

A Special Meeting of the Apalachicola City Commission was held on February 19, 2026, at 3:00 PM at the Commission Meeting Room located at 74 6th Street, Apalachicola, Florida.

Present: Mayor Brenda Ash, Commissioner Donna Knutson, Commissioner Despina George, Commissioner Donna Duncan, Commissioner Adriane Elliott, City Manager Chuck Anderson, Attorney Dan Hartman, Chief Bobby Varnes, Lt. Chase Richards, and City Clerk Sheneidra Cummings

Meeting was called to order by Mayor Ash followed by invocation and pledge of allegiance.

Agenda Adoption

A motion was made by Commissioner Elliott to adopt the agenda. Commissioner Knutson seconded the motion. None opposed. Motion carried 5-0.

Public Comment

The Mayor opened the floor for public comment. No public comment cards were submitted at this time.

Local Bill Update and Proposal

City Manager Anderson provided an update on the local bill, now designated as House Bill 4103. He recounted the timeline of events, noting that on December 1st, commissioners met individually with Representative Shoaff and Senator Simon's staff, along with representatives from Northwest Florida Water Management District and Florida Rural Water, to discuss the bill being drafted. On December 9th, a commission workshop was held at Chapman to receive public input on the bill. Anderson stated that the city sent an email to Representative Shoaff and Senator Simon's office with questions about the bill. On December 16th, a delegation meeting was held at the county courthouse. On December 22nd, all compiled information was put into an official memorandum sent to Representative Shoaff and Senator Simon with requested changes, additions, and questions about the bill's execution, including matters related to employees and assets.

Representative Shoaff's staff responded to the city's questions but did not address the requested changes or additions to the bill. The bill was filed in the house and heard by the Intergovernmental Affairs Committee the previous week, which voted 12-0 to endorse the bill and move it forward. The bill was dropped by the commerce subcommittee, and it was

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scheduled to be heard by the state affairs committee on Tuesday, February 24th, which would be the final committee to see the bill.

At the Intergovernmental Affairs Committee meeting, Commissioner Knutson spoke about the bill and its potential impact on residents. After the meeting, she was contacted by state staff asking about creating a framework that would limit commission involvement and keep them out of financial affairs.

Mayor, Commissioner, City Manager, and Attorney Comments

Manager Anderson clarified that after discussing with Commissioner Knutson, he received additional information that was somewhat different. The additional information indicated limited commission involvement from financial affairs but also included totally absolving the commission of any operational decisions and operational decision-making with the city's water and sewer utility. This differed from the prior focus on just financial affairs and rate setting, as it now included no operational decision-making by local elected officials.

The framework being discussed would allow the city to retain ownership of the utility if desired. Manager Anderson mentioned the Gainesville model, where ownership is retained by the city, but operational decision-making and financial/fiduciary measures are made by a separate board. This model seemed favorable in the response he received. He noted that the meeting was called to discuss whether the commission would like to pursue this further. He went on to state that House Bill 4103 would be reviewed by the city attorney, and the commission was at a point where they could provide input.

Attorney Hartman provided a legal breakdown of House Bill 4103 as filed. The bill establishes the Apalachicola Water and Sewer District as an independent special district under Florida law, encompassing the boundaries of the city and including customers outside the city. The district would be governed by a five-person board: three appointed by the governor, one by the county, and one by the city. The district would be authorized to do everything the city currently does operationally and financially with the system. The district would also have the power of eminent domain within the city's jurisdiction, limited to utility purposes, which is typical for districts operating utilities.

Attorney Hartman highlighted the most significant section of the bill—Section 3's last paragraph—which states that as of the effective date of the act, all property (real, personal, or mixed) owned, possessed, or controlled by the city for water and sewer purposes, as well as all assets, contracts, obligations, and liabilities, would be transferred and vested in the district. All existing contracts and obligations would remain in full force and effect. He emphasized that this language clearly indicates that the moment the local bill is signed

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into law, the city would be divested of ownership by operation of law of all assets, real property, and personal property. The liabilities would follow, but the practical effects still needed to be determined as they were not discussed in the bill. He noted that any suggested amendments or questions sent by the city were not reflected in the bill as it currently stood, and the bill was moving forward with session ending on March 13th.

Commissioner Knutson added that two amendments were put forward last week and approved: the board would have to meet monthly, and board members would have to be full-time Florida residents. Attorney Hartman acknowledged these were two of the thirteen requests that were included.

The Mayor asked Attorney Hartman to discuss the transition period if the bill went into effect on July 1st and how that would affect the acquisition of assets, liabilities, and the city's obligations. Attorney Hartman did not have a clear answer, as bank accounts and assets would all transfer. To comply with the law, there would need to be a partner—the district being stood up—to manage the transition. He noted that even a six-month transition would be very rushed but doing it overnight as contemplated would be "baffling."

