

**SPECIAL MEETING & WORKSHOP
APALACHICOLA CITY COMMISSION
TUESDAY, OCTOBER 20, 2026 – 6:00PM
74 6th STREET APALACHICOLA, FLORIDA 32320**

AMENDED AGENDA

You are welcome to comment on any matter under consideration by the Apalachicola City Commission when recognized to do so by the Mayor. Once recognized please rise to the podium, state your name for the record and adhere to the five minutes time limit for public comment. Comments may also be sent by email to the City Manager or to Commissioners.

- I. Call to Order**
- II. Agenda Adoption**
- III. Public Comment**
- IV. Special Meeting – City Clerk Hiring**
- V. Workshop - Apalachicola Water & Sewer District – Interlocal Agreement Discussion**

Adjournment

Any person who desires to appeal any decision at this meeting will need a record of the proceeding and for this purpose, may need to ensure that a verbatim record of the proceeding is made which includes testimony and evidence upon which the appeal is based. Persons with disabilities needing assistance to participate in any of these proceedings should contact the City Clerk's Office 48 hours in advance of the meeting.

Record and Return to:
City of Apalachicola
City Clerk's Office
1 Bay Avenue
Apalachicola, FL 32328

**INTERLOCAL AGREEMENT BETWEEN THE CITY OF APALACHICOLA
AND THE APALACHICOLA WATER AND SEWER DISTRICT FOR THE
TRANSFER OF WATER AND SEWER UTILITY SYSTEMS**

THIS INTERLOCAL AGREEMENT (the "Agreement") is entered into as of the ____
day of _____, 2026 (the "Effective Date"), by and between:

CITY OF APALACHICOLA, FLORIDA, a Florida municipal corporation, with a
mailing address of 1 Bay Avenue, Apalachicola, FL 32328 (hereinafter referred to as
"City" or "Apalachicola"),

and

THE APALACHICOLA WATER AND SEWER DISTRICT, FLORIDA, a
Florida independent special district and unit of special purpose local government
created pursuant to CS/HB 4103 (2026), as amended, with a mailing address of
[INSERTDISTRICTADDRESS] (hereinafter referred to as "District"), and solely for
purposes of Articles VIII and IX herein,

FRANKLIN COUNTY, FLORIDA, a political subdivision of the State of Florida,
with a mailing address of [INSERT COUNTY ADDRESS] (hereinafter referred to as
"County").

RECITALS

WHEREAS, the Florida Legislature enacted CS/HB 4103 (2026), as amended (the
"Enabling Act" or "Local Bill"), which created the Apalachicola Water and Sewer
District as an independent special district and unit of special purpose local government
pursuant to Chapter 189, Florida Statutes, for the purpose of acquiring, owning,

operating, and maintaining the current City water and sewer utility system to serve the residents and businesses within the District's boundaries;

WHEREAS, the Enabling Act provides that on December 1, 2026 (the "Transfer Date"), all property, whether real, personal, or mixed, that is owned, possessed, or controlled by the City for the purposes of providing water and sewer systems, as well as all other assets, contracts, obligations, and liabilities of the City for such purposes, shall be transferred and vested in the District;

WHEREAS, the City currently owns, operates, and maintains a water utility system and a wastewater collection, treatment, and disposal utility system (collectively, the "Utility" or "Utility Systems") for the benefit of its utility service area, which serves residents and businesses within and outside the City limits;

WHEREAS, Section 3 of the Enabling Act requires the City and the District to enter into an interlocal agreement by the latter of July 1, 2026 or thirty (30) days after the Governor makes initial appointments to the District board to effectuate the transfer of water and sewer service from the City to the District;

WHEREAS, the parties are entering into this Agreement pursuant to Section 163.01, Florida Statutes (the "Florida Interlocal Cooperation Act of 1969"), and in furtherance of the mandates and authorizations set forth in the Enabling Act;

WHEREAS, this Agreement is intended to provide for the orderly and efficient transfer of the Utility Systems from the City to the District, to establish the terms and conditions governing such transfer, and to address compensation for real property, charges for service, employee retention, indemnification, cooperation in regulatory matters, right of first refusal, and other matters necessary to implement the Enabling Act and protect the interests of the parties and the public;

WHEREAS, the parties recognize that the transfer if implemented as set forth herein is in the public interest and will promote the efficient delivery of water and sewer services to the citizens and businesses of the City and the District;

WHEREAS, the parties acknowledge that Section 171.203, Florida Statutes, governs interlocal service boundary agreements and is intended to avoid disputes regarding the provision of services in areas of overlapping or adjacent jurisdiction;

WHEREAS, Franklin County has a substantial interest in the successful transfer, continued operation of the Utility Systems serving residents in the unincorporated County and in coordinating the use of public rights-of-way; and

WHEREAS, the parties desire to memorialize their mutual understandings, rights, and obligations in connection with the transfer of the Utility Systems and the provision of water and sewer services following the Transfer Date.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I — DEFINITIONS AND CONSTRUCTION

I. Definitions. As used in this Agreement, the following terms shall have the following meanings unless the context clearly requires otherwise:

A. Administrative Expenses means those ordinary and necessary costs incurred by the District in implementing its obligations under this Agreement and operating the Utility Systems, including but not limited to salaries, benefits, office expenses, professional fees, insurance, utilities, maintenance, and regulatory compliance costs, which are not directly attributable to capital improvements or debt service and the necessary City cost related to the same during the transition and under the terms of this Agreement moving forward.

- B. Affiliate** means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with such Person.
- C. Agreement** means this Interlocal Agreement, including all exhibits, schedules, and amendments hereto.
- D. Applicable Law** means all federal, state, and local statutes, ordinances, rules, regulations, orders, permits, licenses, approvals, and other requirements of any Governmental Authority having jurisdiction over the parties or the subject matter of this Agreement, as the same may be amended from time to time.
- E. Assumed Obligations** means all contracts, obligations, liabilities, permits, licenses, regulatory requirements, commitments, and responsibilities of the City relating to the ownership, operation, maintenance, and improvement of the Utility Systems as of the Transfer Date, including without limitation all loan agreements, bond obligations, debt service requirements, and regulatory compliance obligations, as more particularly described in Schedule 5 hereto.
- F. Bill of Sale and Assignment** means the bill of sale, assignment, and assumption agreement to be executed and delivered by the City to the District on the Transfer Date, substantially in the form attached hereto as Exhibit A, pursuant to which the City shall transfer and assign to the District all of the City's right, title, and interest in and to the Utility Systems and the District shall assume the Assumed Obligations.
- G. Board** or "District Board" means the governing board of the Apalachicola Water and Sewer District as established pursuant to the Enabling Act.
- H. Capital Improvement Plan** or "CIP" means the District's comprehensive five-year plan for capital improvements, expansions, and major repairs to the Utility Systems, as required by Section IX of this Agreement.
- I. City Comprehensive Plan** means the comprehensive plan adopted by the City pursuant to Chapter 163, Part II, Florida Statutes (the "Community Planning Act"), as the same may be amended from time to time.

