

**AGENDA
UTILITY ADVISORY BOARD
CITY OF DUNNELLON
20750 RIVER DRIVE
DUNNELLON, FL 34431
MONDAY, FEBRUARY 19, 2018 AT 3:00 P.M.**

PLEASE NOTE: Individuals wishing to address the Board are required to sign in at the beginning of the meeting or you will not be recognized. A three-minute time limit will be administered. You may address the Board one time only unless you are scheduled to speak on the agenda. PLEASE TURN CELL PHONES OFF.

One or more City Council members may attend this meeting and may speak.

OPENING

Call to Order

Pledge of Allegiance

PROOF OF PUBLICATION

The agenda was posted on the City's website and City Hall Bulletin Board on Friday, February 16, 2018.

ROLL CALL

1. Approval Of Minutes

Minutes Of The August 28, 2017 UAB Meeting

Documents:

[20170828.PDF](#)

2. Community Development Block Grant (CDBG) Update

3. Finance Report

Documents:

[1ST Q 12_31_18.PDF](#)

4. Status Update - FGUA

Memorandum - City Administrator Response To UAB Questions 1/3/2018

Documents:

[20180213_RESPONSE TO UAB QUESTIONS.PDF](#)

5. Public Comment

6. Adjournment

ANY PERSON REQUIRING A SPECIAL ACCOMMODATION AT THIS HEARING BECAUSE OF A DISABILITY OR PHYSICAL IMPAIRMENT SHOULD CONTACT THE CITY CLERK AT (352) 465-8500 AT LEAST 48 HOURS PRIOR TO THE PROCEEDING. IF A PERSON DESIRES TO APPEAL ANY DECISION WITH RESPECT TO ANY MATTER CONSIDERED AT THE ABOVE MEETING OR HEARING, HE OR SHE WILL NEED A RECORD OF THE PROCEEDING, AND FOR SUCH PURPOSE, HE OR SHE MAY NEED TO ENSURE THAT A VERBATIM RECORD OF THE PROCEEDINGS IS MADE, WHICH INCLUDES THE TESTIMONY AND EVIDENCE UPON WHICH THE APPEAL IS TO BE BASED. THE CITY IS NOT RESPONSIBLE FOR ANY

MECHANICAL FAILURE OF RECORDING EQUIPMENT.

**MINUTES
UTILITY ADVISORY BOARD
CITY OF DUNNELLON
MONDAY, AUGUST 28, 2017 AT 3:00 P.M.**

Chairman Lochrane called the meeting to order at 3:06 p.m. and led the Pledge of Allegiance.

PROOF OF PUBLICATION The agenda was posted on the City's website and City Hall Bulletin Board on Wednesday, August 23, 2017.

ROLL CALL

Members Present: Hugh Lochrane, Burt Eno, Linda Fernandez, Jim Hicklin, Cynthia Williams

Members Absent: Tom Brady, Lynne Cioffi, Alan Wise

Staff Present:

Jan Smith, Teresa Malmberg

1. Approval of Minutes

Burt Eno mad a motion to approve the minutes of the August 8, 2017, meeting as submitted. Jim Hicklin seconded. The motion passed by unanimous vote, 5-0.

2. Florida Government Utility Authority (FGUA) - Status Update

Jan Smith reported that the FGUA field personnel will be meeting Tuesday with Richard Grabbe and staff to begin the utility operations systems and equipment surveys.

3. FY2018 Draft Water / Sewer Budgets

Jan Smith provided a summary of the water/sewer budgets for FY2018. Members also reviewed Burt Eno's FY18 water and sewer budget summary and Chairman Lochrane's summary of recommendations. Following review, discussion, questions and answers, Burt Eno made a motion that the FY18 budget reflect no increase in rates and that the revenue projected in the budget be based on \$2.8 million. Jim Hicklin seconded. The motion passed by unanimous vote, 5-0.

As to the budget recommendations to Council from the UAB, Jim Hicklin made a motion to recommend items 1 through 5. Following discussion, the motion was amended stipulating that item #3 be removed and ARC-flash training amount be changed to \$25,000, and stipulate will not be used unless the City keeps the utilities. Linda Fernandez, seconded. The motion passed by unanimous vote, 5-0.

4. Adjournment

Jim Hicklin made a motion to adjourn. Linda Fernandez seconded. The motion passed by unanimous vote, 5-0. The meeting adjourned at 4:36 p.m.