The Mayor clarified that technically, on the day the bill went into effect, the city could not bill customers and would have no authority over the utilities, asking how that would affect residents. Attorney Hartman acknowledged the public health and safety concerns, noting it's a basic public function to provide water and sewer service. The city could fund ongoing operations out of the general fund and hope to get reimbursed by the district later to keep service ongoing to customers. However, he cautioned they must be careful since the city would no longer own the real estate or facilities. He went on to state that the general fund could pay for services to avoid disruption, which would be critical. As a lawyer, he saw it as a "field day" for wild scenarios, but as an engineer, he stressed they could not have an interruption in service. The question remained how to manage a system the city no longer owns, with city employees still running it, and how vendors and employees would be paid.

Extensive discussion held.

Commissioner Knutson elaborated on her discussion with Representative Shoaff, noting he wanted to ensure there was a board setting rates that was not the commission. She believed they could come up with a hybrid model that he would support. The question was what parts of the Gainesville Regional Utility Authority model would be good for Apalachicola and what parts they didn't want. If they retained ownership of the assets, the transition issues discussed might not happen, as the assets would still be the city's.

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Attorney Hartman responded that if the city retained ownership but not operational or financial control, that would be a decision for the commission to make. He thought the city would have to ensure its property and bear ultimate responsibility but would have no control over its destiny. He agreed that if the city retained ownership, perhaps something could change in the future, but if they no longer had ownership, it would be irreversible, as it would become law.

Commissioner Knutson stated she would propose maintaining ownership and operational control. The city has invested employees who can fix whatever needs fixing, and they're on a pathway to solving all issues. She suggested not taking the Gainesville Regional Authority bill verbatim but saying they would like ownership and operational control.

Mayor Ash asked both Commissioner Knutson and Manager Anderson what Representative Shoaff was asking of the commission and what he was proposing to give back as a compromise. Manager Anderson stated he believed he had the last conversation with Representative Shoaff, in which Shoaff wanted to make sure the city could keep ownership if desired, however, no influence or control over the operations or rates. He thought there was ability to establish a revenue stream but to divest the city of operational control of the utility. The effect would be to alleviate the city of the burden of operating the utility and put operational control, rate setting, and financial decisions into a separate board, while establishing some revenue stream to compensate the city for that loss.

Commissioner Knutson explained that in the Gainesville bill, at the beginning of the year there is a transfer of revenue from the utility authority to the city, called a "government services contribution," with a cap that cannot exceed net revenues minus the flow of funds. The authority has responsibility for providing a revenue stream set at the beginning of the year to the city. There are other ways to raise money only if they retain ownership of the system. Manager Anderson discussed right-of-way usage fees or franchise fees, similar to what cable companies pay. Since nearly everything connected to homes is primarily in city right-of-way, the utility would constantly need access for upgrades, breaks, and preventive maintenance. Establishing a right-of-way fee would give them access, like leasing the right-of-way from the city.

Commissioner Knutson noted that House Bill 1645 (the Gainesville bill) prohibits franchise fees and limits transfers, so they would need to be clear with Representative Shoaff about other revenue options. She also pointed out that the Gainesville bill has the governor appointing all board members, so they would lose local representation. She suggested providing Representative Shoaff with a response saying they were okay with five members appointed as set up in 4103 (one city appointment, one county appointment, three governor appointments), but not okay with all five being governor appointments. She

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emphasized not rubber-stamping the Gainesville bill but picking parts that would work for them.

Manager Anderson agreed this was an opportunity Representative Shoaff was giving them, and he indicated he would work to amend the bill on the floor. However, it was time-critical, as discussions occurred late last week into early this week, with only a few weeks left before the legislature focused on the budget. They would need to put together a framework of what they'd like to see quickly. Commissioner Knutson didn't want the Gainesville model taken verbatim but wanted to negotiate back and forth rather than simply putting Apalachicola's name on the Gainesville bill. Manager Anderson clarified that when he brought up Gainesville to Representative Shoaff, it was meant as a framework to work from, not a verbatim copy.

Commissioner Elliott raised logistical questions about district boundaries and future taps. She asked what would happen when the district boundaries were no longer contiguous and how that would work, noting other bills might prevent the utility from simply providing service within its district. She also inquired about the process and whether costs would affect the utility or people not currently on the system through bigger fees.

Manager Anderson referenced page 4, subsection 5, which authorizes the district to purchase, construct, improve, extend, and enlarge facilities to provide fresh water within the described area or outside the boundaries. The district would need to enter into agreements, typically an interlocal agreement with the county to serve county residents, and some agreement with property owners. This would be the district's responsibility, not the city's.

Commissioner Elliott suggested changing the effective takeover date to October 1st (start of the fiscal year) or January 1st following the bill's signing, giving the district time to establish itself.

Attorney Hartman noted there was an economic impact statement accompanying the bill discussing \$500,000 in state funding believed necessary for the district. Commissioner Elliott asked if the bill's signing guaranteed the necessary funding would be provided to establish the district properly. Attorney Hartman was unsure but noted the economic impact form showed state funding of half a million dollars to the district for the first fiscal year. Commissioner Elliott observed they wouldn't find out until the budget part of the session and asked if language could be added stating that if the economic impact study was not funded, implementation would wait until funding was provided. Attorney Hartman said he could get back to them on that, noting the local bill would likely do what it says and establish a district. Hartman explained that usually districts are set up over areas needing

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water and sewer service in growing areas, getting funding and growing organically, not being laid on top of an existing district already being served.

