GULF BREEZE CITY COUNCIL

SPECIAL MEETING

FEBRUARY 5, 2015
THURSDAY, 5:30 P.M.
COUNCIL CHAMBERS

1. Roll Call

2. **ACTION ITEM**:

   A. DISCUSSION AND ACTION REGARDING AUTHORIZATION OF FAIRPOINT REGIONAL UTILITY SYSTEM (FRUS) TO BORROW UP TO $1,000,000.00 FROM HANCOCK BANK FOR REPAIR OF THE WATER TRANSMISSION LINE.

3. New Business

4. Open Forum

5. Adjournment

If any person decides to appeal any decisions made with respect to any matter considered at this meeting or public hearing, such person may need to insure that a verbatim record of the proceedings is made, which record includes the testimony and any evidence upon which the appeal is to be based. The public is invited to comment on matters before the City Council upon seeking and receiving the recognition from the Chair.

City of Gulf Breeze

Office of City Manager

MEMORANDUM

To : Mayor and City Council

From : Edwin A. Eddy, City Manager

Date : February 4, 2015

Subject: Special City Council Meeting Action: Request to Authorize Emergency Loan for Fairpoint Regional Utility System

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The potable water transmission pipeline owned by the Fairpoint Regional Utility System which conveys water from the FRUS wellfield to the peninsula ruptured in April of 2014. Since then FRUS staff has been working diligently with engineers and contractors to get the pipe repaired.

In the meantime, the City switched to Escambia County Utility Authority for water supply. ECUA water costs $2.18 per thousand gallons versus $1.24 from FRUS. (A difference of $.94 per thousand or about $45,000 per month for the City and South Santa Rosa Utility combined.) We experienced some supply problems on peak days last Summer when ECUA's system was being used to the fullest to fill storage tanks on the peninsula and on the Beach.

FRUS selected a contractor to repair the line. Repairs, which were slated for completion around Labor Day, failed and FRUS contacted the second bidder to get the line repaired. Potential litigation between FRUS and United Pipeline (the low bidder) was avoided when FRUS agreed to pay United for pipe that had been delivered to the FRUS work site.

FRUS cash reserves have been severely impacted due to the inability to sell water over ten months while experiencing the costs of maintaining the wellfield and paying design engineers and contractors. We anticipate the second bidder, TB Landmark, will commence the work next week. The work should be completed by the end of February. FRUS staff wants to be sure funding for the $688,000 project will be available.

Two potential sources of funding have been identified:

1. A loan for the project cost from the State of Florida Revolving Trust Fund at a fixed rate of about 2.5%; and,

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2. A Letter of Credit from Hancock Bank with a present day variable rate of 3.17% (LIBOR rate plus 3.00%.) The Letter of Credit is good for one year. Any money drawn on the LOC would be paid back in one year or the LOC would be converted to a loan.

The City Council must authorize borrowing by FRUS. The Council previously approved a loan from the SRF for the pipeline repair.

Officials that administer the SRF program advised FRUS staff on Monday that SRF could not fund the FRUS repair project unless it was readvertised and rebid. This information was not consistent with previous direction received from SRF staff.

FRUS needs to get the pipeline repaired now and secure a funding source immediately. If the SRF loan is not available, we need to have the Letter of Credit to draw upon. The City Council previously approved the loan from the SRF. If the SRF loan is available for this purpose, no further action will be required. If the SRF loan is not available, we need to authorize the Hancock LOC.

RECOMMENDATION:
THAT THE CITY COUNCIL ADOPT RESOLUTION NO 06-15 AUTHORIZING THE FAIRPOINT REGIONAL UTILITY SYSTEM TO ENTER INTO A ONE YEAR LETTER OF CREDIT WITH HANCOCK BANK FOR $1,000,000.00.

RESOLUTION 06-15

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA, APPROVING FAIRPOINT REGIONAL UTILITY SYSTEM'S LONG-TERM FINANCING FOR REPAIRS TO POTABLE WATER SUPPLY LINE FROM HANCOCK BANK.

WHEREAS, the City of Gulf Breeze is an owner agency of the Fairpoint Regional Utility System ("FRUS") along with Holley-Navarre Water System and Midway Water; and,

WHEREAS, the City approved the By-Laws for the operation and management of FRUS; and,

WHEREAS, the FRUS By-Laws require each owner agency to approve any long-term financing in excess of $25,000 and having a term longer than one year; and

WHEREAS, FRUS desires to secure a one year Letter of Credit from Hancock Bank for an amount not to exceed $1,000,000 to complete repairs to the potable water supply line under East Bay.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA AS FOLLOWS: That the City Council hereby authorize the Fairpoint Regional Utility System Board to secure a Letter of Credit from Hancock Bank for a term of one year for an amount not to exceed $1,000,000.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF

GULF BREEZE, SANTA ROSA COUNTY, FLORIDA on this 5th day of February, 2015.

CITY OF GULF BREEZE

By:_____
Matt E. Dannheisser, Mayor

ATTEST

By:_____
Stephanie D. Lucas, City Clerk