

AGENDA ITEM H1

DATE: February 6, 2019
TO: Board of Directors
FROM: Barrie S. Buenaventura, General Counsel *BSB*
Peter M. Dunbar, Special Counsel
SUBJECT: Agreement and Memorandum of Understanding with the City of Tampa Regarding the Tampa Augmentation Project – *Discussion and action, if desired*

SUMMARY

At its December 2018 workshop and meeting, the Tampa Bay Water Board of Directors discussed the Agreement and Memorandum of Understanding with the City of Tampa regarding the Tampa Augmentation Project. Six issues were referred to the Member Government attorneys and counsel for Tampa Bay Water for discussion and preparation of language, if possible. In addition, the Board decided to have further discussion of the Agreement and Memorandum of Understanding at the January Executive Committee meeting. The attorneys have continued to work on the six issues identified by the Board, with the input provided by the Executive Committee. If the Board desires to approve the Agreement and Memorandum of Understanding, six affirmative votes are required.

RECOMMENDATION

Board discussion and action, if desired.

COST/FUNDING SOURCE

Not applicable.

DISCUSSION

At its December workshop and meeting, the Tampa Bay Water Board of Directors discussed the Agreement and Memorandum of Understanding with the City of Tampa regarding the Tampa Augmentation Project (Agreement and MOU). Issues identified below were referred to the Member Government attorneys and counsel for Tampa Bay Water for discussion and preparation of language, if possible. The Agreement and MOU was further discussed by the entire Board at the January Executive Committee meeting and is scheduled to be discussed at the February 18, 2019 regular Board meeting. Member Government attorneys and counsel for Tampa Bay Water met four times prior to the January Executive Committee meeting and three times following the January Executive Committee meeting. Proposed language has been discussed and added to the current draft Agreement



and MOU but consensus has not been reached on language addressing these issues. The issues the Board directed the attorneys to address are:

1. An opt-out provision or process for inclusion in the Agreement and MOU;
2. A provision to clarify the 20 million gallon per day (mgd) benefit from the Harney Canal;
3. A provision addressing the nutrient credit issue;
4. A provision addressing the sale of “water”;
5. A provision addressing cooperative funding requests to SWFWMD; and
6. A provision regarding Tampa Bay Water’s debt service.

If the Board desires to approve the Agreement and MOU, the Interlocal Agreement requires six affirmative votes.

A copy of the draft Agreement and MOU is attached along with an updated version of the issues outline used at the January Executive Committee meeting. Supporting materials providing information regarding the availability of water from the Harney Canal permit including the Memorandum Regarding Harney Water Availability from Tampa Bay Water staff and a chart showing historical augmentation from the Harney Canal, as well as other usage charts, are also attached.

BACKGROUND

At its October 2017 meeting, the Tampa Bay Water Board of Directors convened the Member Government Reclaimed Committee (Reclaimed Committee) to discuss reclaimed water solutions, the financial impacts of reclaimed water project ideas on Tampa Bay Water members, and the potential impacts of reclaimed water projects developed by the members on Tampa Bay Water bondholders. In parallel with the Reclaimed Committee’s work, discussions began between counsel for the City of Tampa and special counsel and general counsel for Tampa Bay Water regarding developing a written agreement that would allow the City of Tampa to proceed with the Tampa Augmentation Project within the framework of the Interlocal Agreement. At the July Reclaimed Committee meeting, the Reclaimed Committee agreed attorneys from all member governments and Tampa Bay Water special counsel and general counsel should meet to pursue the development of the Agreement and MOU. The attached draft Agreement and MOU is the result of on-going attorney discussions and is a proposal for allowing the City of Tampa to pursue the Tampa Augmentation Project within the boundaries of the Interlocal Agreement.

Attorneys for Tampa Bay Water and all Member Governments met several times from August 2018 to present to review, discuss, and refine the attached Agreement and MOU. At the September 2018 Executive Committee meeting, the Executive Committee asked Member Governments, through their attorneys, to provide comments or concerns regarding the draft by October 2, 2018. Comments

received by that date were distributed to all Member Government attorneys and Member Government attorneys met to review and discuss them on October 3, 2018.

The editorial suggestions received from Member Government attorneys, as modified during discussion by all Member Government attorneys on October 3, were incorporated into the Agreement and MOU for discussion at the December 2018 Board workshop and regular meeting. In addition, narrative comments were received from counsel for the City of St. Petersburg. The Agreement and MOU was reviewed by Tom Giblin, Tampa Bay Water's bond counsel, and it is his opinion that the Agreement does not violate any provision of Tampa Bay Water's bond resolution as currently drafted. Following the December 2018 Board workshop and regular meeting, attorneys from the member governments and representing Tampa Bay Water continued to meet to discuss issues raised by the Board of Directors at the December meeting and subsequent January 2019 Executive Committee meeting.

In 2017, we, Tampa Bay Water's general counsel and special counsel, provided opinions to the Board and Executive Committee expressing concerns about the proposed amendments to the Interlocal Agreement submitted by Tampa and asserting that the Interlocal Agreement does not permit Member Governments to treat reclaimed water to be used as drinking water. Tampa has since withdrawn its proposed amendments to the Interlocal Agreement. In addition, discussions with the City of Tampa have resulted in an Agreement and MOU that we believe is consistent with the Interlocal Agreement and would allow Tampa to proceed with its project under the terms of the Agreement and MOU.

