

Minutes of TIFA LLC Meeting
February 25, 2021
11:00 a.m.
City of Titusville Water Resources
Mourning Dove Water Plant
2836 Garden Street
Titusville, Florida

Persons in Attendance

Mike Brown, Miami Corporation, TIFA Management Committee Member
Jim Ball, City of Titusville, TIFA Management Committee Member
Sean Stauffer, City of Titusville, Water Resources Director
Richard Broome, City of Titusville, City Attorney
Pat Gagliardi, Farmton Water Resources (by telephone)
Helen Hutchens, Farmton Water Resources (by telephone)
Farlen Halikman, Moore Stephens Lovelace, P.A.
Terrence Wilson, Moore Stephens Lovelace, P.A.
Jim Perry, GMS LLC

Jim Perry conducted the meeting.

Roll Call

Action Items

I. Approval of the Minutes of the TIFA LLC Meeting of January 26, 2021

Member Ball moved to approve the January 26, 2021 meeting minutes as presented. Member Brown concurred and the motion passed.

Financial Items and Reports

II. Presentation of the TIFA LLC Draft Audit Report (Presenter: Terrence Wilson)

Mr. Wilson stated, the fiscal year 2020 audit went fairly well and the support documentation along with the first draft of the financial statements we received from Katie of Governmental Management Services was pretty complete and of good quality.

Member Brown moved to accept the TIFA LLC draft audit report. Member Ball concurred and the motion passed.

III. Presentation of the TIFA LLC Tax Return (Presenter: Terrence Wilson)

Mr. Wilson stated, the only significant difference between the tax return numbers and the audited financial statement numbers are going to be around depreciation and amortization and that is tax basis versus book basis.

IV. Presentation of Management Representation Letter (Presenter: Terrence Wilson)

Mr. Halikman stated, our statements are ready to issue, once we receive the signed management representation letter. Terence has that and if you will sign that then upon our return to the office we will issue the financial statements.

Mr. Wilson stated, we also have the form 8879 for the tax authorization and if we get those signed, I will get that back to our tax team and they can move forward with the tax return.

The letters were signed and returned.

V. Ratification of Expenses Paid from Operating Account and Request for Reimbursement (Presenter: James Perry)

Member Ball moved to ratify the expenses paid from the operating account and request for reimbursement in the amount of \$12,883.12. Member Brown concurred and the motion passed.

Staff Reports/Informational Items

VI. Discussion of Insurance

Ms. Hutchens stated, TIFA has two primary policies, one is the property policy that covers our hard assets, and the second policy is the general liability. Both policies have renewal dates of April 1st. The city has provided comments and the general liability application has been submitted with the request to increase the deductible on that policy to see if that would give us any relief on the premium. The property policy is still under review with the city. I provided the documentation we have historically provided to Sean and the risk manager with the city. We are going to have to add the lawnmower this year to our insurance in addition to the existing assets in the wellfield that

we historically insure. I wanted to provide the context of what Miami Corporation Management LLC is currently undergoing; on our property policy the rates per \$100 increased 19% and we have been warned we are going to be looking at double digits on our side. On our general liability policy, we saw a 4% increase on our rates. We are looking at increases on our policies and that was the impetus for inquiring regarding the higher deductible on the general liability policy to try to abate some of the increase on the liability side. On the property side we have to consider what we want to do.

Mr. Stauffer stated, Miami has done a good job telegraphing the increases and preparing us for what is coming our way. Insurance has been a work item for a couple of budget cycles. Knowing the costs are going up significantly the city started looking at ways to contain some of these costs. I want to give you some information and get direction on how to move forward with the renewal.

I reached out to colleagues that run a private utility and discussed with them what they did and did not insure. They have a water system and wellfield similar to ours. I learned that the private utility does not insure anything that is underground and currently TIFA does insure assets that are underground. The reason is that things that are underground are less accessible and less at risk. We went through the amount insured, the items that make up the value of that insurance and a good portion of the amount that we insure is included in the underground assets. If we eliminate all or a portion of them it could have a significant effect on the cost of the insurance. The city doesn't insure anything that is underground; the only things we insure are above ground. The only time I am aware of that this utility made a claim on insurance was due to a hurricane and those were things that were located along the lagoon other than buildings. TIFA also insures the full installation value of the property, we do not insure the depreciated value of that asset. Any changes we make exposes us to more liability and we want to get your thoughts.

Mr. Perry stated, when I was the CFO of Florida Water we had 250 utilities throughout the State of Florida, it was an investor owned utility. We didn't insure anything that was underground either. The only ones we were looking at insuring was Intracoastal Crossings due to certain issues that might come up there, but even those we didn't insure either. If the board wants to go that route that is pretty standard industry practice to not insure that type of asset.

Member Ball stated that he was not interested in insuring the wellfield at the current depreciated value.

Ms. Hutchens asked if we are not insuring anything underground does that include the SCADA system? Would that also not be insured?