- J. City Employees** means those employees of the City who, immediately prior to the Transfer Date, are employed for the purpose of providing water and sewer service and operating and maintaining the Utility Systems, as identified on Schedule 6 hereto.
- K. City LDC** means the City's Land Development Code and related development regulations, as the same may be amended from time to time.
- L. Confidential Information** means any and all non-public information, subject to legal exemption pursuant to 119, F.S., data, documents, records, drawings, plans, specifications, financial information, customer information, operational information, and other proprietary information relating to the Utility Systems, the parties, or this Agreement, whether in written, electronic, oral, or other form.
- M. Deed** means the special warranty deed or deeds to be executed and delivered by the City to the District on the Transfer Date, conveying fee simple title to the Real Property, in the event of the transfer of real property hereunder, substantially in the form attached hereto as Exhibit B.
- N. Dissolution** means the dissolution, termination, merger, consolidation, or other cessation of the District as an independent special district pursuant to Applicable Law.
- O. District Service Area** means the geographic area within which the District is authorized to provide water and sewer services, as defined in the Enabling Act and as may be modified from time to time pursuant to Applicable Law.
- P. Effective Date** has the meaning set forth in the preamble to this Agreement.
- Q. Enabling Act** has the meaning set forth in the recitals to this Agreement.
- R. Environmental Laws** means all federal, state, and local laws, regulations, ordinances, and requirements relating to pollution, protection of the environment, or human health and safety, including without limitation those relating to the release, discharge, emission, storage, treatment, disposal, or handling of Hazardous Materials.

- S. Environmental Permits** means all permits, licenses, approvals, registrations, notifications, and other authorizations required under Environmental Laws for the ownership, operation, maintenance, and improvement of the Utility Systems.
- T. FDEP** means the Florida Department of Environmental Protection or any successor agency.
- U. Financial Obligations** means all obligations of the District to make payments to the City pursuant to Article III of this Agreement, including Ground Lease Rent, Purchase Price installments (if applicable), and reimbursement obligations.
- V. Florida Retirement System** or "FRS" means the retirement system established pursuant to Chapter 121, F.S.
- W. Governmental Authority** means any federal, state, regional, county, municipal, or other governmental or quasi-governmental agency, authority, body, board, bureau, commission, department, instrumentality, or other entity having jurisdiction over the parties or the subject matter of this Agreement.
- X. Ground Lease** means the ground lease agreement to be executed and delivered by the City and the District on or before the Transfer Date with respect to the Real Property, if the parties elect to structure the Real Property transfer as a lease rather than a sale, substantially in the form attached hereto as Exhibit C.
- Y. Ground Lease Rent** means the annual or periodic rent payable by the District to the City under the Ground Lease, if applicable, as determined pursuant to Section III.A.2 of this Agreement.
- Z. Hazardous Materials** means any substance, material, or waste that is regulated, defined, or classified as hazardous, toxic, radioactive, dangerous, or a pollutant or contaminant under any Environmental Law, including without limitation petroleum and petroleum products, asbestos, polychlorinated biphenyls, lead-based paint, mold, radon, and urea formaldehyde.

AA. Indemnified Party has the meaning set forth in Section V.C of this Agreement.

BB. Indemnifying Party has the meaning set forth in Section V.C of this Agreement.

CC. Initial Term has the meaning set forth in Section XIV.A of this Agreement.

DD. Land Development Code or "LDC" has the meaning set forth in the definition of City LDC.

EE. Liens means any and all liens, mortgages, pledges, security interests, encumbrances, charges, claims, restrictions, easements, covenants, conditions, rights-of-way, options, rights of first refusal, or other burdens or defects of title of any kind or nature whatsoever.

FF. Local Bill has the meaning set forth in the recitals to this Agreement.

GG. Losses means any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, and expenses (including reasonable attorneys' fees and expenses, expert fees, court costs, and costs of investigation and defense).

HH. Permits means all permits, licenses, approvals, authorizations, registrations, certifications, variances, exemptions, franchises, and other governmental or quasi-governmental permissions required for the ownership, operation, maintenance, and improvement of the Utility Systems, including without limitation Environmental Permits, water use permits, wastewater discharge permits, operating permits, and construction permits.

II. Person means an individual, corporation, partnership, limited liability company, trust, association, joint venture, unincorporated organization, Governmental Authority, or other entity.

JJ. Personal Property means all tangible and intangible personal property owned, leased, or controlled by the City and used or held for use in connection with the ownership, operation, maintenance, and improvement of the Utility Systems as of the Transfer Date, including without limitation machinery, equipment, vehicles,

tools, supplies, inventory, spare parts, computers, software, intellectual property, contract rights, customer lists, records, data, and books and accounts, as more particularly described in Schedule 2 hereto.

KK. Purchase Price means the lump sum amount payable by the District to the City for the conveyance of the Real Property, if the parties elect to structure the Real Property transfer as a sale rather than a lease, as determined pursuant to Section III.A.1 of this Agreement.

LL. Real Property means all real property owned or controlled by the City and used or held for use in connection with the ownership, operation, maintenance, and improvement of the Utility Systems as of the Transfer Date, including without limitation land, buildings, structures, improvements, fixtures, easements, rights-of-way, and appurtenances, as more particularly described on Schedule 1 hereto and in the legal descriptions attached as Exhibit D.

MM. Reclaimed Water or "**Reuse Water**" means wastewater that has received at least secondary treatment and basic disinfection and is reused after flowing out of a wastewater treatment facility, as defined in Section 373.019(17), Florida Statutes.

NN. "Right of First Refusal" means the preferential right granted to the City pursuant to Article XI of this Agreement.

OO. Right-of-Way or "**ROW**" means any public street, road, highway, alley, sidewalk, easement, or other public way or property owned or controlled by the City or the County within which the District is authorized to construct, operate, maintain, repair, replace, and remove utility facilities and appurtenances.

PP. Service Charges means the rates, fees, charges, and other amounts established by the District from time to time for water, wastewater, and reuse services provided to customers within the District Service Area.

QQ. Transfer Date has the meaning set forth in the recitals to this Agreement.

RR. Transferred Employees means those City Employees who elect to accept employment with the District pursuant to Article VII of this Agreement and who commence employment with the District on or after the Transfer Date.

