITY FOR FISCAL YEAR 2009**

**Explanation:** William Blend from Moore Stephens Lovelace, P.A. will present the Comprehensive Annual Financial Report for the year ended September 30, 2009. A copy of the report is attached for review.

The year-end audit resulted in an unqualified opinion for the Authority; this means the financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial position of the Authority and the results of its operations.

The report covers the full fiscal year from October 1, 2008, to September 30, 2009. During this fiscal year, the Authority had operating income of approximately \$0.5M; net assets increased by 3% to approximately \$17M.

The *Schedule of Findings and Recommendations* of the auditors for the Authority are contained on the last pages of the report. These recommendations are based on the Authority having completed its sixth year of operation. These findings and recommendations along with management's response are summarized below:

### **PRIOR YEAR FINDINGS:**

#### **2007-01 Accounting and Financial Reporting Policies and Procedures**

##### **Finding**

The Authority continues to experience growth as evidenced by the acquisition of the Poinciana System and planned capital expansion and system improvement projects. This growth increases demands on staff for maintaining the growing number of day-to-day transactions in addition to evaluating and developing appropriate policies and procedures to ensure adequate controls over financial transactions and accounting and reporting.

##### **Criteria**

A control environment should be adequate for the size of an organization and the complexity of its transactions.

## **Recommendation**

We recommend that management evaluate the growth of the organization and implement a formal plan to ensure that adequate staffing levels are achieved to ensure proper controls over financial transactions and reporting. We also recommend that a formal plan be implemented for the updating and preparation of appropriate policies and procedures to be consistent with the current level and types of transactions of the Authority.

## **Current Year Status**

This finding is not considered to be fully corrected. The Authority took several steps in planning to address all aspects of this finding; however, due to a software conversion and plans to relocate all administrative functions to a newly constructed administration building, they have not fully documented all significant accounting and reporting policies and procedures. Therefore, we have consolidated this finding into our current-year finding 2009-01, which will better reflect the status of this issue.

Management Response: *Concur. Please see current-year finding 2009-01 for the full management response.*

## **2007-02 Controls Over Investments**

### **Finding**

During audit procedures of Authority investments, we noted that investments in U.S. Treasury instruments transferred to the Authority from the City of Kissimmee when the Authority was created were actually investments in Repurchase Agreements backed by U.S. Treasury Securities. The apparent misclassification appears to have been the result of information provided by the Authority's investment advisor. While the Authority's investment policy allows for investments in repurchase agreements and the investment advisor is knowledgeable about this policy, the level of investments in these agreements would appear to exceed the intent of the investment policy.

### **Criteria**

Investments should be in compliance with the intent of Authority's investment policy and with management's goal of maintaining minimal risk and maximum return while managing the liquidity needs of the Authority.

## **Recommendation**

We recommend the Authority reevaluate its investment policy and refine this policy to ensure clear direction regarding the types and value of allowed investments by individual category. We also recommend that the Authority implement adequate risk management reviews of all third party controlled investments as well as regular reporting of investment holdings and gains and losses to either the full board or to a board designated investment committee.

### **Current Year Status**

This finding has been fully addressed. The client has taken several steps to correct this finding, including implementation of a new investment policy and segregation of duties related to the accounting and review of investment activities and reconciliations. In addition to our original recommendation, we believe the Authority may want to consider engaging a third-party investment advisor to review investment activities, as well as investment earnings, to ensure compliance with all aspects of the Authority's investment policy, as well as review of performance. This third party should be independent of any brokers or dealers who manage and/or hold Authority investments.

Management Response: *Concur. **This finding has been fully addressed.** The additional recommendation to engage a third-party investment advisor to review of investment activities and returns is prudent. Staff supports this step to further bolster the internal control over investments and provide an interim audit of investment activities and returns during the fiscal year.*

### **2008-01 Accounts Receivable Aging**

#### **Finding**

During audit procedures for evaluating customer receivables, we noted a significant increase in accounts aged 90 days and greater. It was determined that this was the result of a lack of enforcement of the Authority's service cutoff policy.