Commissioner Elliott noted that the East Point Water and Sewer Bill was amended to include a referendum that would decide whether the bill becomes effective and allows expansion into St. George Island. She asked why Apalachicola couldn't request the same thing. Commissioner Knutson responded that Representative Shoaff explained the East Point district was established under general legislation, not a local bill. State lawyers determined it required a referendum. The district was established in 1963 as general legislation requiring a referendum, so changing it also required a referendum. Even if Apalachicola had joined with East Point (the first proposal), there would have had to be a referendum for Apalachicola.

Attorney Hartman added that he understood and wanted to ensure accuracy. He thought Commissioner Knutson's explanation made sense—if it was established by general law, there were other requirements. Manager Anderson mentioned one of the attachments filed with the bill discussed whether a referendum would be required and concluded this needed to be done and would not require a local referendum.

Commissioner Elliott stated that compromise was better than getting steamrolled. She wanted to retain at least partial ownership of the assets, as losing control of the water utility and water rights was a major concern. With potential huge reductions in property and ad valorem taxes impacting local agency funding, maintaining partial control would be beneficial. She also supports holding onto ownership and working with the state and to prevent corporate development interests from simply working with easily influenced state representatives.

Commissioner George questioned why this new option was being presented, suspecting that somewhere along the line, the reality of what it would take to take Apalachicola's assets was addressed, with no precedent. She thought this was probably what happened in Gainesville—they continued to own assets because the state couldn't figure out how to take them and put them in the district.

Attorney Hartman agreed he had written numerous memorandums trying to keep up with new information. In this new territory, he believed the state has authority to preempt local government in many ways, as home rule power does not override state legislative power. He thought they had the authority to take over a public utility system. However, he had concerns that they still needed to comply with Florida law, including Chapter 189 requirements, which they were bypassing. They could try to address this after the fact. He still believed the real estate issue was significant, as the city has substantial real property

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where facilities sit. He thought the city was entitled to compensation for real estate if taken, as this would be a taking of real estate. From an engineering perspective, Hartman stated that surveys hadn't been done to determine how much real estate is needed for water and sewer versus roads, streets, and undeveloped portions. The district couldn't do this because it didn't exist yet, but when it did exist, there would be a scramble to figure this out.

Commissioner George stated that retaining assets was better than not retaining them. However, she didn't want the city's position to be that they favored the bill. Their objections to the overall design remained and weren't addressed by this compromise. She agreed with Commissioner Knutson that it would be great to work out a collaborative deal with more control than Gainesville has, but conversation after conversation suggested the answer was no—the objective was to get the city out completely, as made very clear at the last legislative delegation meeting. She didn't see the city gaining ground by working through the Gainesville bill to strike a better deal. The people of Gainesville had twice voted against this. While retaining assets would be better, she didn't want their official position to be that they were for this. She thought they should continue stating their objections even if they didn't feel they had a path to prevail.

Attorney Hartman pointed out that if they had no operational or financial control but retained ownership, they would have some expense and liability as owners and the City would need to maintain insurance for such purposes.

Commissioner George noted that Representative Shoaff offered a revenue stream to make up for assumption of liabilities and added expense, but that added to their argument that creating the district creates more cost to the user—a new fee consumers would have to bear.

Attorney Hartman said he was working on a report going through the rate study and other documents, noting that the district would add cost and rates would go up. This was unquestionable fact.

Commissioner George asked what decision they were trying to make in this segment of the meeting. Attorney Hartman responded that there appeared to be some dialogue between elected officials, the manager, and the legislative delegation. They should continue that and see what options were available. As a practical matter, the only way to implement a compromise was probably through amendment to the bill, because there was no time to pass a city ordinance establishing a utility board. Hartman also sought authorization to

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Public Comment (continued)

Mayor Ash opened public comment for additional input after the extensive discussion was held.

Anita Grove commented.

Allen Olsen commented.

Further discussion held.

Mayor Ash called for a motion requesting that Mayor Pro Tem Knutson continue in her role as liaison and represent the City on the State level. Motion was made by Commissioner George and seconded by Commissioner Elliott. None opposed. Motion carried, 5-0.

Attorney Hartman requested direction on obtaining a subject matter expert (co-counsel) to assist him during this process. The Board agreed and a motion was made by Commissioner Duncan for Attorney Hartman to consult with a subject-matter expert. Motion was seconded by Commissioner George. No further discussion. None opposed. Motion carried, 5-0.

The consensus of the Board was to send any questions, comments etc. to both Manager Anderson and Attorney Hartman in preparation for his consultation with a subject-matter expert by Tuesday, February 24, 2026.

Adjournment

Motion to adjourn made by Commissioner Elliott, seconded by Commissioner Knutson. None opposed. Motion carried 5-0.

Meeting adjourned.

Brenda Ash, MAYOR

ATTEST:

Sheneidra Cummings, CITY CLERK