Hugh Lochrane, Chairman

Teresa Malmberg, Admin. Coordinator

CASH/EQUITY BALANCES

	BEGINNING BALANCE 10/1/2017	BALANCE 11/30/2017	BALANCE 12/31/2017	NET CHANGE FROM PRIOR PERIOD	NET CHANGE FROM START OF YEAR	
WATER EQUITY						
02000-15148	REGIONS BOND PROCEEDS-2013	784,422.91	784,422.91	784,422.91	0.00	0.00
02000-15163	WATER - UTIL DEP	96,376.92	97,916.92	97,696.92	(220.00)	1,320.00
02000-15164	CAP IMPROVE/CONNECT FEES	27,680.17	27,680.17	42,484.17	14,804.00	14,804.00
02000-15168	UNRESTRICTED	785,610.59	710,130.20	722,110.26	11,980.06	(63,500.33)
02000-15180	RESERVE EQUIP REPL				0.00	0.00
02000-15192	EMERGENCY RESERVE EQUITY	7,230.82	7,572.52	7,720.77	148.25	489.95
02000-15195	REGIONS DEBT SVC RESERVE-WEF	166,767.29	157,217.99	175,302.92	18,084.93	8,535.63
02000-15196	BB&T DEBT SVC RESERV-WEF	237,567.27	(5,007.17)	22,457.29	27,464.46	(215,109.98)
WATER EQUITY		2,105,655.97	1,779,933.54	1,852,195.24	72,261.70	(253,460.73)
SEWER EQUITY						
02000-15149	REGIONS BOND PROCEEDS-2013	524,962.41	524,962.41	524,962.41	0.00	0.00
02000-15167	CAP IMPROVE/CONNECT FEES/SRF	176,519.78	176,519.78	217,747.32	41,227.54	41,227.54
02000-15169	UNRESTRICTED	355,907.65	204,777.26	172,663.79	(32,113.47)	(183,243.86)
02000-15181	RESERVE EQUIP REPL				0.00	0.00
02000-15189	SRF LOAN RESERVE				0.00	0.00
02000-15190	REGIONS DEBT SVC RESERVE-SEF	286,653.20	280,326.66	307,465.63	27,138.97	20,812.43
02000-15193	EMERGENCY RESERVE EQUITY	4,873.93	5,121.37	5,228.72	107.35	354.79
02000-15197	BB&T DEBT SVC RESERV-SEF	186,660.01	(3,934.21)	17,645.00	21,579.21	(169,015.01)
SEWER EQUITY		1,535,576.98	1,187,773.27	1,245,712.87	57,939.60	(289,864.11)

To: Dunnellon City Council

From: Dawn M. Bowne, City Administrator

Date: February 13, 2018

Subject: Questions contained in the January 3, 2018 Utility Advisory Board Report

The 01/03/18 Utility Advisory Report presented by Chairman Hugh Lochrane during the January Council Workshop Meeting included several questions of City Council. I have provided answers to the best of my ability to the following questions to be shared in time for the UAB meeting next week.

1. Is the effective date of the purchase and sale agreement 12/18/2018? There was concern that Section 8 of the agreement defines several activities that are based on the effective date.

City Staff Response: According to the agreement, the "Effective Date" shall be the date that the last Party authorizes by its official action the execution of this Purchase Agreement. The last party (FGUA) approved and signed the agreement on the 18th day of December. All applicable items in Section 8 of the agreement have been identified and submitted to the applicable city staff representative for completion. At this date and time some items have been completed and others are in the process of being completed. I have attached the Transitional Plan provided by FGUA.

2. Requested additional communication to the Rio Vista customers with regard to the capital charge on their water bill as repayment for infrastructure improvements.

City Staff Response: See attached letter to Rio Vista customers. Per FGUA, the Rio Vista capital charge will be reflected as a distinct revenue in their Capital Improvement Fund forecast.

3. The UAB has requested to work with the City to define when the advisory board to FGUA will be formed and the mechanics/parameters thereof.

City Staff Response: The FGUA has an existing process created that has proven successful for volunteer participation in an advisory capacity. As a result of my communication with FGUA on this particular subject, FGUA has responded that within 30 days following closing, FGUA Community Services staff will work with the City to compose and organize the customer advisory committee. It will likely be modeled after their Pasco Customer Committee which has been very effective. As we get closer to that date, I will work with FGUA and communicate the specifics with City Council during a workshop meeting.

4. The Board would like to know when the City plans to rescind the Ordinance that created the Utility Advisory Board.

City Staff Response: Upon completion of the sale and transition plan, staff will work with the City Attorney to address the changes needed to the existing ordinance.

APPENDIX D

DUNNELTON TRANSITION PLAN

TRANSITION PLAN & OPERATIONAL EXCEPTIONS

DUNNELLON UTILITY SYSTEM

Introduction

The Joint Venture of U.S. Water Services Corporation and Wade Trim Services, LLC (Contractor), is pleased to present a transition and operational exceptions plan with associated schedules, to the Florida Governmental Utility Authority (FGUA) related to the commencement of the Dunnellon Utility System Operations and Maintenance Contract. The Transition Plan contains details of both pre and post Commencement Transition for FGUA review and approval as well as site specific exceptions to the Agreements regarding the Dunnellon System. We are grateful for the opportunity to provide our services to this community and look forward to a successful professional relationship with the FGUA. We have taken the opportunity to outline our transition plan and also confirm previously addressed service delivery issue resolutions that exist due to the incumbent circumstances of the Dunnellon System. As mutually agreed, the information contained herein will become attached as part of - and integrated into, the site-specific Dunnellon System Compensation Agreement.

Our Philosophy

The guiding philosophy of US Water/ Wade Trim (USW/WT) is to achieve a seamless transition that is beneficial to the FGUA and invisible to the local consumer. USW/WT has invested a large amount of effort as access was allowed by the City, and expended significant cost prior to the contract commencement. To support proper implementation, transition activity must be properly staffed, must have co-operation and most importantly, must be well communicated and considerate of the effect on employees and customers to guard against regressive activities detrimental to forward progress.