#### **Criteria**

Authority service cutoff policies should be enforced unless proper approvals have been obtained or the Board of Supervisors temporarily suspends or permanently changes them.

#### **Recommendation**

We recommend that the Authority implement a review process of delinquent accounts to ensure that the cutoff policies are being properly enforced.

## **Current Year Status**

Our current-year testing indicated that the vendor appears to be enforcing the Authority's cutoff policy. Therefore, we consider this finding to be fully corrected. We did note, however, that receivables aged 90 days and greater had a modest increase of approximately 2% in the current year. We recommend that the Authority continue to monitor this and consider using a third-party collection agency for the collection of these receivables.

Management Response: *Concur. **This finding has been fully corrected.** The Authority contracts with third party vendors to provide customer service, meter reading, and billing services. Staff regularly meets with these vendors to cover customer service and fiscal matters. Additional tasks have been implemented by Staff to improve communication, oversight, and to focus attention on aging receivables. These tasks include a detailed monthly review of aging receivables reports provided by third party vendors and requiring explanations of accounts aged beyond 90 days to ensure cutoff policies are properly enforced and exceptions properly documented. In addition, the Authority has taken steps to employ property tax assessments as a collection tool, where appropriate.*

## **2008-02 Entity Risk Assessment and Monitoring**

### **Finding**

At present, the Authority does not have formalized processes in place for risk assessment and monitoring internal control activities entity wide on an ongoing basis.

### **Criteria**

There are five key components of internal control: control environment, risk assessment, information and communication, control activities, and monitoring. The presence of all five internal control components is required to minimize the risk of misstatement of financial information. A deficiency in any of these components could result in an increased risk of misstatement of the Authority's financial information.

### **Recommendation**

This finding has not been fully corrected. Therefore, we have incorporated those aspects into our current-year finding 2009-10.

Management Response: *Concur. Please see current-year finding 2009-10 for the full management response.*

## **CURRENT YEAR FINDINGS:**

### **2009-10 Organizational Changes and Their Effect on Internal Controls**

#### **Finding**

The Authority continues to progress from its reliance on third parties to provide various administrative and operational functions, such as Production, Billing, Human Resources, Information Technology (“IT”) and others, to a fully independent functioning utility. Some recent changes have included start-up of an IT department, purchase of new accounting software, evaluations of various services contracts, and the construction of a new administrative building. These changes, and the ones that will follow in the future, all need to be evaluated as to their effect on internal controls. In order to ensure that controls are operating efficiently and effectively, controls must be updated for the impact of related changes to the organization’s accounting and reporting environment, including those related to grant reporting.

#### **Criteria**

There are five key components of internal control: control environment, risk assessment, information and communication, control activities, and monitoring. The presence of all five internal control components is required to minimize the risk of misstatement of financial information. A deficiency in any of these components could result in an increased risk of misstatement of the Authority’s financial information. The issues discussed under our findings result in changes to the organization which can impact all or some of the various components of internal control. Therefore, when significant changes like these occur, it is vital to the organization that the impact on internal control be evaluated and controls modified to properly address the changes.

#### **Recommendation**

We recommend that the Authority address changes to the accounting and reporting environment and update all policies and procedures that are impacted by those changes as soon as possible.

*Management Response: Concur. Staff will formalize a process to address the five key components of internal control: control environment, risk assessment, information and communication, control activities, and monitoring.*

*In 2008, the Authority engaged an independent third party to assist with formalizing policies and procedures for all significant accounting and reporting areas. In 2009, the engagement was suspended to allow for the successful implementation of a new Financial Information System. Staff is committed to fully addressing this finding in 2010.*

A representative from Moore Stephens Lovelace will be in attendance to present the report and answer any questions concerning the audit.

