

APPROVED

MINUTES OF THE MEETING

FIRST PUBLIC HEARING FOR THE TENTATIVE FISCAL YEAR 2012-13 MILLAGE RATE AND ANNUAL SERVICE BUDGET AND OTHER BUSINESS MEETING

GOVERNING BOARD SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT

TAMPA, FLORIDA

SEPTEMBER 11, 2012

The Governing Board of the Southwest Florida Water Management District met at 6:00 p.m. on September 11, 2012, at the Tampa Service Office. The following persons were present:

Board Members Present

H. Paul Senft, Chair
Douglas B. Tharp, Secretary
Albert G. Joerger, Treasurer
Jeffrey M. Adams, Member
Michael A. Babb, Member
Jennifer E. Closshey, Member
Randall S. Maggard, Member
Todd Pressman, Member

Board Member(s) Absent

Carlos Beruff, Member

Staff Members Present

David T. Rathke, Chief of Staff
Laura J. Donaldson, General Counsel
Kurt P. Fritsch, Division Director
Mark A. Hammond, Division Director
Michael L. Holtkamp, Division Director
Alba E. Más, Division Director
Daryl F. Pokrana, Director, Finance Bureau
Linda R. Pilcher, Assistant Director, Finance Bureau
Michael B. Cacioppo, Senior Budget Analyst, Finance
Cathy A. Linsbeck, Senior Budget Analyst, Finance
Alan J. Lynch, Senior Budget Analyst, Finance

Recorded by:

Randy Emberg, Video Production Engineer

A list of others present who signed the attendance roster is filed in the permanent records of the District. This meeting was available for viewing through internet streaming. Approved minutes from previous meetings can be found on the District's Web site (www.WaterMatters.org).

1. Call to Order and Opening Comments

Chair Senft called the meeting to order and opened the public hearing. This meeting is being conducted using communications media technology in order to permit maximum participation of Governing Board members.

Mr. Emberg called the roll and noted a quorum was present. Mr. Rathke offered the innovation. Chair Senft then led the Pledge of Allegiance to the Flag of the United States of America.

Chair Senft said this hearing is for the purpose of adopting a tentative millage rate and budget for the Southwest Florida Water Management District, pursuant to Sections 373.536 and 200.065, Florida Statutes, as amended. If any member of the public would like to speak during this hearing, please fill out a blue card located at the desk outside the door and give the card to Mr. Emberg who is seated at the table in front of the dais. Members of the public will be called on at the appropriate time during the meeting and will be limited to three minutes per speaker.

Chair Senft relinquished the gavel to Mr. Joerger, Treasurer and Chair of the Finance and Administration Committee. (00:00/03:20)

2. **Budget Overview**

Mr. Joerger said the purpose of this first Truth in Millage (TRIM) public hearing is to provide an opportunity for the public to speak and ask questions prior to the Governing Board's adoption of a tentative millage rate and budget for Fiscal Year (FY) 2012-13. A second public hearing will be held on September 25, 2012, prior to adoption of the final millage rate and budget, and also to be held at the Tampa Service Office.

Mr. Joerger said staff has developed this budget based on current economic and taxation realities to ensure the long-term sustainability of the region's water resources. The proposed budget is \$159.5 million, which is \$4.0 million more than last year's adopted budget. While the overall proposed budget is higher, the recurring (or operating) portion of the budget has been reduced by 19 percent from \$94.5 million to \$76.2 million. This is a reduction of \$18.3 million. The non-recurring or projects portion of the budget has increased from \$61.0 million to \$83.3 million, an increase of \$22.3 million or 37 percent. This includes grants in support of the District's Cooperative Funding Initiative, as well as funding for District programs such as Facilitating Agricultural Resource Management Systems (FARMS) and Surface Water Improvement and Management (SWIM). The District's efforts to reduce its operating costs have allowed for increasing investments in the regional community. Those investments will protect the water resources now and in the future, and spur the economy and create jobs today.

Mr. Joerger said District staff worked closely this year with its local partners to identify critical projects that can be brought to construction quickly to the benefit of the local governments and the local and regional economies. Those same partners also helped staff identify old projects that may not be as appropriate in these economic times. By combining the operating reductions with savings from projects completed under budget or cancelled, the District was able to put \$66.0 million into Cooperative Funding projects in this proposed budget. The Cooperative Funding grants will result in matching project funds of at least \$66.0 million, for a total investment for water supply, flood protection, water quality and natural systems projects of over \$132.0 million. This is an increase from \$81.0 million leveraged this year. The District has done this without incurring any debt.