SS. Utility or "Utility Systems" has the meaning set forth in the recitals to this Agreement and includes all Real Property, Personal Property, Permits, contracts, rights, and other assets used or held for use in connection with the provision of water and sewer services.

II. Construction.

A. Interpretation. This Agreement shall be construed in accordance with the laws of the State of Florida. The language of this Agreement shall be construed as a whole according to its fair meaning and not strictly for or against any party. Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa, and words importing a particular gender shall include all genders. The terms "herein," "hereof," "hereunder," and similar terms refer to this Agreement as a whole and not to any particular Article, Section, or provision. The terms "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation."

B. Headings. The Article and Section headings in this Agreement are for convenience of reference only and shall not affect the interpretation or construction of this Agreement.

C. Exhibits and Schedules. All exhibits and schedules attached to this Agreement are incorporated herein by reference and made a part of this Agreement.

D. Entire Agreement. This Agreement, together with all exhibits and schedules hereto, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations, and discussions, whether oral or written, between the parties with respect to such subject matter. This Agreement specifically supersedes and terminates any prior interlocal

agreements between the City and any predecessor entity relating to water and sewer services, effective as of the Transfer Date.

E. Days. Unless otherwise specified, references to "days" in this Agreement shall mean calendar days.

F. Recitals. The recitals set forth above are true and correct and are incorporated into this Agreement as an integral part hereof.

ARTICLE II — TRANSFER OF UTILITY SYSTEMS

I. Transfer of Assets. On the Transfer Date, pursuant to the Enabling Act and the terms of this Agreement, the City shall transfer, assign, convey, and deliver to the District, and the District shall accept and assume, all of the City's right, title, and interest in and to the Utility Systems, including without limitation:

A. Real Property. All Real Property, subject to the determination of whether such Real Property shall be conveyed by Deed or leased pursuant to the Ground Lease as provided in Article III hereof;

B. Personal Property. All Personal Property purchased through the water and sewer enterprise fund or state/federal grant funding related to operating, replacing or repairing the water and sewer utility system;

C. Permits and Licenses. All Permits, to the extent transferable under Applicable Law, or the District shall apply for new Permits in its own name with the City's cooperation as provided in Article IV hereof;

D. Contracts. All contracts, agreements, leases, and other arrangements relating to the Utility Systems, to the extent assignable under their terms and Applicable Law, or the District shall enter into replacement contracts with the City's cooperation;

E. Records and Data. All books, records, files, data, drawings, plans, specifications, manuals, customer lists, billing records, operating records, maintenance records, and other documents and information relating to the Utility Systems; and

F. Other Assets. All other tangible and intangible assets, properties, rights, privileges, and interests of the City relating to or used in connection with the Utility Systems.

II. Assumption of Obligations. On the Transfer Date, the District shall assume and agree to pay, perform, and discharge when due all Assumed Obligations, including without limitation:

A. Debt Obligations. All outstanding bonds, notes, loans, and other indebtedness of the City relating to the Utility Systems, including but not limited to [INSERT DESCRIPTION OF BONDS, LOANS, AND OTHER DEBT OBLIGATIONS], as more particularly described in Schedule 5;

B. Contractual Obligations. All obligations under contracts, agreements, leases, purchase orders, grants and other arrangements relating to the Utility Systems that are assumed by the District;

C. Regulatory Obligations. All obligations under Permits and Applicable Law relating to the operation, maintenance, and improvement of the Utility Systems, including without limitation compliance with Environmental Laws, water quality standards, wastewater discharge requirements, and mandatory connection requirements;

D. Mandatory Connection Requirements. The District specifically agrees to comply with the mandatory connection requirements set forth in any FDEP State Revolving Fund ("SRF") loan agreement to which the City is a party, which require the adoption and enforcement of requirements, consistent with Applicable Law, for the owner, tenant, or occupant of each building located on a lot or parcel of land which is served, or may reasonably be served, by the sewer system to connect such building to the sewer system; and

E. Other Liabilities. All other liabilities, obligations, and responsibilities of the City relating to the Utility Systems arising on or after the Transfer Date.

III. Excluded Liabilities. Notwithstanding anything to the contrary in this Agreement, the District shall not assume and shall not be responsible for any liabilities or obligations of the City:

A. Non-Utility Liabilities. That do not relate to the Utility Systems or the provision of water and sewer services; or

B. Retained Liabilities. That are specifically designated as retained by the City pursuant to this Agreement.

IV. Closing and Transfer Documents. On or before the Transfer Date, the parties shall execute, acknowledge, and deliver, or cause to be executed, acknowledged, and delivered, all documents and instruments necessary or appropriate to effectuate the transfer contemplated by this Article II, including without limitation:

A. The Bill of Sale and Assignment;

B. The Deed or Ground Lease, as applicable;

C. Assignments of contracts, Permits, and other rights (to the extent assignable);

D. Consents and approvals from third parties and Governmental Authorities (to the extent required);

E. Certificates of good standing and resolutions authorizing the transaction;

F. Estoppel certificates and lien waivers (if applicable);

G. Such other documents and instruments as may be reasonably required by either party or its counsel to effectuate the transfer.

V. Title to Real Property. The City shall convey or lease the Real Property to the District free and clear of all Liens, except for:

A. Liens for current year ad valorem taxes and assessments not yet due and payable;

B. Utility easements, rights-of-way, and other non-monetary encumbrances of record that do not materially interfere with the current use and operation of the Real Property;

- C. Liens securing Assumed Obligations; and
- D. Other encumbrances approved in writing by the District.

VI. Cooperation in Transfer. The City and the District shall cooperate fully with each other to effectuate the transfer of the Utility Systems by the Transfer Date, including without limitation:

- A. Providing access to properties, facilities, books, records, and personnel;
- B. Executing and delivering all documents and instruments required to assign or transfer Permits, contracts, and other rights;
- C. Obtaining all necessary consents, approvals, and authorizations from third parties and Governmental Authorities;
- D. Providing notices to customers, vendors, regulators, and other interested parties;
- E. Training District personnel on the operation and maintenance of the Utility Systems; and
- F. Taking all other actions reasonably necessary to ensure a smooth and orderly transition.

ARTICLE III — COMPENSATION FOR REAL PROPERTY

I. Election of Transfer Structure. Within [INSERT NUMBER] days after the Effective Date, the parties shall meet and confer in good faith to determine whether the Real Property shall be (i) conveyed to the District by Deed in exchange for payment of the Purchase Price, or (ii) leased to the District pursuant to the Ground Lease in exchange for payment of Ground Lease Rent. The parties' determination shall be memorialized in a written amendment to this Agreement executed by both parties. If the parties are unable to agree on the transfer structure within such period, the default structure shall be a Ground Lease as provided in Section III.A.2 below.