**Recommendation:** Staff recommends approval of the Comprehensive Annual Financial Report for the Authority for the fiscal year ending September 30, 2009.

9A-2009 Comprehensive Annual Financial Rpt.01.27.10.rh

## YEAR END FINANCIAL REPORT RECONCILIATION

**Explanation:** Financial reporting policies, procedures, and management practices are in place in order to assist the Board with carrying out its fiduciary oversight responsibilities. The Authority is required to submit an annual audit in accordance with the provisions of Chapter 10.500, Rules of the Auditor General. Moore Stephens Lovelace, P.A., a firm of licensed, certified public accountants was re-hired to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended September 30, 2009, were free of material misstatements. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority.

Throughout the year, Staff provides monthly Operating Results on the Authority's financial performance against the Operating Budget. The monthly reports do not include non-cash transactions, such as depreciation, amortization and unrealized gains and losses, and contributed capital nor does the report include transactions from restricted funds, exception being, impact fee collections. A reconciliation of the reported Operating Results and *the Statement of Revenues, Expenses, and Changes in Net Assets* at September 30, 2009 with a brief explanation of differences is provided to assist the Board in advance of the auditor's report and presentation, currently scheduled for January 27, 2010.

## FINANCIAL REPORT RECONCILIATION

Reported at September 30, 2009	Unaudited Operating Results	Statement of Revenues, Expenses, and Changes in Net Assets
<b>OPERATING REVENUES</b>		
Charges for services	\$ 66,513	\$ 66,513
Miscellaneous revenues	522	522
TOTAL OPERATING REVENUES	67,035	67,035
<b>OPERATING EXPENSES</b>		
Personnel services	12,348	12,348
Contracted services	14,503	14,503
Supplies and materials	2,243	1,953
Repairs and maintenance	4,006	4,006
Payments in lieu of taxes	5,117	5,117
Other services and charges	8,997	9,287
Depreciation	0	19,000
Amortization	0	292
TOTAL OPERATING EXPENSES	47,214	66,506
OPERATING INCOME	19,821	529
<b>NON-OPERATING REVENUES ( EXPENSES)</b>		
Investment income (loss)	643	2,515
Interest and fiscal charges expense	0	(7,426)
Miscellaneous	1,014	1,014
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,657	( 3,897)
INCOME (LOSS) BEFORE CONTRIBUTIONS	21,478	( 3,368)
<b>CAPITAL CONTRIBUTIONS</b>		
Federal and State Grants	622	622
Other Grants	560	560
Developers	N/A	18,918
TOTAL CAPITAL CONTRIBUTIONS	1,182	20,100
CHANGE IN NET ASSETS	N/A	16,732
TOTAL NET ASSETS - BEGINNING	N/A	\$ 578,242
TOTAL NET ASSETS - ENDING	\$ N/A	\$ 594,974

## EXPLANATION

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Supplies & Materials/Other Services: All of the other supply items in the Operating Results were classified as Supplies & Materials whereas a portion in the annual financial statements (290K) was recognized as other services & charges. The total expenses still remain the same as the annual financial statements, less depreciation & amortization.

Depreciation and Amortization: Non-cash required categories on *the Statement of Revenues, Expenses, and Changes in Net Assets* in compliance with Generally Accepted Accounting Principles (GAAP). Depreciation (\$19M) and Amortization (\$292K) are considered non-cash and non-budget operating items and; therefore, excluded from the reported Operating Results.

Investment income (loss): The reported Operating Results only include realized investment income recorded in the Operating Fund. It does not include realized investment income on restricted impact fee and bond funds and the market valuation of the investment portfolio. The Authority held treasury related securities in a managed investment program. The Operating Results also do not include unrealized gains or losses. Unrealized gains or losses must be recorded in the annual financial statements on *the Statement of Revenue, Expense, and Changes in Net Assets* in compliance with GAAP.

