

January 26, 2015

To Members of Innerarity Island Association:

In the past, property owners on Innerarity Island have received their water and sewer utility services from Innerarity Island Development Corporation (IIDC), a private utility operator and real estate development company. Unfortunately, IIDC abandoned the utility system in March 2014. The utility is now being operated by Escambia County who has temporarily sub-contracted the day to day operations to the City of Gulf Breeze. In the long-term, the county intends to transfer operations of the Innerarity Island water/waste water system to its utility operator Emerald Coast Utility Company (ECUA). ECUA will not take ownership of the system unless it is upgraded to current operating standards. We have been informed the upgrade costs could be as much as \$7,000,000 and may be borne by the property owners.

The utility company is completely separate from the Innerarity Island Association (IIA) and IIA's board of directors has no control of the utility company. However, since the ultimate resolution of this matter could impact every property owner in the Association, we wanted to inform you of the situation and some possible actions you might want to take. Also, two property owners have taken the lead to represent the property owners in this matter. They are Dick Monish ([dickmonish@cox.net](mailto:dickmonish@cox.net)) and Rod Powell ([roderick.2002@yahoo.com](mailto:roderick.2002@yahoo.com)). You should direct your detailed questions or follow-up comments to one of them.

Based on much research, Dick and Rod believe that the upgrade cost will be paid through one of the following:

- The county could utilize L.O.S.T. funds (sales tax), bond issues, or RESTORE funds (BP)
- ECUA could pay with bonds or their operating budget; this option is not likely
- Innerarity Island property owners could pay through a Municipal Services Business Unit (MSBU)

The path of least resistance for the County and ECUA would be the MSBU which would pass the cost to the property owners through annual assessments added to property tax bills.

We believe it would be useful for all property owners to contact County officials to let them know that passing all the cost to property owners through the MSBU is not acceptable. We have attached a list of the contacts as well as a sample letter for your use. In addition to contacting County officials, we believe it would be useful for homeowners to attend the Board of County Commissioners meetings when the Innerarity Island Water system is on the agenda for discussion. Other than providing this information to you, there is little the board of directors can do to influence the outcome of this situation. It most likely will depend on how much pressure the individual property owners exert with the County officials. We will post updates as we know them to the "Innerarity Island Homeowners" group on Facebook.

Thank you for your attention to this matter,

Brooke Agers

<DATE>

Douglas Underhill, Commissioner District 2  
221 Palafox Place, Suite 400  
Pensacola, FL 32502

Dear Mr. Underhill:

As you know, the Innerarity Island Water-Wastewater System (IIDC) was abandoned by IIDC last year and subsequently relegated to Joint Receivership by Escambia County and ECUA. I am writing to you for your potential assistance in this matter.

It has been brought to the attention of the Island residents that county intends to transfer operations of the water system to ECUA after improving the system to ECUA's standards. Those improvements are estimated to be \$7,000,000. While the residents appreciate the need to perform system upgrades and maintenance that were not previously conducted, we struggle to understand how so much work/costs is immediately necessary as this is currently a functioning system.

We have also been informed that the Board of County Commissioners will at some point vote on how to fund those system upgrades and that many Commissioners and ECUA leadership see an MSBU as the best option. Many Innerarity Island property owners are retired on a fixed income; some are on a limited income. Adding additional tax to island residents would be placing a great burden on residents over the coming years. This would also have a negative impact on property values and a negative downstream impact on taxable values. People will steer clear of homes and lots with a tax burden that is out of line with similar nearby properties.

We understand there are many factors in the abandoning, fixing, and operating the Innerarity water system in the past and in the future. Some of these issues are pending with Escambia county courts. We are asking the Board of County Commissioners seek other funding to make necessary improvements. Some options available would be:

- Liquidation of all IIDC and related party assets to off-set the cost of repairs
- Use of BP Restore Act monies
- Use of Local Option Sales Tax funds

I understand the Board's resistance to spreading the costs across county taxpayers. However, property owners were in no way responsible for the system maintenance or upgrades; that was the responsibility of the private entity Innerarity Island Development Corporation. This would be the same as holding East Hill residents solely responsible for repairing flood damaged roads or outdated sewer and water systems.

Thank you for your attention to this issue. Island residents would also appreciate the opportunity to speak at the Public Forum prior to your Board meeting when this item is on the agenda.

Sincerely,

<NAME>

<Email>

<Phone>