A. Alternative Compensation Structures.

1. Sale and Purchase Price. If the parties elect to structure the Real Property transfer as a sale, the Purchase Price shall be determined as follows:

- a. The City and the District shall jointly retain a qualified independent appraiser, licensed in the State of Florida and having at least ten (10) years of experience in appraising utility infrastructure and real property, to prepare an appraisal of the fair market value of the Real Property as of a date not more than ninety (90) days prior to the Transfer Date. The appraisal shall be prepared in accordance with the Uniform Standards of Professional Appraisal Practice ("USPAP").
- b. The appraiser's determination of fair market value shall be binding on the parties and shall constitute the Purchase Price, subject to the parties' right to challenge the appraisal for fraud, manifest error, or failure to comply with USPAP.
- c. The Purchase Price shall be payable [INSERT PAYMENT TERMS: e.g., in full on the Transfer Date, or in installments over a period of [] *years with interest at the rate of* [] % per annum]. [Pending Client Confirmation: payment structure and interest rate]
- d. If the Purchase Price is payable in installments, the District shall execute and deliver to the City a promissory note substantially in the form attached hereto as Exhibit E, and such note shall be secured by [INSERT SECURITY: e.g., a mortgage on the Real Property, a pledge of District revenues, or other security acceptable to the City].
- e. All costs and expenses of the appraisal shall be paid by the District.

2. Ground Lease and Rent. If the parties elect to structure the Real Property transfer as a lease, the Ground Lease Rent and other terms shall be determined as follows:

- a. The City and the District shall jointly retain a qualified independent appraiser, licensed in the State of Florida and having at least ten (10) years of experience in appraising utility infrastructure and real

property, to prepare an appraisal of the fair market rental value of the Real Property as of a date not more than ninety (90) days prior to the Transfer Date. The appraisal shall be prepared in accordance with USPAP.

- b. The appraiser's determination of fair market rental value shall constitute the initial annual Ground Lease Rent, subject to the parties' right to challenge the appraisal for fraud, manifest error, or failure to comply with USPAP.
- c. The Ground Lease Rent shall be payable annually in advance on [INSERT PAYMENT DATE: e.g., the first day of each fiscal year of the District], commencing on [INSERT COMMENCEMENT DATE].
- d. The Ground Lease Rent shall be adjusted every [INSERT ADJUSTMENT PERIOD: e.g., five (5) years] based on [CPI? Set %?; re-appraisal?]
- e. The term of the Ground Lease shall be fifty (50) years, with options for the District to renew for two (2) additional twenty (20)-year periods upon the terms and conditions set forth in the Ground Lease.
- f. All costs and expenses of the appraisal and re-appraisals (if applicable) shall be paid for by the District.
- g. The Ground Lease shall contain such other terms and conditions as are customary for ground leases of utility infrastructure, including without limitation maintenance obligations, insurance requirements, permitted uses, assignment and subletting restrictions, default and remedies provisions, and surrender conditions.

B. Timing of Payment. All payments of Purchase Price or Ground Lease Rent shall be made by the District to the City in accordance with the payment schedule set forth in this Article III or in the applicable Deed, Ground Lease, or promissory note. Payments shall be made by wire transfer of immediately

available funds to an account designated by the City, or by such other method as the parties may mutually agree.

C. Late Payments. If the District fails to make any payment of Purchase Price or Ground Lease Rent when due, the District shall pay interest on the overdue amount at the rate of ten percent (10%) per annum from the due date until paid in full. The City shall have all remedies available under this Agreement, the Deed, the Ground Lease (if applicable), and Applicable Law, including without limitation the remedies set forth in Article XIII hereof.

II. Recording. The Deed or Ground Lease, as applicable, shall be recorded in the Official Records of Franklin County, Florida promptly following execution and delivery. The District shall pay all recording fees, documentary stamp taxes, and other costs and expenses of recording.

ARTICLE IV — SERVICE CHARGES TO THE CITY

I. City as Customer. Following the Transfer Date, the District shall provide water, wastewater, and reuse services to the City for City facilities and operations within the District Service Area. The City shall receive 600,000 gallons per month at no charge, amounts over 600,000 gallons per month shall be paid for by the City in accordance with the Service Charges established by the District from time to time pursuant to this Article IV.

II. Establishment of Service Charges. The District shall establish Service Charges for water, wastewater, and reuse services in accordance with the Enabling Act, Applicable Law, and sound utility ratemaking principles. Service Charges shall be just, reasonable, and equitable, and shall be designed to:

A. Recover the full cost of providing services, including without limitation operating expenses, maintenance costs, capital costs, debt service, reserves, and Administrative Expenses;

B. Maintain the financial integrity and creditworthiness of the District;

C. Comply with rate covenants and other requirements set forth in bond indentures, loan agreements, and other financing documents; and

D. Promote conservation and the efficient use of water resources.

III. Rate-Setting Process. The District shall adopt Service Charges in accordance with the notice and hearing requirements of Applicable Law. The District shall provide the City with at least [INSERT NOTICE PERIOD: e.g., sixty (60)] days' advance written notice of any proposed change in Service Charges that would affect the City.

IV. City's Rates. The Service Charges applicable to the City for water, wastewater, and reuse services shall be the same as the Service Charges applicable to other customers of the District in the same customer class. The City shall not receive preferential rates, discounts, or other special treatment, except to the extent that the City's usage characteristics or service requirements place it in a different customer class for which different rates are justified under sound utility ratemaking principles.

v. Billing and Payment. The District shall bill the City for services on a monthly basis in arrears. The City shall pay all undisputed amounts within thirty (30) days after receipt of an invoice. The City may dispute any charge in good faith by providing written notice to the District within fifteen (15) days after receipt of the invoice, specifying the basis for the dispute. The parties shall meet and confer in good faith to resolve any dispute. Pending resolution of any dispute, the City shall pay all undisputed amounts when due.

VI. Continuity of Service. Notwithstanding anything to the contrary in this Agreement, the District shall not discontinue or interrupt water or wastewater service to the City for any City facility that provides essential public services (including without limitation police, fire, emergency medical services, schools, hospitals, and government offices) except in the case of emergency or for scheduled maintenance of which the City has received at least [INSERT NOTICE PERIOD: e.g., seventy-two (72)] hours' advance written notice.