Mr. Stauffer stated, we can discuss what we do and do not want to insure. I wanted to bring out the idea of trying to limit what is insured by those things we know there is less risk of damage. The simplest way to describe to the board was anything that is underground wouldn't be insured versus things that are above ground. If it is underground we are thinking of not insuring and yes, that would include the fiber optics.

Member Brown stated, we are going to have road builders come in shortly and that is going to be the biggest threat we faced yet for that one short section of pipeline, but that is half a wellfield. This is to harden their powerline access for all weather purposes. They are bidding this in sections and the section where the wellfield is located is out for bid now. They will build a 12-inch thick lime rock road.

Mr. Stauffer stated, fiber optics, direction bores, those are the other things that we had issues within the city. Adding it up we probably have 400-500 miles of pipe through the city. We have had a few claims but in each of those cases we reached out to the party that did the damage.

Member Brown stated in terms of exposure a bolt of lightning in the wellfield on any particular well, we are in a high incidence area for that. How is that addressed by our insurance policies? Is that something that is covered or is that a repair we would do on the technical side. How would we handle that?

Mr. Stauffer stated, we have had damage from lightning and since we don't insure the underground we never claimed insurance. Helen, are you aware whether or not lightning or a weather related phenomena is that something we can come back and claim insurance on? Is that covered?

Ms. Hutchens stated, yes, it is.

Member Brown asked what is the cost of the electronics being fried on that well and potentially the motor subsurface?

Mr. Stauffer stated, the motor is about \$2,500 for the pump itself. We have had wells that have been hit here by lightning and lightning is strange, it doesn't necessarily destroy everything, but it certainly can, but you do have to go through and check everything after you get a lightning strike. You want to make sure you have full replacement cost for everything above ground, the control panel, all the wiring, a full outfitting cost.

Member Brown stated, it might not be worth it to insure stuff below ground for that type of peril.

Mr. Stauffer stated, I did a rough cut of the costs and looked at what I thought was above ground versus underground. About half of the value is above ground and about half is below ground.

Member Ball asked, once dropped we can bring it back, right?

Ms. Hutchens stated, our marketer tells us don't give it up unless you don't want it back ever again. Right now, we are insured for \$7± million, with \$100,000 deductible and the \$100,000 deductible was the change we made last year. We have already taken on a significant risk so per incident we are on the hook for \$100,000. We have 15 wells and if we have a lightning strike and one storm on one well and then three weeks later we have a lightning strike on a different well and a different storm, each of those we would be on the hook for \$100,000.

Mr. Stauffer stated, I think we budgeted \$300,000 for total construction of one well and that included drilling, casing, control panels. I don't think we would hit \$100,000 for a lightning strike because part of that work would be done in-house. Would it be amenable to the group if staff went through and took a close look at what is underground and what is above ground and bid the insurance in two ways and come back to the board with what a no change renewal policy would cost and what a revised slimmed down insurance policy would cost? That way you will be able to evaluate the cost changes versus the additional risk we would taking on.

Ms. Hutchens stated I have not submitted TIFA's renewal because I have not been released to do that.

Member Ball asked what about Sean's suggest to bid it with options?

Ms. Hutchens stated, we can do that. The sooner we can do that the sooner we will be able to get multiple potential bids on a policy.

Ms. Gagliardi stated, in the past they had difficulty finding people who wanted to bid for the TIFA insurance. It is limited to the number of companies that will insure. What is our timing?

Ms. Hutchens stated, our renewal is April 1st. Historically, I would have already submitted our insurance documentation by now.

Ms. Gagliardi stated, if we want to bid it two ways, that is something we need to do as soon as possible to get that out and get it back in time.

Ms. Hutchens stated yes. Otherwise, we are going to be looking at not having the policy in place in a timely fashion.

Mr. Stauffer stated, when the insurance was initially acquired Miami went through a very detailed analysis and I have a spreadsheet that each of the assets are listed in great detail. The work associated with reducing that won't be much. We have to pick and choose which cost or asset is removed from the total.

All we need is direction from the managers to bid the property insurance in two ways, one with the status quo and one at a reduced value highlighting the items that staff considers to be low risk and centering on those things that are underground. When we come back we will be able to provide the prices, the increase, the cost, the choices and I will also provide a list of those things that have been removed from the insurance.

Ms. Hutchens stated, we will submit the documentation to the market with the two scenarios and have it quoted and see if the market can provide us with coverage based on the two scenarios.

Member Brown moved to authorize staff to bid insurance two ways, with and without underground utilities/piping. Member Ball concurred and the motion passed.

Other Business

Public Comment

Next Scheduled Meeting

The next meeting will be March 25, 2021 at 11:00 a.m.

Open Items

Adjournment

Member Ball moved to adjourn the meeting at 11:40 a.m. Member Brown concurred and the meeting adjourned.