With limited exceptions, Tampa Bay Water is the sole and exclusive provider of drinking water for the six-member governments. *See*, Interlocal Agreement s. 3.02. Tampa retained the right to rely on its surface water sources as an exception to Tampa Bay Water's role as the exclusive provider of drinking water. *See*, Interlocal Agreement s. 3.08. This section allows Tampa to continue to rely on its withdrawals from the Hillsborough River, Sulphur Springs, and the Tampa Bypass Canal, to continue its studies and implementation of aquifer storage and recovery, and to increase its rates of withdrawal from the Hillsborough River up to 142 MGD under certain conditions. The Interlocal Agreement also provides that member governments retain the right to develop, own, and operate all facilities for Reclaimed Water. *See*, Interlocal Agreement s. 3.09. We believe these provisions of the Interlocal Agreement, when read together and premised on the project definition and conditions contained in the draft Agreement and MOU, support the conclusion that Tampa's project is consistent with the Interlocal Agreement.

Most decisions of the Tampa Bay Water Board can be made with the affirmative vote of five members of the Board. Section 2.05 of the Interlocal Agreement requires six affirmative votes for action on several categories of decisions, including the sale or other disposition of Tampa Bay Water's Water Supply Facilities, or any portion thereof. Due to this requirement, the attached draft Agreement and MOU requires six affirmative votes in order to be approved by the Board.

Attachments

AGREEMENT AND MEMORANDUM OF UNDERSTANDING

THIS AGREEMENT AND MEMORANDUM OF UNDERSTANDING (hereinafter referred to as "Agreement") is entered into to be effective as of the _____ day of _____, 20__, by and between the CITY OF TAMPA, hereinafter referred to as "TAMPA" and TAMPA BAY WATER, a regional water supply authority, hereinafter referred to as the "TAMPA BAY WATER."

WHEREAS, the Amended and Restated Interlocal Agreement of 1998, (the "ILA"), created TAMPA BAY WATER as the wholesale provider of potable water for its members and further provides that TAMPA's historical use of surface water constitutes a special circumstance justifying the exception to the exclusivity clause contained in the ILA; and

WHEREAS, Section 3.08 (A) of the ILA authorizes TAMPA to seek additional water from the Hillsborough River for use by TAMPA for supply and to meet regulatory requirements, after certain conditions have occurred, and that any obligation that TAMPA BAY WATER has to meet TAMPA's need for water pursuant to the ILA shall be reduced by the amount of water that is derived from TAMPA's use of surface water sources; and

WHEREAS, TAMPA has proposed an alternative water source utilizing its advanced treated reclaimed water to be used in an aquifer recharge and recovery project with the benefits as described on Exhibit A for TAMPA BAY WATER, to benefit the needs of the region, and to sustain TAMPA's use of the Hillsborough River Reservoir; and

WHEREAS, the Member Governments retained the exclusive right to develop, own, and operate all facilities for reclaimed water as provided in Section 3.09 of the ILA; and

WHEREAS, at the direction of the TAMPA BAY WATER Board of Directors, an ad hoc committee was established to consider projects using reclaimed water of the members (the "Reclaimed Committee") and the Reclaimed Committee commissioned utilities consultant Raftelis to review and analyze the Tampa Augmentation Project as defined and described in the attached Exhibit A attached hereto and by reference made a part hereof ("TAP") to determine if the members of TAMPA BAY WATER would benefit from TAP, and has determined that TAP benefits the region as contemplated by the ILA; and

WHEREAS, TAMPA BAY WATER intends to include TAP in the Master Water Plan as an exclusive source for TAMPA alleviating TAMPA BAY WATER from needing to plan, budget or supply TAMPA water in accordance with the terms of this Agreement; and

WHEREAS, the implementation of TAP will not result in any adverse impact to TAMPA BAY WATER's operations or current and projected financial status; and

WHEREAS, neither this Agreement nor the implementation of TAP allows TAMPA to sell any potable water to any other Member Government except as already allowed under the ILA; and

WHEREAS, TAMPA BAY WATER and TAMPA agree that it is in the best interests of TAMPA BAY WATER and all of its members for TAMPA to pursue TAP to

sustain its use of the Hillsborough River and Sulphur Springs by using its reclaimed water in a manner that will also provide benefits to TAMPA BAY WATER members and the regional system in a manner consistent with the provisions of the ILA as set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and considerations herein contained, the parties hereto do agree to the following:

1. TAMPA and TAMPA BAY WATER acknowledge and agree that the TAP recovery wells identified on Exhibit B attached hereto and by reference made a part hereof as incorporated or in substantially similar form and content, hereinafter referred to as "TAP Recovery Wells," are being constructed by TAMPA for the purposes of providing water for the exclusive use of TAMPA and its retail customers and for purposes of providing other regional benefits consistent with the ILA.
2. TAMPA and TAMPA BAY WATER acknowledge and agree that the benefits provided by TAP, including the function of the TAP Recovery Wells are regional in nature, and are being or will be constructed at the expense of TAMPA and not TAMPA BAY WATER.
3. TAMPA and TAMPA BAY WATER acknowledge the exceptions to the Exclusivity clause in § 3.08 of the ILA allow TAMPA to develop TAP for its exclusive use and benefit, and consistent with the provisions of this Agreement, and TAMPA BAY WATER does hereby assign any and all of its interest in the TAP Recovery Wells, including the function of the TAP Recovery Wells, that are or may be created by the terms of the ILA to TAMPA for and in exchange of the regional

benefits of TAP, the acquisition option by TAMPA BAY WATER, hereinafter provided, and SEVEN MILLION DOLLARS (\$7,000,000) to be contributed by TAMPA to the rate stabilization fund. An initial payment of TWO MILLION THREE HUNDRED THIRTY-THREE THOUSAND, THREE HUNDRED THIRTY-THREE DOLLARS AND THIRTY-FOUR CENTS (\$2,333,333.34) shall be made one year after the execution date of this Agreement. Two additional payments of TWO MILLION THREE HUNDRED THIRTY-THREE THOUSAND, THREE HUNDRED THIRTY-THREE DOLLARS AND THIRTY-THREE CENTS (\$2,333,333.33) shall be made on the same date each year thereafter in 2020 and 2021. In addition, should TAMPA BAY WATER and TAMPA agree that the TAP Recovery Wells will be acquired by TAMPA BAY WATER, the SEVEN MILLION DOLLARS (\$7,000,000) previously paid to TAMPA BAY WATER for the assignment of rights will be paid to TAMPA in addition to the purchase price to be determined in accordance with paragraph 5.

4. That for and in consideration of the irrevocable assignment and exclusive use herein acknowledged by TAMPA as well as an option of acquisition provided by TAMPA to TAMPA BAY WATER to purchase the TAP Recovery Wells under the terms and conditions as indicated below, TAMPA hereby acknowledges that TAMPA BAY WATER has met the terms of S. 3.03 and S. 3.08 of the ILA, and hereby releases TAMPA BAY WATER from any obligation to provide, plan, or budget for the delivery of water for TAMPA. "Fully Functioning" for the purposes of this Agreement shall mean TAP will be able to produce the maximum quantity allocated to be withdrawn from the TAP Recovery Wells as authorized by the

water use permit in accordance with the terms and conditions therein which shall occur no later than December 31, 2027. TAMPA BAY WATER intends to select a project to meet south Hillsborough County demand in or around April 2020. In order for TAMPA BAY WATER to plan to meet regional demand, by no later than December 31, 2022, TAMPA shall inform TAMPA BAY WATER of a date certain no later than December 31, 2027, by which TAP will be fully functioning.

If TAP is not fully functioning by December 31, 2027, or if the configuration of TAMPA's service area or projected population increases by more than 30% beyond the current TAMPA BAY WATER projection for 2040, TAMPA shall inform TAMPA BAY WATER if, and to what extent, it may require the delivery of water from TAMPA BAY WATER. The parties will determine a mutually agreeable date by which TAMPA BAY WATER will resume supplying TAMPA provided, however, that such date must allow TAMPA BAY WATER time to plan and develop new supplies, if necessary, in order to maintain the relationship between the quantity of Quality Water actually delivered by TAMPA BAY WATER to the Member Governments and the aggregate permitted capacity of TAMPA BAY WATER production facilities below the threshold identified in Section 3.03(C)(1) of the ILA.

5. The parties acknowledge and agree that TAMPA BAY WATER shall have an option to acquire the TAP Recovery Wells at a mutually agreeable date pursuant to the following terms and conditions:

a. For purposes of determining the acquisition price for the TAP Recovery Wells infrastructure the Parties shall mutually agree to use the valuation provisions in either Section 3.02 (A) **or** 3.06 (A) of the ILA.

b. The acquisition of the TAP Recovery Wells shall be further subject to the simultaneous execution of an operation and maintenance agreement mutually agreeable to the parties to assure the continued operation and maintenance of the recovery wells as an integral part of TAP together with appropriate access to the TAP Recovery Wells for such purposes.

6. TAMPA commits to providing TEN MILLION (10,000,000) gallons per day (GPD) of reclaimed water from its Howard F. Curren Advanced Wastewater Treatment Plant in the manner described in Exhibit A and under such terms and conditions, including but not limited to cost of construction and the reclaimed water, to be agreed upon between TAMPA and the Hillsborough County (COUNTY) to be utilized for the COUNTY'S SHARP/SHARE project, if the project is pursued by TAMPA BAY WATER as the project to assist in meeting regional demand for the benefit of TAMPA BAY WATER and its members. This quantity of reclaimed water can be available upon the execution of such agreement between TAMPA and the COUNTY and the construction of facilities to provide the reclaimed water.

7. The Parties agree and affirm that this Agreement is consistent with and does not modify or amend the ILA or Master Water Supply Contract, and this Agreement is not intended in any way to alter the Parties' rights or obligations

thereunder, nor shall any member be estopped by the provisions herein from exercising their rights in the ILA. To the extent any provision herein is determined to conflict with a provision in the ILA or the Master Water Supply Contract, the provision in the ILA or the Master Water Supply Contract shall control. Unless otherwise defined herein, all defined terms shall have the same meaning as in the ILA.

8. The Parties agree and affirm that no changes are required in state law to implement this Agreement, and neither Party will seek legislative changes that affects TAMPA BAY WATER in a manner set forth in Section 6.04 of the ILA.