ARTICLE V — INDEMNIFICATION

I. Indemnification by District. Subject to the limitations set forth in this Article V, the District shall indemnify, defend, and hold harmless the City and its officers, officials, employees, agents, and representatives (collectively, the "City Indemnified Parties") from and against any and all Losses arising out of or relating to:

- A. The ownership, operation, maintenance, or condition of the Utility Systems;
- B. The provision of water, wastewater, or reuse services by the District on or after the Transfer Date;
- C. The District's breach of any representation, warranty, covenant, or obligation under this Agreement;
- D. The District's failure to comply with Applicable Law in connection with the Utility Systems or the provision of services on or after the Transfer Date;
- E. Any Assumed Obligations; or
- F. The acts or omissions of the District, the District Board, or any officer, employee, agent, contractor, or representative of the District in connection with the Utility Systems or the provision of services on or after the Transfer Date;

provided, however, that the District shall not be obligated to indemnify any City Indemnified Party to the extent that any such Losses result from the gross negligence, willful misconduct, or breach of this Agreement by such City Indemnified Party.

II. Procedures.

- A. **Notice.** A party seeking indemnification under this Article V (an "Indemnified Party") shall promptly notify the party from whom indemnification is sought (an "Indemnifying Party") in writing of any claim, action, proceeding, or demand for which indemnification is sought, together with reasonably detailed information concerning the nature and basis of such claim. Failure to provide such notice shall not relieve the Indemnifying Party of its indemnification

obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure.

B. Defense. The Indemnifying Party shall have the right, at its option and expense, to assume the defense of any third-party claim, action, or proceeding for which indemnification is sought, with counsel reasonably acceptable to the Indemnified Party. If the Indemnifying Party assumes such defense, the Indemnified Party shall have the right to participate in such defense at its own expense. The Indemnifying Party shall not settle any claim without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld, conditioned, or delayed, unless such settlement includes a full and unconditional release of the Indemnified Party.

III. Cooperation. The Indemnified Party shall cooperate fully with the Indemnifying Party in the defense of any claim for which indemnification is sought, including without limitation providing access to records and personnel and executing documents as reasonably requested by the Indemnifying Party.

IV. Limitations on Indemnification.

A. Sovereign Immunity. Nothing in this Agreement shall be deemed a waiver of sovereign immunity by the City, the County, or the District beyond the extent permitted by Section 768.28, Florida Statutes. The indemnification obligations set forth in this Article V are subject to the limitations and procedures of Section 768.28, Florida Statutes, and shall not be construed as consent by any party to be sued or as a waiver of sovereign immunity beyond the limits established by Florida law.

B. No Consequential Damages. Notwithstanding anything to the contrary in this Agreement, no party shall be liable to any other party for indirect, special, incidental, punitive, or consequential damages, including without limitation loss of revenues, profits, or business opportunities, whether arising in contract, tort, or otherwise, except to the extent that such damages are recovered by a third party in a claim for which indemnification is required under this Article V.

C. Exclusive Remedy. Except as otherwise expressly provided in this Agreement, the indemnification provisions of this Article V shall be the sole and exclusive remedy of the Indemnified Parties for Losses arising out of the matters covered by such indemnification.

D. Survival. The indemnification obligation set forth in this Article V shall survive the expiration or termination of this Agreement and shall continue in full force and effect with respect to claims arising out of events occurring prior to such expiration or termination.

ARTICLE VI— PERMITS, LICENSES, CONTRACTS, AND OBLIGATIONS

I. Transfer and Assignment of Permits. On or before the Transfer Date, the City and the District shall cooperate fully to transfer or assign to the District, or to obtain in the District's name, all Permits necessary for the ownership, operation, maintenance, and improvement of the Utility Systems, including without limitation:

A. Transferable Permits. To the extent permitted by Applicable Law and the terms of the Permits, the City shall assign to the District all transferable Permits, and the City and the District shall jointly submit all notices, applications, and other documents required by the issuing Governmental Authority to effectuate such assignment.

B. Non-Transferable Permits. To the extent that any Permit is not transferable under Applicable Law or the terms of such Permit, the District shall apply for a new Permit in its own name, and the City shall cooperate fully with the District in connection with such application, including without limitation providing access to records and facilities, executing consents and authorizations, and providing technical information and support.

C. Continuation of Operations. Pending the transfer or issuance of Permits in the District's name, the City shall, to the extent permitted by Applicable Law, allow the District to operate under the City's existing Permits, and the City shall

remain the permittee of record but the District will indemnify per Article V and have all responsibility for compliance with such Permits in place of the City until such time as the Permits are transferred to or reissued in the name of the District.

D. Costs. All costs and expenses incurred in connection with the transfer, assignment, or issuance of Permits, including without limitation application fees, engineering studies, and legal fees, shall be borne by the District.

II. Assignment of Contracts. On or before the Transfer Date, the City shall assign to the District, to the extent assignable under their terms and Applicable Law, all contracts, agreements, leases, purchase orders, and other arrangements relating to the Utility Systems, as more particularly described in Schedule 3 hereto, including without limitation:

- A. Operating and maintenance contracts;
- B. Professional services agreements (engineering, legal, accounting, consulting);
- C. Supply and procurement contracts;
- D. Customer service agreements;
- E. Interlocal agreements with other governmental entities; and
- F. Easement agreements, license agreements, and rights-of-way agreements.

The City and the District shall jointly seek any required third-party consents to such assignments. To the extent that any contract is not assignable without consent and such consent is not obtained, the parties shall cooperate in good faith to establish alternative arrangements. The District agrees that it is assuming all contractual duties and obligations of the City after the Transfer Date.

III. Assumption of Loan and Bond Obligations. On the Transfer Date, the District shall assume and agree to pay, perform, and discharge when due all outstanding loan obligations and bond obligations of the City relating to the Utility Systems, including without limitation:

- A. FDEP State Revolving Fund Loans.** [INSERT DESCRIPTION OF SRF LOANS, WE SHOULD TRY TO INCLUDE ORIGINAL PRINCIPAL AMOUNT, OUTSTANDING BALANCE AS OF TRANSFER DATE, INTEREST RATE, MATURITY DATE, AND LOAN NUMBER, WE CAN ATTACH A SCHEDULE AS NEEDED]. The District shall execute an assumption agreement and such other documents as may be required by FDEP and the loan documents to effectuate the assumption.
- B. Revenue Bonds.** [INSERT DESCRIPTION OF REVENUE BONDS, ORIGINAL PRINCIPAL AMOUNT, OUTSTANDING BALANCE AS OF TRANSFER DATE, INTEREST RATE, MATURITY DATE, CUSIP NUMBERS, AND TRUSTEE]. The District shall execute a supplemental indenture or other documents as may be required by the bond trustee and the bond documents to effectuate the assumption.
- C. Other Debt.** [INSERT DESCRIPTION OF ANY OTHER LOANS, NOTES, OR DEBT OBLIGATIONS].