Interest and fiscal charges expense: The reported Operating Results does not include interest expense on debt service (\$7.4M). Interest expenses are included on *the Statement of Revenue, Expense, and Changes in Net Assets* in compliance with GAAP.

Capital Contributions-Developers The reported Operating Results does not include capital contribution from developers either from impact fees or non-cash infrastructure contributions. These capital contributions are included on *the Statement of Revenue, Expense, and Changes in Net Assets* in compliance with GAAP.

The Operating Results report and *the Statement of Revenues, Expenses, and Changes in Net Assets* serve different purposes and are not intended to agree entirely. The reported Operating Results serve as a budget reporting tool whereas *the Statement of Revenues, Expenses, and Changes* is a required annual financial report. Staff is available to answer questions.

Agenda: Unfinished Business

Attachment: TWA Local Vendor Preference Policy

## **APPROVAL OF AMENDMENT TO THE TOHO WATER AUTHORITY LOCAL VENDOR PREFERENCE POLICY**

**Explanation:** At the January 28, 2009 meeting, the Board approved a Local Vendor Preference Policy, a copy of which is attached. The policy has been implemented and in use since the adoption. Recently the staff has begun to see a drop off in the number of non-local contractors bidding and has also received comment from non-local contractors indicating that they won't bid TWA work as long as the policy is in force. If the Authority experiences a significant reduction in the number of bidders for contracts which fall under the local preference policy the net result will be less competitive pricing.

When the Board discussed and adopted the local vendor preference policy there appeared to be several objectives. First, the Board wanted to provide some preference to local contractors and suppliers to assist them in competing for bids on TWA contracts or purchases. However, while providing a preference or competitive assist, the Board did not want to pay a premium to just contract with a local contractor or supplier. The present local preference policy presently allows the local contractor with the lowest bid among local contractors to match the overall low bid price for a purchase or contract. Non-local vendors are now becoming aware that anytime a local vendor submits a bid on a project or purchase, the local vendor will be awarded the bid and the non-local vendor will have little chance of being successful regardless of how low their bid is in relationship to the local vendor. Under these conditions more non-local vendors are declining to participate in bids.

To maintain the competitive bid environment and have significant numbers of non-local vendors to continue to participate in Authority bids there should be a reasonable opportunity for the non-local vendor to be successful. To attempt to maintain a highly competitive bid environment the staff is proposing amending the policy to require that the local vendor's bid must be within specified range or percentage of the low bid to be eligible to take advantage of the local vendor preference. The Osceola County policy requires the local bidder to be within 2% - 5% of the low bid, depending upon the size of the contract or purchase to receive the local preference and be awarded the bid. Staff is recommending that the Board adopt one of two alternatives proposed for setting a specified range or percentage of the low bid that a local vendor must be meet to receive the local preference:

1. Adopt the specified percentage ranges from the Osceola County policy of:
  - a. 5% for bids up to \$249,999.99
  - b. 4% for bids from \$250,000 to \$999,999.99
  - c. 3% for bids from \$1,000,000 to \$2,000,000
2. Adopt a single specified percentage for all bids of 5%

Adopting an amendment of form as proposed will provide non-local vendors an opportunity to receive a bid award and therefore a reason to participate in the bidding. Secondly, the amendment will require the local vendor to be competitive in their bidding too.

**Recommendation:** Staff recommends adopting a specified percentage of the low bid that a local vendor must meet to receive the Authority's local vendor preference.

9B-Local Preference Amendment.01.27.2010blw

CATEGORY: Unfinished Business

Attachments: Memo to Board on Suspension of Construction of Cypress Lake Test Well No. 2

**ACTION ON THE PROPOSED SUSPENSION OF CONSTRUCTION OF THE CYPRESS LAKE TEST WELL NO. 2**

**Explanation:** At the January 13, 2010 meeting, the staff presented a report on the status of the construction of Cypress Lake Test Well No. 2 and the recent communications with South Florida Water Management District (SFWMD) concerning their modeling of the proposed wellfield. A copy of that report is attached. The Board continued this item for further discussion to the January 27, 2010 meeting. The Board had concerns about suspending construction and incurring additional costs associated with demobilization and re-mobilization if and when the construction was resumed. If there is general agreement that the information to be developed through the test well is necessary to the ability of the Authority to be able to pursue a permit for the wellfield with SFWMD then the construction should proceed and avoid the additional costs related to a temporary suspension. Staff was hopeful that there would be some additional information to report from communication with SFWMD staff on the well and permit modeling for the board meeting.