9. TAMPA shall provide an annual report to TAMPA BAY WATER on the progress of the TAP implementation beginning on the first year following the execution of this Agreement until TAP is fully functioning.

DONE AND EXECUTED to be effective on the date and year written above.

ATTEST:

CITY OF TAMPA, FLORIDA

By: _____
City Clerk/Deputy City Clerk

By: _____
Bob Buckhorn, Mayor

Approved as to Legal Sufficiency:

By: _____
Janice M. McLean,
Senior Assistant City Attorney

ATTEST:

TAMPA BAY WATER, A REGIONAL
WATER SUPPLY AUTHORITY

Matt Jordan, Secretary

By: _____
Sandra Murman, Chairman

Date: _____

(SEAL)

APPROVED AS TO FORM:

General Counsel

STATE OF FLORIDA

COUNTY OF PINELLAS

The foregoing instrument was acknowledged before me this _____ day
of _____, 20____, by Sandra Murman, as Chairman for Tampa Bay Water,
A Regional Water Supply Authority.

Notary Public

Print Name

My Commission Expires:

Personally known _____ OR

Type of Identification Produced _____

Tampa Augmentation Project

Description & Benefits

The Tampa Augmentation Project (TAP) infrastructure and improvements include:

- (1) upgrades at the Howard F. Curren Advanced Wastewater Treatment Plant (Curren);
- (2) transmission lines from Curren to recharge locations;
- (3) twelve (12) new wells total for recharge, likely with UV treatment;
- (4) thirty-seven (37) wells total for recovery including eight (8) of Tampa's existing ASR wells;
- (5) transmission lines from the recovery wells to the Hillsborough River Reservoir close to intake location;
- (6) implementation of a pre-treatment "source control" program to address specific Tampa wastewater customers; and
- (7) upgrades at the David L. Tippin Water Treatment Facility.