USW/WT understands the FGUA requires a transition plan that will ensure continuous and uninterrupted service in the distribution of high quality drinking water, the collection and treatment of wastewater and continuous billing and collection of these services. The approach to transition must be efficient and complete in implementation, such that all involved can adapt to the USW/WT FGUA methods and organizational structure. While this contract assignment presents a short transition window as allowed by the previous owner a viable Transition Plan is one that addresses all activities necessary for the continued operation of the system, including those necessary to meet regulatory and licensing requirements, and those contributing to highest levels of water quality and customer service. To the customer this transition should go unnoticed except for improvements.

Our Focus on Quality of Service

USW/WT will put into place recording and accountability methods that allow us to refine our processes continuously. We are committed, both during the transition and afterwards, to providing our employees with the empowerment, skills, training and knowledge to operate the systems to the highest standards. USW/WT understands that upon the Commencement Date USW/WT shall provide financial reporting in a format agreeable to the FGUA. Such agreement will not be unreasonable withheld. The previously agreed to format shall be Excel Spreadsheets. It is noted that GSG has supplied copies of the various Reports.

Our Operational and Maintenance Strategy

The operating plan will show experience regarding the Operation and Maintenance of Water and Wastewater facilities within the State of Florida. Our operating plan is supported by a thorough understanding and knowledge of the processes to be employed at the facilities. We are intimately familiar with the treatment methods for both water and wastewater.

Our Team Approach

We ask the FGUA to approve the Transition Management and Deliverables Schedule. This schedule outline is fast paced due to the Seller's position; it is a detailed transition plan focused on asset assessment, operating strategy, existing conditions, quality of service, capital investment, maintenance efficiencies and communications and reporting. Development of these principals allows USW/WT and the FGUA to fundamentally guarantee a successful delivery of the project by providing the framework necessary for setting the standard for continued operations.

The interaction and straight forward communication of all issues important to the FGUA and USW/WT during project transition is significant. USW/WT has developed a plan that will outline the necessary resources required in achieving a successful transition.

USW/WT will work interactively with the FGUA regarding:

- Capital Improvement Planning
- Proper Renewal and Replacement
- Information Technology Preferences
- Scheduling
- Customer Services Preferences
- Contract Administration
- Accounting-Reporting Parameters
- Management of Water Quality
- Operational Parameters
- Regulatory Compliance Mitigation
- Facility Inspections

Communication of the above issues coupled with the development and approval of the transition staff will enable the USW/WT - FGUA Team, working together to develop the successful delivery of the project. We anticipate that USW/WT transition management and support resources will be required at varying levels of involvement throughout the 6-month total transition period and well into the implementation of the contract. This involvement will create minimum disruption to the existing operational work environment, and if planned and executed carefully, will ensure a seamless transition.

Successful Implementation

The transition plan put into place prior to the acquisition of the utility system will include all procedures and personnel necessary to effectively transition the system.

USW/WT began basic general transition activities after being notified of the FGUA Board Approval. This approach has allowed approximately 3 months of transition activities to occur prior to the planned operation and maintenance contract commencement in April. USW/WT has developed a transition outline that includes the proposed management dedicated to the project, a schedule of activities important to the transition and a general outline of the commitments necessary for the successful delivery of the project.

Exhibit A located within this Transition Plan presents proposed transition staff assignments and is included to provide insight to the FGUA on the scope of transition.

Transition Team

U.S. Water and Waste Trim (USW/WT) have identified and assembled a transition team experienced in the Water and Wastewater Industry. This transition team will draw upon the knowledge of select management personnel, engineering consultations, administrative staff and operation specialists with expertise in dealing with utility systems, process technology, equipment, regulations, finance, and resources all of which represent issues to be evaluated during the transition period. Top management of the USW/WT transition team has been involved in numerous successful transitions of operations and in many cases, of utility ownership.

The FGUA recognizes that the USW/WT transition management personnel that are allocated to the transition activities will be assigned multiple transition assignments related to Dunnellon and other Seller systems that will be transitioned concurrently and will continue to be available after the transition is complete, allowing operational staff to have access to their knowledge. This combination of operational & transition personnel will allow the transition activities to be effective in gaining general system knowledge and the ability of forging relationships among key people relative to the successful performance of the contract entities. In addition, this allows personnel to be focused on critical issues through short term specialty assignments affording them the ability to prioritize issues relative to importance.

USW/WT provides a transition management team consisting of a select group of highly experienced managers and support resources. The organizational structure of the transition team can be seen in Exhibit A and includes involvement from the following personnel:

- Transition Manager
- Project Director
- Document Control
- Customer Service
- Human Resources
- Compliance
- CMMS Manager
- Engineering Support

Transition Manager

The Transition Manager will be given authority to coordinate all aspects of the transition plan and the efforts of the transition team under the management of the Project Director. The Transition Manager is accountable for ensuring that the management and organization support infrastructure is in place before the contract Commencement Date. The Transition Manager will also maintain a general overview of all transition activities and, along with the Project Manager, will provide the key interface with FGUA in working through transition details.