Mr. Joerger said the proposed budget includes \$100.5 million in ad valorem property tax revenue. This is based on holding the millage rate at 0.3928 mill, the same as last year. Since property values have declined, this millage rate is below the rolled-back rate. The rolled-back rate is the millage rate that would have given us the same amount of revenue as the current year plus taxes on new construction. By holding the millage rate constant during a period of declining property values, District taxpayers will pay \$2.9 million less in ad valorem taxes than in the current year.

Mr. Joerger noted the District has reduced its workforce by 19 percent from 764 full-time equivalent positions (or FTEs) for the current year to 617 FTEs for FY2012-13. This is down from 891 FTEs in FY2009-10. Notwithstanding these reductions, the District has maintained or improved its service goals as indicated through the quarterly water management district metrics reports published by the Department of Environmental Protection (DEP).

Mr. Joerger said the District has done a good job on this budget proposal, and he believes that its work will be well received by the DEP, the Executive Office of the Governor, and the Florida Legislature. There are no proposed changes to the FY2012-13 budget as last presented to the Governing Board on August 28, 2012, and no written comments have been received from the chairs of legislative committees or subcommittees due September 5. Mr. Joerger noted that there have been approximately 20 meetings regarding the budget and stated the District is operating with due caution. He requested Ms. Pilcher to proceed to the required portion of the hearing. (03:20/08:34)

3. **Public Announcement of the Name of the Taxing Authority, Rolled-Back Rate, Percentage Decrease, and Millage Rate to be Levied for FY2012-13**

Ms. Pilcher presented the required public announcement of the name of the taxing authority, the rolled-back rate, the percentage of tax decrease below the rolled-back rate, and the millage rate to be levied for FY2012-13, and read into the record as required for the District.

TAXING AUTHORITY	ROLLED-BACK RATE	PERCENTAGE OF TAX DECREASE BELOW ROLLED-BACK RATE	MILLAGE RATE
Southwest Florida Water Management District	0.4076	-3.63%	0.3928

(08:34/09:09)

4. **Public Comments**

a. **Letters/Resolutions Received**

Mr. Joerger noted the District has received correspondence from two taxpayers in response to receiving their 2012 Notice of Proposed Property Taxes. Copies of the letters have been provided to each Governing Board member present today. Staff will formally respond to these letters and will copy those responses to each Governing Board member later this week. Letters and resolutions received regarding the tentative millage rate and budget have been compiled into an Exhibit "A" to Agenda Item 4a and are hereby incorporated by reference into the public record of this meeting. Copies of this exhibit are available and are also located at District headquarters.

Mr. Joerger said staff has received around 15 calls from taxpayers, which is comparable to the number received before the first hearing last year.

b. **Persons Wishing to Address the Board**

Mr. Joerger requested that anyone wishing to address the budget come forward, and state their name, address, and group affiliation, if any.

Mr. Joerger noted that there were no requests to address the Board. (09:09/10:20)

5. **Adopt Tentative Fiscal Year 2012-13 Millage Rate**

SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT

RESOLUTION NO. 12-10

ADOPTION OF TENTATIVE MILLAGE RATE FOR FISCAL YEAR 2012-2013

This resolution is made a part of these minutes as if set forth in full but, for convenience, is filed in the permanent resolution files of the District.

Following consideration, **Ms. Closshey moved to adopt Resolution No. 12-10, Adoption of Tentative Millage Rate for Fiscal Year 2012-2013, of 0.3928 mill. Mr. Tharp seconded the motion. The motion carried unanimously.** (10:20/11:27)

6. **Adopt Tentative Fiscal Year 2012-13 Budget**

SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT

RESOLUTION NO. 12-11

ADOPTION OF TENTATIVE BUDGET FOR FISCAL YEAR 2012-2013

This resolution is made a part of these minutes as if set forth in full but, for convenience, is filed in the permanent resolution files of the District.