The City shall cooperate fully with the District to obtain all consents, approvals, and authorizations required from lenders, bondholders, trustees, and other parties to effectuate the assumption of such obligations. All costs and expenses incurred in connection with such assumption, including without limitation legal fees, rating agency fees, and consent fees, shall be borne by the District.

IV. Mandatory Connection Requirement. The District specifically acknowledges and agrees that it shall comply with all mandatory connection requirements imposed by any loan agreement, bond indenture, or Permit to which the City is a party or by which the Utility Systems are bound, including without limitation the requirement that the District adopt and enforce, consistent with Applicable Law, a mandatory connection ordinance or resolution requiring the owner, tenant, or occupant of each building located on a lot or parcel of land that is served, or may reasonably be served, by the sewer system to connect such building to the sewer

system. The District shall adopt such mandatory connection ordinance or resolution within ninety (90) days after the Transfer Date.

V. Regulatory Compliance. The District shall comply with all requirements of Applicable Law relating to the ownership, operation, maintenance, and improvement of the Utility Systems, including without limitation all Environmental Laws, public health and safety requirements, water quality standards, wastewater discharge requirements, and reporting and recordkeeping obligations. The District shall maintain all Permits in good standing and shall timely submit all reports, notifications, and other documents required by Governmental Authorities.

VI. City Cooperation. Following the Transfer Date, the City shall reasonably cooperate with the District in connection with regulatory and permitting matters, including without limitation:

- A. Providing historical records, data, and information relating to the Utility Systems;
- B. Executing consents, authorizations, and certifications reasonably requested by Governmental Authorities;
- C. Providing testimony or affidavits in connection with permit applications or regulatory proceedings; and
- D. Assisting the District in responding to enforcement actions or claims relating to events occurring prior to the Transfer Date.

The District shall reimburse the City for reasonable staff time, out-of-pocket costs and expenses incurred by the City in providing such cooperation, in accordance with the reimbursement provisions of Article X hereof.

VII. District Cooperation. Following the Transfer Date, the City shall reasonably cooperate with the District in connection with regulatory and permitting matters, including without limitation:

- A. Providing access to historical records, data, and information relating to the Utility Systems turned over by the City to the District as needed;
- B. Executing consents, authorizations, and certifications reasonably requested by Governmental Authorities;
- C. Providing testimony or affidavits in connection with permit applications or regulatory proceedings; and
- D. Assisting the City in responding to enforcement actions or claims relating to events occurring prior to the Transfer Date.
- E. Coordinating at no cost with the City to ensure there is no conflict between City stormwater facilities, sanitation service or other City function being conducted in areas co-located with Utility improvements.

The City shall reimburse the District for reasonable staff time, out-of-pocket costs and expenses incurred by the District in providing such cooperation, in accordance with the reimbursement provisions of Article X hereof.

ARTICLE VII — EMPLOYEE RETENTION AND TRANSITION

- I. Offer of Employment.** On or before thirty (30) days prior to the Transfer Date, the District shall offer employment to all City Employees, on terms and conditions determined by the District in its sole discretion, subject to the minimum retention provisions of Section VII.II below. The District's offers of employment shall be in writing and shall specify the position, compensation, benefits, and other terms and conditions of employment.
- II. Minimum Retention Period.** For those City Employees who accept employment with the District and become Transferred Employees, the District agrees that it shall not terminate the employment of any Transferred Employee without cause during the period commencing on the Transfer Date and ending on December 1, 2028 (the "Minimum Retention Period"), except in the case of:

- A. Termination for cause (including but not limited to willful misconduct, gross negligence, insubordination, theft, fraud, conviction of a felony, or violation of District policies);
- B. Reduction in force due to elimination of positions for bona fide economic or operational reasons, provided that the District provides at least sixty (60) days' advance written notice to affected Transferred Employees and complies with all applicable employment laws; or
- C. Voluntary resignation, retirement, disability, or death of the Transferred Employee.

III. Florida Retirement System. The District acknowledges that Transferred Employees who are members of the Florida Retirement System shall continue their membership in FRS in accordance with Chapter 121, Florida Statutes, and the Enabling Act. The District shall be responsible for making all required employer contributions to FRS on behalf of Transferred Employees and for complying with all reporting and administrative requirements of FRS.

IV. Seniority and Accrued Benefits. The District shall recognize and credit Transferred Employees' years of service with the City for purposes of determining seniority, vacation accrual, and other benefits to the extent permitted by the District's personnel policies and Applicable Law. The City shall pay to each Transferred Employee, on or before the Transfer Date, all accrued but unused vacation, sick leave, and other leave balances to the extent required by the City's personnel policies and Applicable Law, and the District shall have no liability for such accrued leave balances.

V. No Third-Party Rights. Nothing in this Article VII shall create any third-party rights or enforceable obligations in favor of any City Employee or Transferred Employee, and no City Employee or Transferred Employee shall be a third-party beneficiary of this Agreement. The District shall have the sole and exclusive right to determine the terms and conditions of employment for all District employees, subject only to the minimum retention provisions of Section VII.II above and Applicable Law.

VI. City's Obligations. The City shall be responsible for all compensation, benefits, and other obligations owed to City Employees for periods prior to the Transfer Date, including without limitation salary, wages, bonuses, accrued leave, retirement contributions, health insurance, workers' compensation, unemployment compensation, and any other employee benefits. The City shall timely pay all such obligations and shall indemnify and hold harmless the District from any claims by City Employees relating to periods prior to the Transfer Date.

ARTICLE VIII — RIGHTS-OF-WAY AND COOPERATION

I. Use of Rights-of-Way. The District is hereby authorized to construct, install, operate, maintain, repair, replace, and remove water mains, sewer mains, service lines, meters, valves, hydrants, lift stations, and other utility facilities and appurtenances (collectively, "Utility Facilities") in, on, over, under, across, and along any public Right-of-Way owned or controlled by the City or the County, subject to the notice and coordination requirements set forth in this Article VIII.

II. Notice and Permit Requirements.

A. Routine Maintenance and Repairs. The District may perform routine maintenance, repairs, and emergency work on existing Utility Facilities located in City or County Rights-of-Way without prior notice or permit, provided that the District notifies the City or County, as applicable, within twenty-four (24) hours after commencing such work and restores the Right-of-Way to its prior condition as soon as practicable.

B. New Construction and Major Work. For any new construction, replacement, or major modification of Utility Facilities in City or County Rights-of-Way (other than emergency work), the District shall:

1. Provide at least thirty (30) days advance written notice to the City or County, as applicable, describing the nature, location, and schedule of the proposed work;

2. Obtain any required Right-of-Way permit or other authorization from the City or County in accordance with applicable ordinances and regulations; and
3. Coordinate the work with the City or County to minimize disruption to traffic, other utilities, and the public.