**Recommendation:** There is no action required by or requested of the Board on this issue at this time.

9C-Suspension Construct Cypress Lake Well No2.01.27.2010blw

**9C**

# MEMORANDUM



**To:** Board of Supervisors

**From:** Brian Wheeler, Executive Director

**Date:** January 13, 2010

**Re:** Cypress Lake AWS Test Well #2 – Suspension of Construction

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TWA has been pursuing the permitting and development of an Alternative Water Supply in the vicinity of Cypress Lake to draw water from the Lower Floridan Aquifer. Initially, the Authority constructed a test production well at the northern limit of the proposed wellfield and conducted an aquifer performance test to develop data to be utilized in hydrogeological modeling to estimate the quantity of water that could be withdrawn from the Lower Floridan Aquifer within this area and meet the permitting criteria of the South Florida Water Management District (SFWMD). Based on the results from the test well and subsequent modeling, a Water Use Permit application was submitted to SFWMD for 30 mgd in February, 2009. At that time, staff was proposing to construct a second test well at the proposed southern limit of the planned wellfield to further substantiate the test results from the first well. Because the Test Well #1 data and subsequent modeling did not correspond to analysis done by the SFWMD, the Authority was advised that data from the second test well would be important for consideration of the permit application model results. The Authority has proceeded with the construction of the second test well with an anticipated completion date for the well and testing in August 2010. In the interim, while the second test well was being constructed, the SFWMD proposed to conduct modeling using their existing data and establish a level of water withdrawal that could be permitted before the completion of the second test well and test results. SFWMD completed their initial modeling of the proposed Cypress Lake wellfield withdrawals using their model and data and presented their initial results to staff and the Authority's consultants on December 18, 2009.

SFWMD has been working for a number of years on developing an East Central Florida Transient (ECFT) hydrogeological model to utilize for evaluating groundwater withdrawals and water use permit applications in the Upper Kissimmee River Basin portion of the District. The WMD believes that their ECFT model is ready for use and it

was utilized in conducting their initial modeling of the proposed Cypress Lake wellfield utilizing their data. These were the model results presented at the December 18, 2009 meeting with consultant representatives for TWA and the STOPR group. The presentation included a brief description of the SFWMD measures used to improve model accuracy as well as the results of simulations performed to include the proposed Cypress Lake wellfield operating at total pumpage rates that escalated from 5 to 30 MGD. Two potentially adverse outcomes were presented: water table drawdown impacts on portions of the Lake Wales Ridge of nearly 0.5 feet and decreases in groundwater inflows to a portion of the Kissimmee River system of 4 MGD (at pumpage of 30 MGD). The Southwest Florida Water Management District (SFWMD) permitting criteria does not allow any proposed groundwater withdrawals to produce any drawdown effects on the Lake Wales Ridge. Reductions in groundwater inflows to the Kissimmee River may be affected by the SFWMD Reservation Rule presently under development by SFWMD. The results of the SFWMD ECFT model are not consistent with the results of the model based on the then current SFWMD ECFT model Tetra Tech prepared and submitted with the Cypress Lake WUP. If the results of the most recent SFWMD ECFT modeling are utilized, then the permitted withdrawal from the Cypress Lake wellfield may be significantly less than 30 MGD, and the WUP may be conditioned with significant monitoring requirements. After reviewing the SFWMD presentation of the ECFT model TWA's and STOPR's Hydrogeology Consultants, TetraTech and PB Water, view the ECFT model calibration and simulation results as inconsistent with observations of the initial testing completed at the Cypress Lake wellfield Bronson site and have significant concerns with the model. The STOPR group is in the process of scheduling a meeting with Executive Management at the SFWMD to present a case for its ECFT model concerns and to request that these concerns be addressed. Adjusting the model to address the consultants' concerns will modify the model results and may significantly mitigate the impacts outlined above. While the Authority staff, legal counsel, Silvia Alderman, and consultants attempt to deal with the present modeling issues with the WMD, staff is planning to suspend further construction of the Cypress Lake Test Well #2.