Project Director

The Project Director will direct the Transition Manager and the rest of the team to setup the organizational framework and maintain a general overview of all transition activities. Responsibilities of the Transition Manager, Project Director and/or their assigns, are to include:

- Communication with FGUA Officials
- Customer Service Center Development
- Customer Service Software Implementation
- Transition of Customer Service Data
- Customer Service Staff Development
- System Condition Assessments
- Process Audits
- Capital Planning
- Negotiations with Vendors
- New Employee Hires
- Other Human Resources Activities
- Development of Compliance Efforts
- Transition of Operations
- Overall Project Implementation

Transition Support Staff will assist these individuals in attaining these goals and the goals set forth by the FGUA during the transition period.

Human Resources

A viable transition plan is one that addresses all activities necessary for the continued operation of the system. Perhaps, one of the most important factors in any well run system is having well trained and dedicated employees in the correct areas of responsibility. USW/WT understands potential employee concerns due to the change of management and is prepared to address and minimize any concerns early in the transition process, once communication is authorized by Seller and FGUA. Good communication will allow affected employees to learn of our company. We will coordinate an introduction with the existing staff to inform them regarding our company and the scope of the new service contract. We will then commence with the interview process with the existing staff to determine who may be interested in joining our firm. Our desire is to hire the most competent, qualified and energetic individuals to operate the FGUA facilities. It is the goal of USW/WT is to find placement for all current staff employed by the Dunnellon System, once background checks, license confirmations, and drug tests are reported and acceptable, either by continued assignment at Dunnellon or other placement opportunities within the organization. As the FGUA "Contractor", USW/WT understands that it is required to comply with Section 6.03 of the Asset Acquisition Agreement between the FGUA and the City of Dunnellon.

The key components of our human resources hiring program are:

- An initial communication introducing employees to our company,
- Individual Interviews and response to questions,
- Finalize position descriptions with information for all relevant sources with regard to the type of vacancy and the qualifications, skills and experience of the individuals required to fill them,
- Preparation of job descriptions for available position is to be sent to the current workforce and, will be advertised locally and statewide, if the requirement for specialist skills cannot be obtained from current plant employees,
- Invitation to all candidates to interview for available positions,
- Careful and thorough employee assessments using generic and specific criteria, and
- Reference and Background checking

USW/WT commits that the employee evaluation and retention process will be open, fair, and non-discriminatory and in accordance with existing company policies. USW/WT operates in compliance with a Drug Free Workplace program and all applicants are subject to drug testing. Due to the limited time available within the transition period - prior to the commencement date, we have been devoted to implementing the Human Resource element of transition and began this process immediately following announcement of contractor selection and authorization of Seller. We are committed to the development of the placement program and remain confident that operational and administrative systems can be installed and staff transferred and/or hired in a manner that will provide a seamless transfer of the utilities prior to contract commencement. USW/WT will standby with personnel already in place to provide services during the transition to augment services as needed.

Communications

USW/WT acknowledges that FGUA has a current communications plan in place which is utilized in other FGUA Systems and will be applied until such time as FGUA provides an updated plan. Although many issues are inclusive to customer service, we feel that communication with the client is the most important. Communication through scheduled face-to-face meetings, documented electronic correspondence, operational reports or a phone call to any one of the USW/WT management staff is part of our communication processes.

USW/WT understands that the transfer of operations may cause concern within FGUA, the communities being served and the incumbent employees. The most critical goal in the transition will be to keep open lines of communication with the FGUA.

Inventory/Interface

A very important part of the transition plan is to gain as much insight as possible prior to the commencement date. USW/WT will evaluate the current operation and maintenance procedures in place by current owner/operator as access allows prior to commencement, and after reviewing the existing procedures, USW/WT will establish procedures appropriate to successful utility system management in order to meet USW/WT internal operating standards.

Reporting and Resource Management

During the transition period, USW/WT will develop jointly with FGUA the specific requirements for management reporting. We will immediately introduce an inventory management system based on a joint audit of all consumables, chemicals, plant and equipment, etc., which will form part of the contract. We will put in place procedures to guide facility and staff in matters related to payroll, timekeeping, benefits, requisitioning, accounts payable, receiving, petty cash, expenses, inventory adjustment, and daily and month end procedures.

Note: Direct Connectivity: At the earliest point possible, USW/WT will make connectivity available to the FGUA to enable FGUA Administration direct remote access to data reporting (customer, financial, etc.). Mutually agreeable and reasonable interim reporting formats and methods will be utilized until such time as connectivity is available.

Transition Schedule

The USW/WT transition schedule, included as Exhibit B illustrates the key activities and duration required during the outlined 6-month transition period. The key areas of activity will be in establishing the contract; setting up the customer service information, administration and finance systems; implementing a joint communications strategy; recruitment and transfer of employees, evaluation of infrastructure and transition of operations and maintenance functions.

New Hire Communication

It is the goal of USW/WT to provide employment for all eligible current employees involved with the Dunnellon Utility System. During pre-ownership transition USW/WT, as permitted by Seller and FGUA, will conduct briefing sessions for all affected employees and distribute company information as soon as the announcement has been made. The distribution of transition information will help control speculation and misinformation. With permission of current owner, USW/WT will need to begin preliminary interviews, screenings and evaluations of existing personnel prior to commencement and at the earliest possible date. This will allow proper hiring consideration of all persons employed by the system at the time of transfer.

Information Transfer

For continuity of operations, we propose that all relevant and pertinent information required to support continued uninterrupted operations be turned over to USW/WT as early in the process as possible. This will include all current and historical operating reports, laboratory data, and maintenance records, whether in hard copy or digital format.