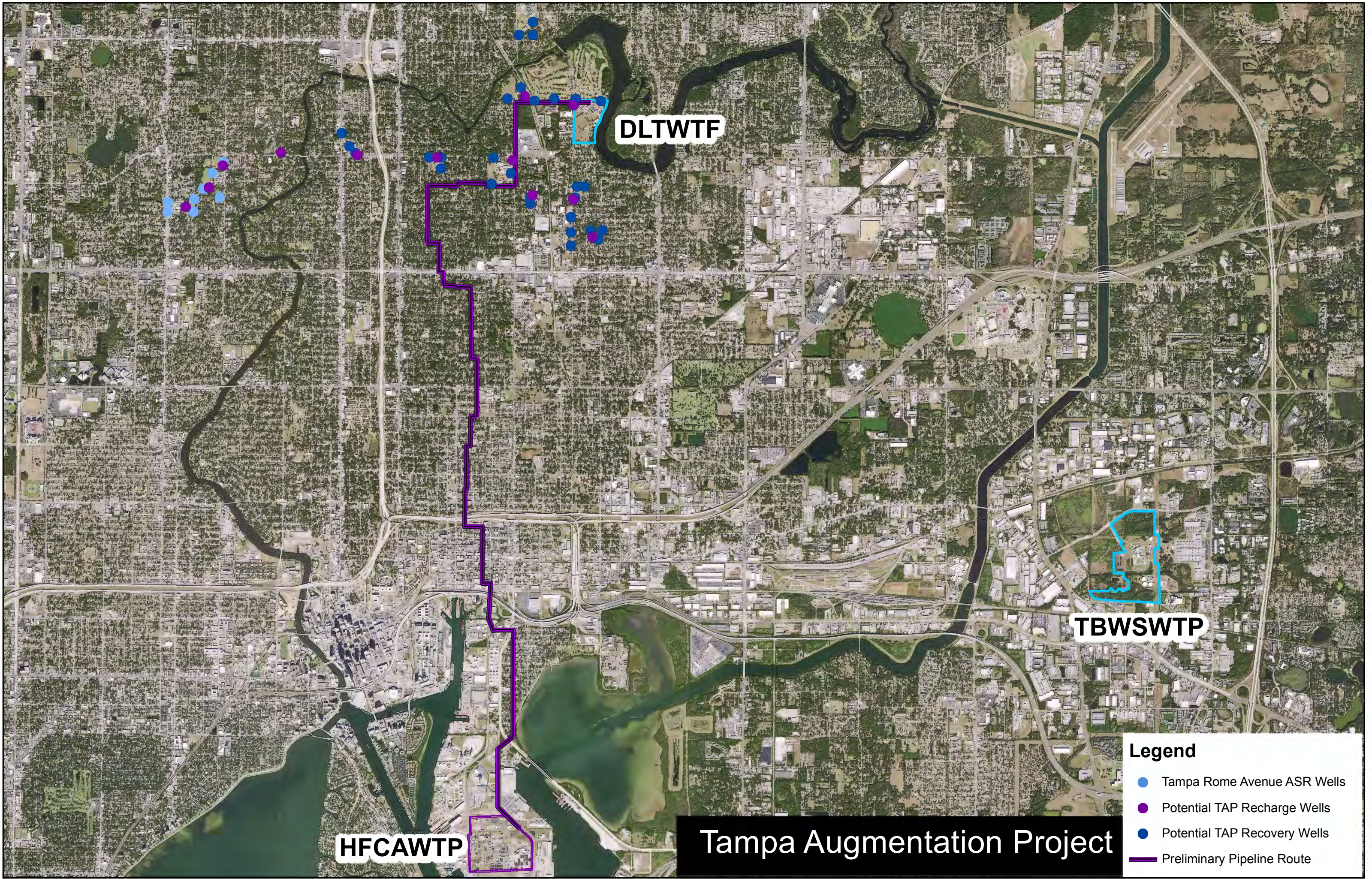
Benefits

The cost of TAP will be borne by the City either solely or with additional funding from other sources. Tampa Bay Water members will not provide funding for TAP. At this time, the estimated cost for TAP is approximately \$350,000,000. The water developed by TAP will be solely for Tampa and its customers only. TAP will be developed and implemented consistent with the Amended and Restated Inter-Local Agreement of 1998 creating Tampa Bay Water.

Once completed and fully functioning the following quantities of water are expected to be available for Tampa and Tampa Bay Water:

1. 82 MGD to 132 MGD, subject to regulatory authorization, exclusively for Tampa from the water created by TAP.
2. Potentially 20 MGD annual average or more to TBW from the current "20/40" permit from the Tampa Bypass Canal upon approval by the Southwest Florida Water Management District by elimination of supplementation of the Hillsborough River reservoir.
3. 6 MGD annual average by elimination of the TBW current annual budgeting for Tampa.
4. Potentially 7.5 MGD or more from SHARP/SHARE projects subject to regulatory authorization. This will be possible by Tampa providing a minimum of 10 MGD of reclaimed water from Curren on a daily basis except in the event that Tampa is obstructed, prevented or delayed in providing any part of said reclaimed water pursuant to conditions contained within a force majeure clause, including mechanical failure, to be agreed upon later, which cause the interruption of the provision of the reclaimed water which are beyond the control of Tampa to provide said reclaimed water for use by SHARP/SHARE.

Upon completion and fully functioning of TAP, there will be no further obligation for Tampa Bay Water to supply, or plan for supply, water for Tampa with its current service area and projected population.



DLTWTF

TBWSWTP

HFCAWTP

Tampa Augmentation Project

Legend

- Tampa Rome Avenue ASR Wells
- Potential TAP Recharge Wells
- Potential TAP Recovery Wells
- Preliminary Pipeline Route

REVISED ISSUE OUTLINE (2/5 version #5) BASED ON DIRECTION BY
EXECUTIVE COMMITTEE (January 28, 2019)

1. An opt-out provision or process for inclusion in the MOU:

“No later than June 30, 2020, Tampa Bay Water may, in its sole discretion, by Board resolution requiring the same vote as this Agreement, cancel this Agreement upon the determination that the benefits to be provided by TAP to Tampa Bay Water and its members as indicated in Paragraph 2 herein and the Exhibit attached hereto, will not accrue to Tampa Bay Water and its members. However, if Tampa Bay Water does not choose to pursue SHARP, including the 10 MGD of reclaimed water offered by Tampa to Hillsborough County for SHARP for Tampa Bay Water’s benefit, that decision shall not be determined to be the basis of reduced benefits to Tampa Bay Water. Upon cancellation, the Agreement shall then be of no force or effect and neither Tampa Bay Water nor Tampa shall have any further obligations or rights pursuant to the Agreement. Any payment made by Tampa to Tampa Bay Water in accordance with paragraph 3 shall be refunded to TAMPA within THIRTY (30) days of the cancellation of this Agreement.”

a.) St. Pete legal: “The parties acknowledge that at the time of entering this Agreement regarding the TAP project which is not anticipated to be completed until 2028, the TAP project has yet to achieve the following milestones: (1) 30% design completion; (2) completion of the Phase 2 feasibility study; (3) 60% design completion; (4) 90% design completion; (5) determination of the actual rate of recovery; (6) FDEP underground injection control permit; (7) FDEP NPDES permit; (8) SWFWMD regulatory activities, including water use permit; (9) pilot testing; and (10) full permitting (collectively referred to herein as the “TAP Milestones”). When any of Tampa’s consultants on the TAP Project provide any draft or final report (including technical memoranda) to Tampa’s project manager, to any other member of Tampa city staff, or to the Southwest Florida Water Management District, Tampa shall provide copies of such report to Tampa Bay Water.

Upon the TAP Project achieving each of the TAP Milestones, Tampa will notify Tampa Bay Water in writing. Within one-hundred twenty (120) days of the receipt of written notice from Tampa of the TAP Project achieving each of the TAP Milestones, Tampa Bay Water must acknowledge by Board resolution that the benefits provided by TAP continue to be regional in nature. If the Board in its sole discretion fails to make such acknowledgement then the Agreement shall be of no further force or effect, and neither Tampa Bay Water nor Tampa shall have any further obligations or rights pursuant to the Agreement.

This Agreement may also be terminated by any party upon sixty (60) days written notice to the other party for breach by the other party of any term, covenant, or warranty in this Agreement.