C. Emergency Work. In the event of an emergency requiring immediate work to protect public health, safety, or welfare, or to prevent significant property damage or service interruption, the District may commence work without prior notice or permit, provided that the District notifies the City or County, as applicable, as soon as practicable and, in any event, within twenty-four (24) hours after commencing such work.

III. Restoration and Compliance. The District shall, at its sole cost and expense:

- A.** Restore all Rights-of-Way disturbed by the District's work to their prior condition, or to such other condition as may be required by the City or County;
- B.** Comply with all applicable City and County ordinances, regulations, and standards relating to work in Rights-of-Way, including without limitation traffic control, erosion control, utility coordination and pavement restoration requirements;
- C.** Obtain and comply with all required permits and authorizations from the City, County, and other Governmental Authorities; and
- D.** Indemnify, defend, and hold harmless the City and County from any claims arising out of the District's work in Rights-of-Way, subject to the limitations set forth in Article V hereof.

IV. Coordination with Other Work. The City and County shall provide the District with reasonable advance notice of any planned road construction, resurfacing, utility relocations, or other work in Rights-of-Way that may affect the District's Utility Facilities, and the parties shall coordinate such work to minimize conflicts, costs, and disruptions.

V. Relocation. If the City or County requires the District to relocate Utility Facilities to accommodate a public improvement project, the District shall relocate such facilities at the District's sole cost and expense, unless (i) the City or County has agreed in writing to reimburse the District for some or all of the relocation costs, or (ii) Applicable Law requires the City or County to bear such costs.

VI. County Participation. Franklin County, by execution of this Agreement, acknowledges and consents to the provisions of this Article VIII and agrees to cooperate with the City and the District in implementing such provisions with respect to County Rights-of-Way.

ARTICLE IX — CAPITAL IMPROVEMENT PLAN

I. Preparation and Submission. Commencing with the District's first full fiscal year following the Transfer Date, and annually thereafter, the District shall prepare and submit to the City a comprehensive five-year Capital Improvement Plan for the Utility Systems. The CIP shall be submitted to the City no later than ninety (90) days prior to the beginning of the District's fiscal year].

II. Contents of CIP. The CIP shall include, at a minimum:

- A.** A description of each proposed capital project, including the nature, scope, and location of the project;
- B.** The estimated cost of each project and the proposed source of funding;
- C.** The proposed schedule for design, permitting, construction, and completion of each project;
- D.** An analysis of the need for and benefits of each project;
- E.** A demonstration of consistency with the City Comprehensive Plan and the City LDC; and
- F.** Such other information as the City may reasonably request.

III. City Review. The City shall review the CIP for consistency with the City Comprehensive Plan and the City LDC. Within forty-five (45) days after receipt

of the CIP, the City shall notify the District in writing of any inconsistencies or concerns. The District shall consider the City's comments and shall modify the CIP as necessary to achieve consistency with the City Comprehensive Plan and the City LDC, or shall provide a written explanation of why modification is not necessary or feasible.

IV. No Approval Requirement. Nothing in this Article IX shall be construed as requiring the City's approval of the CIP or any capital project included therein. The District shall have sole authority to approve, modify, and implement capital projects, subject to the requirements of Applicable Law and the District's obligations under this Agreement.

V. Updates. The District shall promptly notify the City of any material changes to the CIP during the fiscal year, including the addition, deletion, or substantial modification of capital projects.

ARTICLE X — POST-TRANSFER TRANSITION SUPPORT AND REIMBURSEMENT

I. Transition Services. For a period of twelve (12) months following the Transfer Date (the "Transition Period"), the City shall provide reasonable transitional support and assistance to the District to facilitate the orderly transfer and assumption of the Utility Systems, including without limitation:

- A.** Access to City personnel with knowledge of the Utility Systems for consultation and training;
- B.** Assistance in locating and interpreting historical records, drawings, and documentation;
- C.** Technical support in operating and maintaining specialized equipment or systems;
- D.** Assistance in transitioning customer accounts, billing systems, and customer service functions; and

- E. Such other support and assistance as the District may reasonably request and the City reasonably agrees to provide.

II. Reimbursement for Post-Transfer Transition Services.

A. Extended Transition Services. If the District requests transition services or if extraordinary transition efforts are required due to unforeseen circumstances, the District shall reimburse the City for the reasonable and documented costs incurred by the City in providing such services, including without limitation:

1. Direct labor costs (salary and benefits) of City employees providing services, calculated at the employees' regular hourly rates plus applicable benefits;
2. Reasonable overhead costs allocated to such services, not to exceed fifteen percent (15%) of direct labor costs;
3. Direct out-of-pocket expenses incurred by the City, including without limitation consultant fees, materials, travel, and other costs directly attributable to the provision of transition services; and
4. Such other costs as the parties may mutually agree in writing.

III. Invoicing and Payment. The City shall invoice the District monthly for reimbursable transition costs, accompanied by reasonably detailed documentation supporting such costs. The District shall pay all undisputed amounts within thirty (30) days after receipt of an invoice. The District may dispute any charge in good faith by providing written notice to the City within fifteen (15) days after receipt of the invoice, specifying the basis for the dispute. The parties shall meet and confer in good faith to resolve any dispute promptly.

IV. Limitation. Nothing in this Article X shall obligate the City to provide transition services indefinitely or to maintain staffing, resources, or expertise beyond the Transition Period for the purpose of supporting the District. The District acknowledges that it is solely responsible for acquiring and maintaining the personnel, expertise, and resources necessary to operate the Utility Systems during the Transition Period.

ARTICLE XI — RIGHT OF FIRST REFUSAL

I. Grant of Right. The District hereby grants to the City a right of first refusal (the "Right of First Refusal") to:

- A. Asset Acquisition.** Purchase or otherwise acquire any material assets of the Utility Systems that the District proposes to sell, transfer, or otherwise dispose of to a third party, other than dispositions in the ordinary course of business (such as the sale of obsolete or surplus equipment or materials); and
- B. Service Territory.** Provide water and/or sewer services to any portion of the District Service Area in the event of Dissolution of the District.

II. Exercise of Right — Asset Acquisition.

- A. Notice.** If the District proposes to sell, transfer, or otherwise dispose of any material asset of the Utility Systems to a third party (other than a disposition in the ordinary course of business), the District shall provide written notice to the City (the "Asset Offer Notice") describing the asset, the proposed purchase price or other consideration, the proposed purchaser or transferee, and all other material terms and conditions of the proposed transaction.
- B. City's Election.** The City shall have sixty (60) days from receipt of the Asset Offer Notice (the "Asset Election Period") to notify the District in writing of the City's election to purchase or acquire the asset on the same terms and conditions subject to adjustment for inflation as they were acquired by the District. Any purchase monies paid to the District by the City will be subject to adjustment for inflation during the period of ownership by the District.
- C. Closing.** If the City timely elects to exercise its Right of First Refusal, the parties shall close the transaction within ninety (90) days after the expiration of the Asset Election Period, or such other period as the parties may mutually agree.