Training of Staff

To transfer staff to the company philosophy of USW/WT, we will provide targeted training to all transferring staff in accordance with the system needs and individual assignments.

Implementation of Customer Service (CS)

USW will perform account review; establish new customer service procedures, or software, to conform to FGUA requirements. The USW Customer Service Director will participate in the conversion of data as required as well as accomplishing the successful operation of the billing and collections system. USW/WT anticipates that the data conversion, training and implementation of required reporting structures will have a 2 month transition in order to become compliant with the terms and conditions of the total Customer Service delivery terms of the Dunnellon Contract.

Note: 97% Collection Rate Requirement:

The terms and conditions of the operating contract require a 97% collection rate at 60 days aging. Pre-commencement, it has not been evident as to the current collection efficiencies of the existing System. From a public relations standpoint, if the system is collecting at a lower percentage by history, it would not be advisable to force the system into the desired range immediately upon startup by a more aggressive service cut off schedule. USW/WT understands the desire to attain the stated goal, and it is recommended that the ability to do so, and by what date - be evaluated as familiarity of existing collection patterns increases and transition is accomplished. All parties should work to assess the ability of the system to meet the collection percentage requirement and determine if this is a realistic goal. For example, to accommodate very strict and short time span cut off schedules in a multiple system may require additional field staff. Public relations considerations should be made when educating the customers in a manner that influences customer payment consistency - and considerations of conditions such as economic downturns that may have an impact on the ability to maintain a 97% collection rate at 60 days may be required over the term of the contract. USW/WT and FGUA mutually agree to assess the Dunnellon collection rate 6 months after the Commencement Date to confirm reasonable collection percentage. During that 6-month period all penalties will be waived. USW/WT commits to providing a Plan for FGUA approval of our approach to achieve this aggressive collection goal. This plan shall be submitted within 90 days after the Commencement Date.

Note: Customer Service Telephone System:

The terms and conditions of the contract dictate specific telephone response and limited wait times for customer telephone call-ins. In an effort to assess the ability of the System to function in the proper manner in this regard, consideration must be given to the telephone asset/system owned by FGUA and provided to Contractor to complete CS delivery. During the first 90 days after the Commencement Date, USW/WT will assess the telephone system and will provide recommendations to the FGUA regarding any needed upgrades to the system at the end of the 90-day period. It is important to note that if it is mutually agreed that the telephone system is inadequate, and recommended upgrades are not implemented, then the specific requirements in the contract related to telephone call management and any related penalties shall be readdressed by the parties.

Contractor acknowledges that the FGUA currently provides for customer convenience features for bill payment, which includes payment by credit card in person, by internet, ACH debit, as well as payment by phone. Contractor agrees to work with the FGUA to provide these services to the System as soon as possible.

Information Technology Review: Any of the computer-based systems required by USW/WT will be identified and where appropriate reviewed and purchased by USW/WT.

Insurance/Guaranty Agreement: It is agreed that the Umbrella/Excess Liability Coverage amount contained in Appendix E to the General Terms Agreement remains reduced to \$5,000,000.

Emergency and Contingency Plan: Any existing emergency and contingency plans will be updated as required. The manuals will be prepared with a high degree of consistency and familiarity to provide an easy-to-use and easy-to-understand guide for the operational and maintenance staff. We will submit the reviewed or revised plans for approval within 90 days of the Commencement Date, including disaster recovery of CIS.

Open Accounts: USW/WT will open accounts with vendors and suppliers for spare parts, consumables, chemicals, resources and insurance. We will also arrange for final readings to be taken of all utilities on, or as soon as practical following, contract start.

Vendor Accounts: It is USW/WT's intention to begin the process necessary to attain service from preferred vendors therefore entering into material and service contracts with external suppliers as soon as we have been named preferred operator. It is the duty of our staff to conduct a rigorous examination of price, financial stability, experience, Occupational Health and Safety record, quality procedures and accreditation status, ability to adopt our operating procedures, availability, advice of and discussion with FGUA where necessary prior to the issuance of any order and placement of a 'period' type order for the work, usually for one year and based on a schedule of rates. During the initial transition period, we will make arrangements with sub-contractors and suppliers for:

- Supply of all materials to be used in performance of services
- Provision of additional short-term rental equipment such as vehicles, trucks and compressors
- Provision of temporary labor if needed
- Provision of sub-contracting support used directly in the field to assist in coping with peaks in emergency work
- Office or building security system vendor setup and expense is exempt from USW/WT requirements.

Additional Transition Concerns

Inventory of Residuals:

Recognizing the possibility that the current system owner may allow excess residuals to build up within the Digesters and Clarifiers of the facilities prior to the commencement of the contract, predicting the amount of residuals left in digesters and possible improperly run plant processes prior to contract commencement is not totally possible. USW/WT has not accounted for this disposal in our proposal and asks that the FGUA regard this possible issue as an additionally billable item by USW/WT. Upon commencement of the Agreement, the digester will be less than 30% of volume and mixed liquor in the treatment process at no more than 3,500 mg/L. If sludge inventory is found in excess of the above, the FGUA shall reimburse USWSC for costs associated to remove existing sludge inventory accrued prior to Agreement commencement date.