2. A provision to clarify the 20 mgd benefit from the Harney Canal:

“Upon TAP being determined to be fully functioning, Tampa will relinquish its authorization to use water pursuant to the Southwest Florida Water Management District (SWFWMD) Use Permit No. 20 006675.006. All quantities of water authorized for Tampa’s use under the terms and conditions of the permit would be available for use by Tampa Bay Water as authorized by SWFWMD. Tampa will not permit any water developed by TAP to directly or indirectly enter the Harney Canal or the Tampa Bypass Canal”

3. A provision that will address the nutrient credit issue:

“It is estimated that TAP could provide a total reduction of nutrient loading to Hillsborough Bay of 1954 lbs. of nutrients per day. However, based on operational protocols, it is estimated that TAP will provide a reduction of approximately 1758 lbs. per day of nutrients to Hillsborough Bay. Tampa will not directly or indirectly transfer or reallocate or facilitate the transfer or reallocation of any nutrient credits that may be created by the reduction of nutrients per day to Hillsborough Bay to third parties nor will it reallocate any of the estimated 1758 lbs. per day of nutrients to TAMPA’s Stormwater department permitted discharge allocation.”

4. A provision that will address the sale of “water”:

“Tampa legal and Hillsborough legal: “Any water developed by TAP will be utilized by TAMPA for TAMPA’S stated purposes of drought-proofing its current authorized permitted quantities, assist in compliance with minimum flows of the Lower Hillsborough River and to supply TAMPA’S projected demands. If any excess potable water should be available, TAMPA shall comply with the provisions of the Inter-Local Agreement including not providing water to any new customers outside of TAMPA’S service area or within the service areas of other members within the Tampa Bay Water service area except for Hillsborough County through current interconnections in areas in Hillsborough County adjoining the City of Tampa service area. Tampa Bay Water must approve any potential additional interconnections. Tampa shall not sell or provide any

potable water to any third parties or entities outside of Tampa Bay Water's service area."

a.) St. Pete legal: "It is Tampa's intention that any water developed by TAP will be utilized by Tampa for Tampa's stated purposes of drought-proofing its current authorized permitted quantities, assist in compliance with minimum flows of the Lower Hillsborough River and support Tampa's projected demands. If any excess potable water should be available, Tampa shall not sell or provide water to customers outside of Tampa's municipal boundaries within Tampa Bay Water's service area except for existing volumes to existing customers through existing interconnections in areas in Hillsborough County that Tampa Bay Water has determined Tampa Bay Water is unable to serve. Tampa shall not sell or provide any water to any third parties or entities outside of Tampa Bay Water's service area."

5. A provision addressing cooperative funding requests to SWFWMD:

"If TAMPA applies for cooperative funding for the TAP project, it will identify the projected maximum total cost directly related to the project on its application, but such maximum amount shall not exceed three hundred and fifty million dollars (\$350,000,000). Tampa will only seek cooperative funding from SWFWMD for TAP based on the maximum project cost. If project costs increase above that amount, TAMPA will not seek additional funding from SWFWMD for the increase."

a.) St. Pete legal: "If TAMPA applies for cooperative funding for the TAP project, it will identify the projected maximum total cost of TAP on its application, but such maximum amount shall not exceed three hundred and fifty million dollars (\$350,000,000). Tampa will only seek cooperative funding from SWFWMD for TAP or any project associated or related to TAP for a total maximum of One Hundred Seventy-Five Million Dollars (\$175,000,000) based on the maximum project cost. If project costs increase above that amount, TAMPA will not seek additional funding from SWFWMD for the increase."

6. A provision that will deal with TBW's debt service.

"Tampa will be purchasing water from Tampa Bay Water as needed and pursuant to the Interlocal Agreement through December 31, 2027 contributing to the current debt service of Tampa Bay Water. The construction and operation of TAP by TAMPA is estimated to provide \$34.7 million dollars of net present value savings to the members of Tampa Bay Water through the year 2038. The Parties agree to evaluate the actual

cost savings to Tampa Bay Water members and report to the members no later than December 31, 2028 and determine what if any further contributions to the debt service as of the date of this Agreement TAMPA should provide. The Parties will jointly secure the services of a financial advisor to provide an updated analysis as the basis of the report to the members.”

a.) St. Pete legal placeholder: “[in addition to the \$7 million for consideration to TBW’s rate stabilization fund] Tampa shall also pay an additional [\$18 – 40 Million?] Dollars to Tampa Bay Water for debt service of Tampa Bay Water. An initial payment of _____ shall be made upon the execution of this Agreement. Nine (9) additional payments of _____ shall be made on the same date each year thereafter in years 2020 through and including 2028.”

TBW/Dunbar 1/16 information:¹ Applying 2.19% to the \$829.8 million of remaining debt in 2028 totals \$18,172,620.00.

¹ Current debt	\$ 1.285 Billion
Anticipated new debt	<u>+ 279</u> Million
Total debt (FY 2019—FY 2028)	\$ 1.554 Billion
FY 2019—FY 2027 debt reduction	<u>- 734.2</u> Million
FY 2028 remaining debt	\$ 829.8 Million

Debt is repaid by the members based on purchases of water from TBW; and historically, Tampa has purchased 2.19% of the total water. Applying 2.19% to the \$829.8 million of remaining debt in 2028 totals \$18,172,620.00.

