

RESOLUTION NO. 02-34

A RESOLUTION OPPOSING THE UTILITY SYSTEM ASSET ACQUISITION AGREEMENT BETWEEN FLORIDA WATER SERVICES AUTHORITY AND FLORIDA WATER SERVICES CORPORATION

WHEREAS, the Florida Water Services Authority ("FWSA") will conduct a public hearing in Orlando, Florida on November 18, 2002, and,

WHEREAS, the FWSA Board of Directors has entered into an agreement with Florida Water Services Corporation for the purpose of acquiring the statewide utility assets of the Florida Water Services Corporation ("FWSC"), including the water and sewer system located in Marco Island, and

WHEREAS, the Agreement provides for the purchase of said Florida Water Services utility systems for \$507 million, and,

WHEREAS, the City of Marco Island City Council, on behalf of the citizens and utility customers, has followed the acquisition process to the extent that public notice was made available to the city and its citizens, and has studied the terms and conditions of the proposed Agreement.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of Marco Island, Florida, that:

1. The Agreement, and the transaction which it represents, is found not to be in the public interest of the citizens and utility customers on Marco Island.
2. The Agreement is not fair and reasonable and is not in the public interest for the following reasons:
 - Without a completed financial and engineering due diligence report, the Board of Directors cannot make a reasoned and informed decision as to the price, terms, and conditions of the Agreement.
 - No information is publicly available for review to determine assumptions used for projected cash flows, system deficiencies, and other required capital improvements.
 - The acquisition price favors the utility seller, over the utility buyers (public customers).

- No competitive proposals have been received for the operations contract, and the proposed system operator has not conducted due diligence to determine the accuracy of the projected operating expenses.
- The Agreement does not provide a sufficient time to conduct responsible financial and engineering due diligence.
- The Agreement does not provide a list of the assets to be acquired and therefore allows certain assets, including real estate, to be excluded from the acquisition by FWSA. The Board of Directors of the FWSA does not know what assets are to be acquired, or the value of these assets.
- Representatives from two small cities are attempting to acquire assets, provide utility service, and generate utility revenues for their use, in other jurisdictions, without the consent of other jurisdictions in which systems are located.
- The acquisition price substantially exceeds the regulated value of the statewide assets of FWSC, resulting in substantial profit gain and substantial overpayment by the FWSA, to the detriment of current and future utility customers.
- The affected utility customers and the elected representatives from the various jurisdictions have not had input into the price, terms, and conditions of the sale.
- The purchase of utility assets serving Marco Island was negotiated in secret in contradiction to Florida Statutes and in a calculated manner designed to exclude meaningful public input from Marco Island, the largest FWSC system in terms of revenue, prior to the formation of the FWSA and approval of the acquisition agreement.
- The purchase acquisition agreement was structured to the benefit of FWSC and the City of Gulf Breeze following an alleged public hearing in which no members of the public attended, despite knowledge the twenty-seven counties and eighty municipalities were familiar with and actively involved with the acquisition of FWSA by a lawfully created governmental utility authority.
- The acquisition of the FWSC assets by the FWSA is subject to several lawsuits and investigations by the Public Service Commission and other local regulatory authorities
- The FWSA has no experience owning and operating a utility system.

- The FWSA will attempt to acquire and manage the largest privately owned utility system in Florida, without regulatory oversight or state and local control over water and sewer rates.
- The acquisition purchase price will require a utility rate increase for Marco Island Utility Customers to meet minimum cash flows necessary to fund the bonded indebtedness, operations, and required capital improvements.
- There is no opportunity for residents and elected officials of Marco Island to participate in the decision-making process or ability to acquire the systems "at cost".
- No FWSA customers live in Gulf Breeze or Milton, nor are utility systems in Gulf Breeze and Milton physically connected to a FWSC system.
- There is no valid public purpose served by the acquisition of FWSC by the FWSA.
- The FWSA is an invalid authority. Furthermore, neither the City of Gulf Breeze nor the City of Milton may use its lawfully granted powers to create an illegal tax upon FWSC customers in Marco Island through the utility rates, nor can these cities unlawfully transfer their powers in violation of the Florida Constitution.

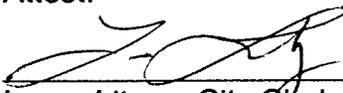
3. The FWSA Board of Directors recognize the substantial statewide opposition to the pending transaction and immediately cease to attempt to acquire the assets of FWSC.

Passed in open and regular session of the City Council of the City of Marco Island, Florida, this 4th day of November 2002.



E. Glenn Tucker, Chairman

Attest:



Laura Litzan, City Clerk