Deferred Maintenance

The mechanical equipment located throughout the systems that make up the backbone of the utility system facilities, require regular routine maintenance regardless of transition activities. USW/WT considers all mechanical utility system equipment that is past its expected life span in accordance with manufacturer or accepted industry guidelines - which has not been replaced, to be an item of "deferred maintenance."

Further, USW shall provide the FGUA with a list of all other deferred maintenance items within 30 (thirty) days of the Commencement Date. The FGUA shall promptly review this list and, upon concurrence that such items constitute deferred maintenance, such items of deferred maintenance shall be exempt from the Contractor deductibles for renewals, replacements, and repairs in the Compensation Agreement. For example: 1) all water leaks identified within 30 days of Commencement Date, 2) lift stations pumps needing to be pulled and cleaned within 30 days of the Commencement Date, 3) generators that are inoperable and repairs have been deferred.

Polybutylene Service Lines

All water service lines constructed of polybutylene material located in the Rainbow Springs utility system shall be excluded from deductibles and the \$1,000 contractor threshold and shall be replaced when a leak occurs in accordance with the CIP.

Collection Line Cleaning Requirement – Relief from 10% (TEN PERCENT) cleaning requirement in order to provide a lower Basic Operations and Maintenance Cost. Due to unknowns of the conditions of the system lines, the requirement in Appendix A to the General Terms Agreement for ten percent (10%) of the wastewater collection system to be cleaned on an annual basis so that the entire system will be cleaned every ten (10) years shall be waived. The cost of providing the line cleaning services as a part of the Basic Operation and Maintenance Services have been removed from the pricing schedule of USW/WT. It is mutually understood that this particular scope of work is to be included in the System R&R schedule. The FGUA will decide on a schedule and will budget for the cleaning services at its discretion.

Safety Awareness

A safety coordinator will be responsible for the development and implementation of the site-specific safety program. A mutually agreeable schedule for the Health and Safety meetings will be established within sixty (60) days of the Commencement Date and during the site survey any safety issues will be identified.

Cooperation of the Existing Owner

As is typical with the transfer of operations management of this magnitude it remains a possibility that the previous owner may not cooperate with the incoming USW/WT staff. USW/WT will make every effort to work with the existing owner prior to contract commencement by extending positions to current staff and communicating our needs effectively and appropriately. If the outgoing owner is unwilling to cooperate with USW/WT, we ask the FGUA to take into account this concern and assist in any way possible.

Timing Surrounding Transition Implementation

USW/WT plans to transition this project in a 6-month time frame, but is aware that sub-contractor procurement, joint inventory analysis, as well as many other issues, require that all the transition plan activity go smoothly and as planned.

USW/WT recognizes this is imperative that USW/WT communicate to the FGUA any concerns effecting the timing should issues arise interfering with the implementation of the transition plan.

Vehicles and Equipment

USW/WT shall purchase the following vehicles, “AS-IS” to include all tools, equipment, and upgrades, from the FGUA for an agreed upon amount of \$82,535 (EIGHTY-TWO THOUSAND FIVE HUNDRED THIRTY-FIVE DOLLARS AND NO CENTS) which will become due to the FGUA immediately following the closing of the acquisition of the Dunnellon system pending a final assessment.

Vehicle ID	Vehicle Description	Sale Amount
GC004	Golf Cart	\$800.00
GC005	Golf Cart	\$800.00
GC006	Golf Cart	\$800.00
V0015	1992 CHEVY SILVERADO 1500	\$1,233.00
V0022	2007 FORD F-250 SD SERVICE TRUCK	\$4,300.00
V0032	2010 FORD RANGER XLT	\$6,100.00
V0035	1991 FORD F-150	\$1,000.00
V0300	1995 FORD F-150	\$1,067.00
V0301	1996 FORD F-450 UTILITY TRUCK	\$4,400.00
V0302	2000 CHEVY SILVERADO 1500	\$2,100.00
V0303	2011 CHEVY SILVERADO C1500	\$7,900.00
V0304	2000 PETERBUILT 385 PUMP/VAC	\$40,000.00
V0305	2006 FORD F-450 SD W CRANE	\$6,632.00
	SUB-TOTAL	\$77,132.00
	TOOLS AND EQUIPMENT UPGRADES	\$5400.00

	TOTAL SALE AMOUNT	\$82,532.00
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FGUA shall be required to sign a Bill of Sale for each vehicle.

Further, the FGUA will provide for use by USW/WT, any small equipment or machinery that is included in the assets acquired by the FGUA, but these items will be replaced by USW/WT when they become inoperable. Purchase or replacement of portable generators, and/or heavy equipment that is mutually determined to be necessary, and demonstrated not to be included in the USW/WT compensation calculation, will be the responsibility of the FGUA.