Memorandum



TO: Pete Dunbar, Special Counsel

FROM: Ken Herd, Chief Science and Technical Officer: *KRH*
Michelle Stom, Chief Communications Officer: *MS*

DATE: February 6, 2019

SUBJECT: Harney Canal Permit – Potential Water Available for Tampa Bay Water if TAP is Fully Implemented and Functional

Please find attached simplified information regarding the potential water available to Tampa Bay Water from the Harney Canal if the Tampa Augmentation Project (TAP) is Fully Implemented and Functional.

- There is not a simple, easy, definitive answer to the question about potential water supply to Tampa Bay Water from the Harney Canal Permit because there are many factors that will influence the flow and availability of water in that system including:
 - weather
 - rainfall distribution throughout the year
 - the amount of water the City of Tampa is permitted and able to use from the Tampa Augmentation Project
- Tampa Bay Water performed a long-term modeling analysis using the historic data to estimate potential available flows from the Harney Canal Permit.
 - The permit can provide from 20 to 40 million gallons for specific days and even months, but not for continuous, long-term periods of time.
 - The permit will not provide 20 million gallons per day (mgd), every day over long periods of time.
 - Modeling both historic use and future flows from the Harney Canal shows 2-5 million gallons per day of flow available on a **long-term annual average basis**.
 - Flows from year to year are highly variable and the model shows that during a **typical drought year** the Harney Canal Permit could provide up to 16 million gallons per day of supply.
 - For water planning purposes, Tampa Bay Water must plan for long-term average annual flow and availability.
- These modeled quantities of additional supply are only valid if TAP is able to produce 50 million gallons per day of potable supply whenever needed to avoid the need for augmentation

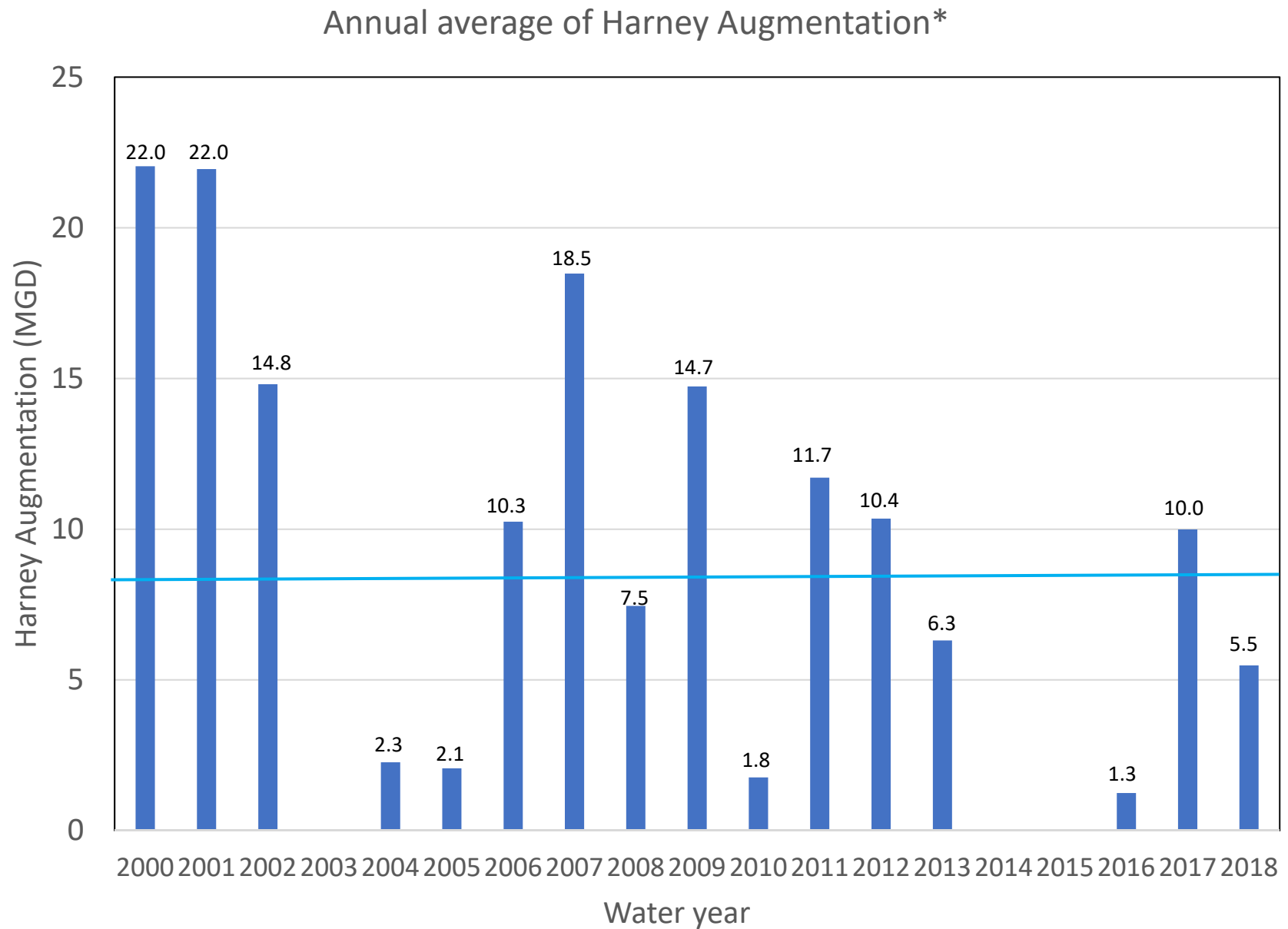
of the City's Hillsborough River reservoir. If this best-case scenario is not met, this amount of potable supply available from the Harney Canal Permit will be lower.