Following consideration, **Mr. Tharp moved to adopt Resolution No. 12-11, Adoption of Tentative Budget for Fiscal Year 2012-2013, in the amount of \$159,450,185. Mr. Maggard seconded the motion. The motion carried unanimously. (11:27/12:06)**

7. Announcement of Second and Final Public Hearing

Mr. Joerger announced the second public hearing will be held on September 25, 2012, 6:00 p.m., at the District's Tampa Service Office. Final action on the FY2012-13 budget will be taken at that time.

Chair Senft noted that starting at 6:00 p.m. allows the public an opportunity to attend after normal business hours.

Mr. Joerger relinquished the gavel to Chair Senft. (12:05/14:20)

Chair Senft closed the public hearing and opened the Board meeting to consider the following item.

8. Independent Audit Services

Mr. Fritsch said he will be presenting the auditor selected by the Board's subcommittee who evaluated and ranked the ten independent auditor proposals based solely on qualifications to perform the District's annual financial audit. The Board subcommittee was composed of Ms. Closshey, Mr. Joerger and Mr. Tharp. Mr. Fritsch said the subcommittee presented three proposals to the Board as eligible for consideration in order of ranking: (1) KPMG LLP, (2) Ernst & Young LLP, and (3) James Moore & Co., L.P. He noted that the subcommittee ranked the proposals based on two predominant criteria: quality and experience of staff as evidenced in the proposal, and the approach of the audit.

Mr. Fritsch noted that the Board's Chairman had previously appointed Board Member Carlos Beruff to conduct contract negotiations on the Board's behalf. Following the Board's August meeting, Mr. Beruff was authorized to negotiate a best price from the one or more firms and the outcome presented to the Board on September 11, 2012 for final selection of a firm.

Mr. Fritsch reviewed the following table reflecting the proposed and negotiated pricing:

RESPONDENTS	PROPOSED PRICING			NEGOTIATED PRICING			
	TOTAL FOR FY2012 AUDIT W/1 FEDERAL AND 1 STATE SINGLE AUDIT	COST FOR EACH ADDITIONAL FEDERAL SINGLE AUDIT	COST FOR EACH ADDITIONAL STATE SINGLE AUDIT	TOTAL FOR FY2012 AUDIT W/1 FEDERAL AND 1 STATE SINGLE AUDIT	PRICE GUARANTEE	ANNUAL PRICE INCREASE LIMITS	ADVICE AND CONSULTING THROUGHOUT YEAR*
KPMG LLP	\$106,000	\$5,500	\$4,500	\$100,000		CPI	Yes
Ernst & Young LLP	\$129,540	\$7,000	\$7,000	No Change			
James Moore & Co., L.P.	\$105,000	---	---	\$95,000	Current and subsequent year	Lower of CPI or 2% per year	Yes

CPI – Consumer Price Index * Except if there is a large project out of the normal course of business.

Mr. Fritsch responded to questions by the Board regarding number of hours bid and qualifications. He then conveyed Mr. Beruff's comments since he was absent today. Mr. Fritsch said Mr. Beruff stressed three items: (1) all three are qualified since the scores are close and qualifications similar, (2) there would be a difference in cost if there are more

than two single audits each year, and (3) it may be appropriate for a new firm to review the District's financial services.

Mr. Joerger moved to approve hiring KPMG LLP to be the District's financial auditor. He said KPMG could consider changing the audit partner who provides the services.

Ms. Closshey seconded the motion.

Mr. Tharp said he supports the motion and the evaluation clearly shows KPMG being the best technically qualified. At this time with the District's organization changes, he did not feel it was appropriate to change auditors and create more stress on staff.

In response to Mr. Maggard's question, Mr. Fritsch said KPMG has been the audit of record for the past 11 years. Mr. Maggard said it may be time for a new firm to audit the District.

Ms. Closshey said it was evident to her when reviewing the proposals to rank KPMG first, especially in light of the number of other entities they service in a similar fashion and strong experience shown in providing these types of services. She said she strongly supports hiring KPMG.

Chair Senft thanked the subcommittee for the time spent in evaluating each proposal and Mr. Beruff for his service in negotiating with each firm.

Chair Senft called the question and the motion carried unanimously. (14:20/27:57)

9. **Adjournment**

There being no further business to come before the Board, Chair Senft adjourned the meeting. (27:57/28:39)

The meeting was adjourned at 6:29 p.m.