Miscellaneous Confirmations:

1. Eligible Project Cost Request "5-day response time" as required by Section 3.02 of the General Terms Agreement: Throughout the Initial Term of the Compensation Agreement, the five-day clock begins once written scope of work and specifications are received in the USW/WT office via fax, email or hard copy. The 5-day response can be waived by the FGUA on a case by case basis. This schedule shall be contained in the Work Authorization documents.
2. CMMS Cost as required in Section 3.01(M) of the General Terms Agreement: Cost of CMMS software, setup and data population to be borne by USW/WT. Any upgrades to the CMMS software that may be requested by FGUA at any time during the Initial Term of the Compensation Agreement shall be an FGUA expense. While data collection has begun pre-transition, USW/WT will have the CMMS completed and operational within 6-9 months after commencement.
3. Customer Complaints as used in Section 5.02(8)(12) of the General Terms Agreement: Throughout the Initial Term of the Compensation Agreement, customer complaints are defined as complaints related to customer service (billing and collections, meter services, response to collection & distribution call ins) that require intervention by the System Ombudsman, or other persons representing FGUA, at the request of the customer.
4. Project Engineer: FGUA will assign an Engineer to oversee any projects impacting the System. To the extent feasible, the engineer will be focused on, and be assigned consistently to, the System - allowing for expedited project review and subsequent approvals in order to facilitate required project completion time tables.
5. Base Contract Scope Changes: It is noted that the pricing for the Utility Services provided by USW/WT is based upon current and existing chemical usage, dosing and staffing. It is important to note that the chemical usage and staffing changes can increase or decrease cost of operation directly related to improvements planned and changes made to the System after the Commencement Date. The FGUA and USW/WT shall renegotiate compensation related to any increased or decreased costs due to substantive changes made to the System by the FGUA after

the Commencement Date and throughout the Initial Term of the Compensation Agreement, that require changes in staffing or chemicals.

- 6. ERC's: ERCs are calculated by the Meter Equivalency Factors noted below:

Meter Size	Meter Equivalency Factor
5/8" X 3/4"	1.0
1"	2.5
1 1/2"	5.0
2"	8.0
3"	15.0
4"	25.0
6"	50.0
8"	80.0
10.0"	115.0

- 7. Active Meters: Active meters are defined as locations that have, or have had, service provided.
- 8. Locates: Locates included in Basic Operation and Maintenance Service Fee are described as an open dig of 4' wide x 4' long x 4' deep excavation or by use of ground penetrating radar (GPR) or other means of electronic locating equipment. Due to concerns of accuracy of existing mapping of the System, multiple attempts to provide locates, when maps are not correct, shall be treated as a separate work authorization payable by FGUA.
- 9. Meter Change Out Program: Throughout the Initial Term of the Compensation Agreement, USW/WT shall conform to the FGUA meter change out program dictating 10% of total system meters replaced annually. Meter inventory will be completed as a part of the transition planning and contract startup. The meter services provided in Section 3.02(0) of the General Terms Agreement constitute Additional Services, not Basic Operation and Maintenance Services, and any inconsistency or ambiguity as may exist or appear to exist shall be construed to reflect this understanding between the Parties.
- 10. Cross Connection Control: USW/WT will adhere to the standard FGUA Cross Connection Control Plan to be provided. It is recommended that during the transition period that the Plan be reviewed in order to accommodate any site-specific concerns particular to the Dunnellon System. USW/WT will submit for review and approval any changes that may be practical and beneficial to the ongoing operation of the System.
- 11. Backflow Prevention Devices: Change out of Backflow Prevention Devices shall be dictated by FGUA work authorization, and those services are not considered a part of the base operations and maintenance contract.

12. Vacant/Inactive Accounts: USW/WT and FGUA agree that the resources necessary to carry out the practice of billing base fees ("inactive account fees") to vacant accounts has not been included in the USW/WT compensation for this utility system. If this practice is implemented for this system in the future, the parties will negotiate an increase to the customer service and billing compensation related to those services.