- In addition, 16 million gallons per day is the amount of water we will not have to plan to provide the City of Tampa in the year 2040. However, since Tampa will remain a member of Tampa Bay Water we will always work to meet their emergency needs as per the Interlocal Agreement.

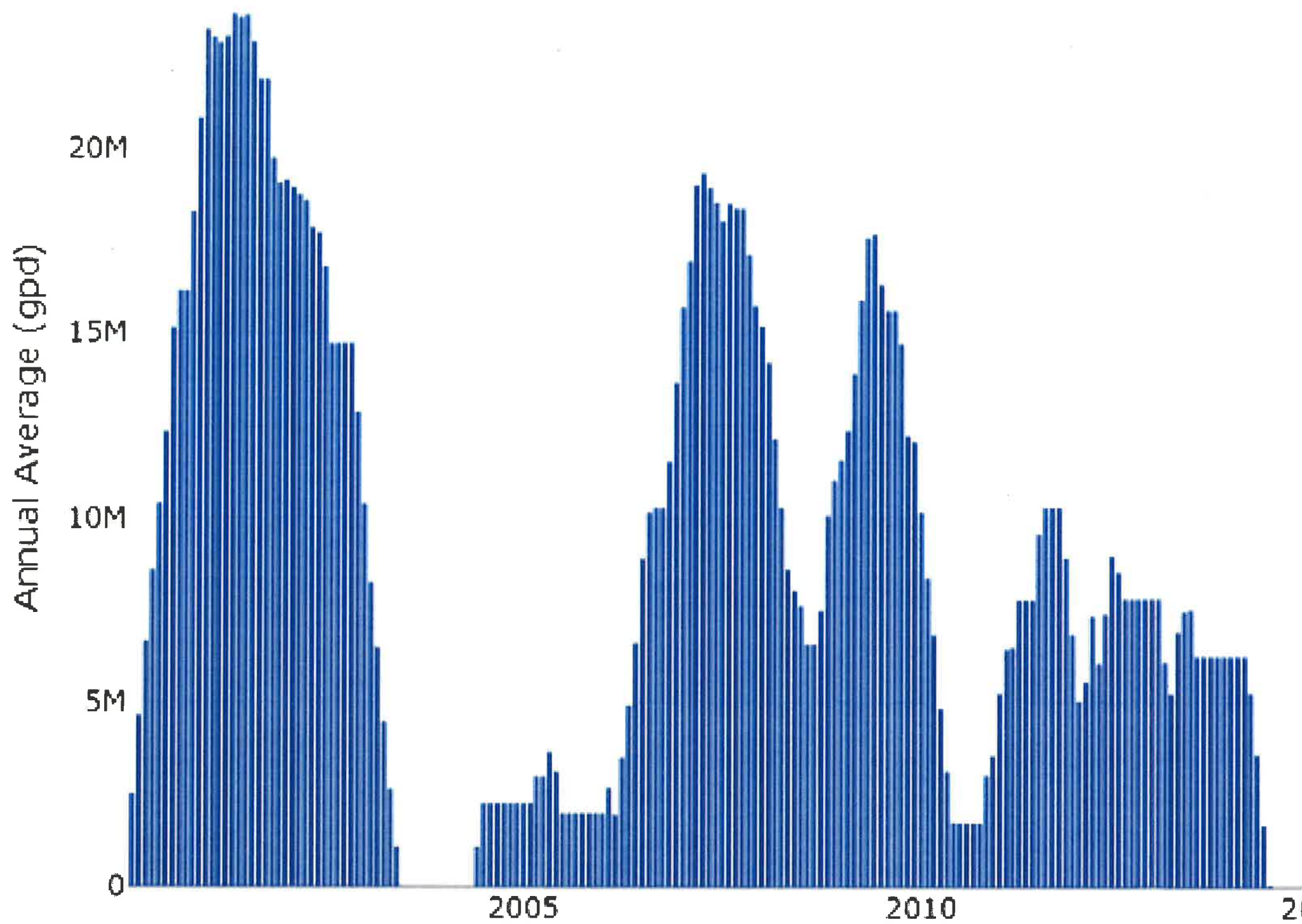
Summary Information:

- Available flows from the Harney Permit are highly variable.
- During a typical drought year up to 16 million gallons per day could be available.
- Long-term annual average - 2-5 mgd available (This is the number Tampa Bay Water plan for as part of long-term water planning.)
- Daily basis – up to 40 mgd could be available, also 0.
- These numbers are all based on City of Tampa being permitted to use up to 50 mgd of water from TAP during times when needed to prevent augmentation of the Hillsborough River reservoir.
- 16 million gallons per day is the estimated supply the City of Tampa would have to buy from Tampa Bay Water in the year 2040 without TAP being built. Tampa Bay Water will not have to plan to meet this demand if TAP is fully implemented.
- Since Tampa will remain a member, Tampa Bay Water will still work to meet the City's emergency needs as per the Interlocal Agreement.

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* Withdrawal rate includes emergency withdrawal authorized by District Emergency Orders which is beyond the quantities authorized in the Water Use Permit



Average Harney Flow