The test well #2 construction program is approximately 50% complete. The project consists of eight wells: one Lower Floridan Test Production Well and seven monitoring wells and associated aquifer testing and modeling. The Lower Floridan Test Production Well is intended to be utilized as a future production well. The seven monitoring wells will be used to collect data and document impacts to the surficial water table, Upper Floridan Aquifer, Lower Floridan Aquifer, and intermediate and lower producing zones during the testing that will be conducted upon completion of construction. The seven monitoring wells consist of the following: one Upper Floridan Monitoring Well; three surficial monitoring wells; two remote Lower Floridan Monitoring Wells; and one Dual Zone Monitoring Well. Completion of the Test Well #2 construction and testing program will provide data to assist in evaluating the quantity and quality of water that can be pumped from the Lower Floridan Aquifer by the future wellfield. The withdrawal rate from the Test Production Well #2 is anticipated to be approximately 5 MGD. Below is a table summarizing the construction status:

Well	No.	Status	Construction Status Summary
Upper Floridan Monitoring Well	1	Completed	Depth of 600'. Pump installed for construction water use.
Surficial Monitoring Wells	3	Completed	Depth of 20'. Water level monitoring instrumentation installed.
Test Production Well (future production well)	1	In progress	Pit casing installation completed. Surface casing installation completed to 315'. Intermediate casing installation completed to 1012'. Exploratory drilling has been completed to 2360'. <b>For Completion:</b> Requires final casing installation to approximately 1300' and back plugging of open hole to approximately 1700' to isolate Lower Floridan Production zone. Geophysical and video logging is required to determine appropriate depths for final casing and back plugging.
Dual Zone Monitoring Well	1	In progress	Pit casing installation completed. Surface casing installation to 300' completed. <b>For Completion:</b> Requires drilling to lower Floridan production zone.
Lower Floridan Monitoring Wells	2	In progress	Pit casing installation completed, Surface casing to approximately 300' is completed. <b>For Completion:</b> Requires Drilling to lower Floridan production zone.

The award contract amount for the construction was \$2,416,280.00. To date approximately \$1,153,940.00 of the contract has been expended. Suspension of the construction of Test Production Well #2 will require some additional work to meet SFWMD well construction permit requirements and to insure the condition of the well will be maintained to facilitate construction when the project is re-started. Approximately \$200,000 will need to be expended to complete the geophysical and video logging of the open hole from 1012' to 2200' to determine the appropriate depths to set the final casing and back plug the open hole to isolate the most productive zone in the Lower Floridan Aquifer, and the physical installation of the final casing. The Dual Zone Monitoring Well and the two Lower Floridan Monitoring Wells are drilled and cased to 300' and require no additional action at this time to secure. Suspending the project at this point will result in approximately \$1.06 million in construction remaining plus some additional charges for remobilization.

Staff believes it is prudent to suspend construction of Test Production Well #2 at this time due to the uncertainty of the SFWMD position on the initial ECFT model results for the proposed Cypress Lake Wellfield. Without some indication from the WMD that the data developed from the Authority's two test wells (No. 1 completed and No.2 under construction) will be incorporated into the ECFT model and that the concerns of the

Authority's and STOPR's consultants with the model are addressed continuation of construction would pose some risk to the Authority that the continued investment may not result in an acceptable return.