Exhibit A

Transition Organization Chart and Staffing Assignment List

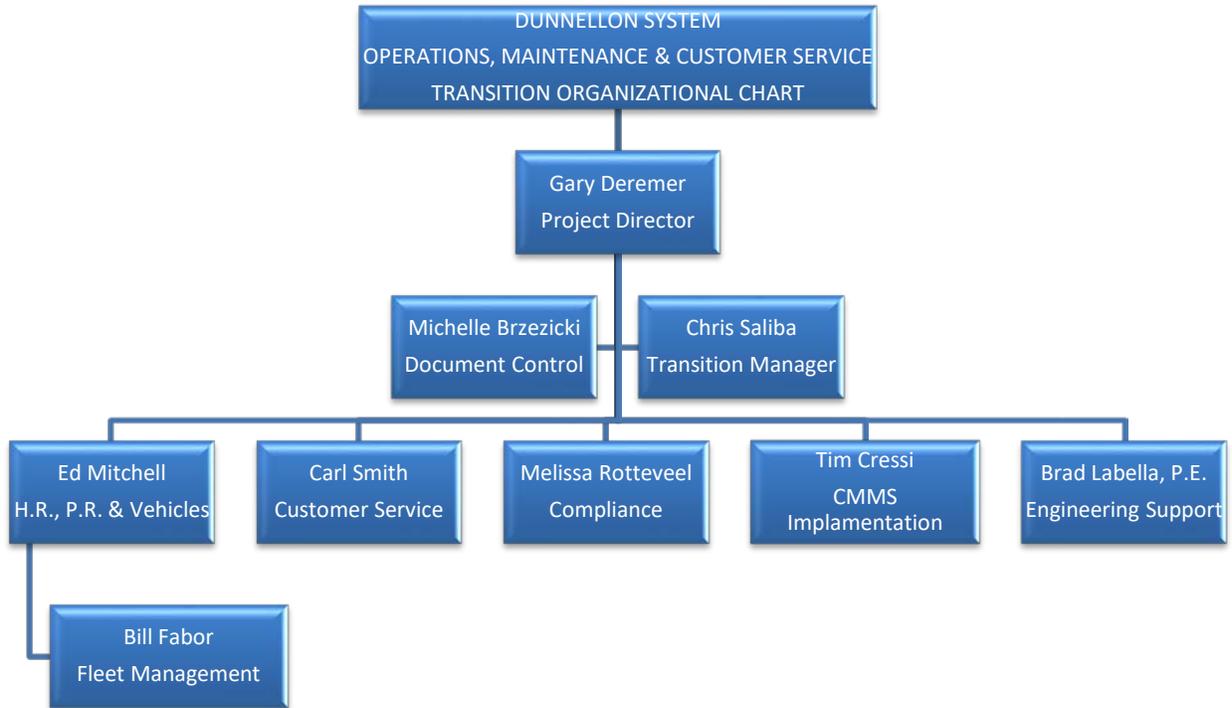


Exhibit A

Transition Organization Chart and Staffing Assignment List

Gary Deremer - Project Director

Chris Saliba - Transition Manager

- Populate Staffing Plan
- Short Term Water Quality Plan
- Residuals Management Assessment
- Long Term QA/QC
- Distribution Plan Management
- Review/Establish - Deferred Maint / R&R List
- Orientation of USWC System Manager
- Contract Orientation
- Oversee and assist with Assessment of All Infrastructure
- Oversee and assist with CS Setup/Startup
- Review Deliverables Schedules
- Assist Project Director
- Vendor Contracts
- Assist w/Permit and Abnormal Event History of Utility
- Review Current Vulnerability Assessment
- Attend Regulatory Agency Meetings w/Gary
- R&R Evaluation Inspection R&R Pricing
- Assist in Gathering Initial Data for CMMS

Michelle Brzezicki

- USWC Document Control
- Prepare Transition Plan / Schedules
- Develop Master Schedules
- Assist Project Director
- Insurance and Bonding
- Review Draft Contract with Final Contract
- Execution of Final Contracts FGUA

Ed Mitchell

- HR - Staff Amalgamation
- Oversight Vehicle Assessment
- Signage
- Assist GSG with PR if Needed

Lynn Nield

- HR Issues - Hiring / Employee Orientation
- Employee Assessments
- Benefit Comparisons

Tim Cressi

- Upload Initial Data for CMMS

Carl Smith

- Customer Service Review/Conversion/ Setup
- IT & Customer Service Communications
- Coordinate Financial Depository with GSG
- CS Collections Plan

Melissa Rotteveel

- Perform Baseline Compliance Analysis / Testing as Needed
- Establish Procedures for Compliance Monitoring

Exhibit B

Transition Schedule



CITY OF DUNNELLON

20750 River Drive
Dunnellon, FL 34431
(352) 465-8500
FAX (352) 465-8505

January 31, 2018

Dear Rio Vista Utility Customer:

As you may be aware, the City of Dunnellon is in the process of divesting the City's utility system to the Florida Governmental Utility Association (FGUA) with closing anticipated by April 2018. There have been many public meetings, public hearings and news articles on this very topic. You can find a very detailed public interest statement outlining the reasons and necessity for the sale by accessing the City's website at <http://www.dunnellon.org/AgendaCenter/ViewFile/Item/4392?fileID=3946>.

It has been brought to the City's attention that there may be some questions or further education needed with regard to how the sale of the utility system will affect the \$40 Facility Capital Charge that currently appears on your City of Dunnellon utility bill.

After the closing, this charge will continue to be billed by the FGUA as the new owner of the system. As you may recall, this charge is the result of the Rio Vista Utility Purchase Agreement dated August 22, 2011, between the City of Dunnellon and Rio Vista Utilities Inc.

This agreement identified the property owner's responsibility of a \$1,295,863.02 utility construction project to decommission the failing Rio Vista utility system and connect residents to the City's system. The purchase agreement required property owners to repay their portion over a nineteen year period beginning 01/31/17, creating a long-term receivable. The long-term receivable owed by the property owners does not dissolve with the sale of the utility.

As a result of the sale of the utility system to the FGUA, the closing calculation only included short-term receivables and did not include the Rio Vista long-term receivable. It was determined that accounting for this long-term receivable at closing would negatively affect future operating cash flows of the system. Residents are not being asked to settle their long-term debt at closing, but are being allowed to maintain their long-term repayment schedule as is. The account that funded the connection was not adjusted up for this repayment; future capital project needs were not adjusted down to reflect this repayment; nor was working capital reduced to reflect this receivable at closing.

In lieu of taking any of these normal or anticipated actions at closing, the City has contributed approximately \$200,000 of the long-term Rio Vista receivable to the utility, which does not flow-through to net proceeds. In addition, the remaining \$150,000 Rio Vista long-term receivable balance will be reimbursed to the City over a fifteen year period rather than at closing in order to maximize cash flow for the system.

Finally, another concern is the continued use by residents of the recreational parking area. This has been addressed in the sale agreement and all parties including the President of the Rio Vista Home Owners Association are working together to implement.

If you have any questions please contact Jan Smith, Finance Officer, at 352-465-8500.

Sincerely,


Dawn M. Bowne
City Administrator