D. Third-Party Sale. If the City does not timely exercise its Right of First Refusal, or if the City elects not to exercise such right, the District may proceed to sell or transfer the asset to the third party.

III. Exercise of Right — Dissolution.

A. Notice. If the District determines to pursue Dissolution, the District shall provide written notice to the City (the "Dissolution Notice") at least one hundred eighty (180) days prior to the proposed effective date of Dissolution, describing the proposed plan of Dissolution and the proposed disposition of the Utility Systems and other assets of the District. XI.II.B.

B. City's Election. The City shall have ninety (90) days from receipt of the Dissolution Notice (the "Dissolution Election Period") to notify the District in writing of the City's election to:

1. Acquire all or any portion of the assets of the Utility Systems;
2. Assume responsibility for providing water and/or sewer services to all or any portion of the District Service Area; or
3. Both of the foregoing.

C. Terms and Negotiation. If the City timely elects to exercise its Right of First Refusal, the parties shall negotiate in good faith the terms and conditions upon which the City shall acquire assets and/or assume service responsibilities, including without limitation re-purchase price, assumption of liabilities, transition of employees, transfer of permits, and other matters. Such terms shall be memorialized in a definitive agreement executed by both parties in the same manner as section XI.II.B. above.

D. Closing. The parties shall close the transaction contemplated by the definitive agreement within one hundred eighty (180) days after execution of such agreement, or such other period as the parties may mutually agree.

E. Disposition to Others. If the City does not timely exercise its Right of First Refusal, within one hundred twenty (120) days after expiration of the Dissolution Election Period, the District may proceed to dispose of its assets

and wind up its affairs in accordance with Applicable Law and the plan of Dissolution, provided that the District shall give preference to other public entities over private entities in disposing of the Utility Systems.

IV. Survival. The provisions of this Article XI shall survive the expiration or earlier termination of this Agreement and shall remain in full force and effect until the Dissolution of the District or the transfer of all assets of the Utility Systems.

ARTICLE XII — INTERLOCAL SERVICE BOUNDARIES

I. Recognition of Boundaries. The parties acknowledge and agree that Section 171.203, Florida Statutes, governs interlocal service boundary agreements and is intended to avoid disputes and costly litigation regarding the provision of services in areas where the service areas of two or more units of local government overlap or are adjacent.

II. District Service Area. The District Service Area is established pursuant to the Enabling Act and includes the City service area as of December 1, 2026. The parties agree that the District has the exclusive right and responsibility to provide water and sewer services within the District Service Area, subject to the terms of this Agreement and Applicable Law.

III. City Limitations. The City agrees that, following the Transfer Date, it shall not provide water or sewer services within the District Service Area, except as may be specifically authorized by the District or required by Applicable Law. The City further agrees that it shall not extend water or sewer service to any property located outside the current City limits but within the District Service Area without the prior written consent of the District, which consent may be withheld in the District's sole discretion.

IV. District Limitations. The District agrees that it shall not provide water or sewer services to any property located outside the District Service Area without complying with the requirements of Section 171.203, Florida Statutes, which may include obtaining the consent of the City or County if such property is within a City or County service area or potential service area.

V. Annexation. In the event that the City annexes territory that is located within the District Service Area, the District shall continue to have the right and responsibility to provide water and sewer services to such annexed territory, unless the City and the District agree otherwise in writing. Any such agreement shall comply with the requirements of Section 171.203, Florida Statutes.

VI. Dispute Resolution. Any dispute between the City and the District regarding service boundaries, service areas, or the provision of services shall be resolved in accordance with the dispute resolution procedures set forth in Article XIII hereof and Section 171.203, Florida Statutes.

ARTICLE XIII — DISPUTE RESOLUTION

I. Informal Resolution. In the event of any dispute, controversy, or claim arising out of or relating to this Agreement, or the breach, termination, or invalidity thereof (a "Dispute"), the parties shall first attempt to resolve the Dispute informally through good faith negotiations between authorized representatives of the parties. Either party may initiate such negotiations by providing written notice to the other party describing the Dispute in reasonable detail.

II. Mediation. If the parties are unable to resolve the Dispute through informal negotiations within thirty (30) days after delivery of the notice described in Section XIII.I, the parties agree to submit the Dispute to non-binding mediation in accordance with Chapter 164, Florida Statutes (the "Florida Governmental Conflict Resolution Act"). The parties shall jointly select a qualified mediator and shall share equally the costs of mediation. The mediation shall be conducted in Franklin County, Florida, unless the parties agree otherwise.

III. Litigation. If the parties are unable to resolve the Dispute through mediation within thirty (30) days following the conclusion of the mediation proceedings, or if either party declines to participate in mediation, either party may commence litigation to resolve the Dispute. Any such litigation shall be filed

in the Circuit Court in and for Franklin County, Florida, and the parties hereby consent to the exclusive jurisdiction and venue of such court.

IV. Continued Performance. Except as otherwise expressly provided in this Agreement, the parties shall continue to perform their respective obligations under this Agreement during the pendency of any Dispute, unless and until this Agreement is terminated in accordance with its terms.

v. Costs and Attorneys' Fees. In any litigation or other proceeding to enforce or interpret this Agreement, the prevailing party shall be entitled to recover its reasonable costs and attorneys' fees from the non-prevailing party.

ARTICLE XIV — TERM AND TERMINATION

I. Term. This Agreement shall commence on the Effective Date and, unless earlier terminated in accordance with this Article XIV, shall continue in full force and effect for an initial term of thirty (30) years from the Transfer Date (the "Initial Term"). Upon the expiration of the Initial Term, this Agreement shall automatically renew for successive five (5)-year terms (each, a "Renewal Term"), unless either party provides written notice of non-renewal to the other party at least one hundred eighty (180) days prior to the expiration of the then-current term.

II. Termination for Cause. Either party may terminate this Agreement for cause upon written notice to the other party if:

A. The other party materially breaches any representation, warranty, covenant, or obligation under this Agreement and fails to cure such breach within sixty (60) days after receipt of written notice thereof (or such longer period as may be reasonably required to cure such breach, provided that the breaching party commences cure within such sixty (60)-day period and diligently pursues cure to completion); or

- B.** The other party becomes insolvent, makes a general assignment for the benefit of creditors, files or has filed against it a petition in bankruptcy or for reorganization or for the adoption of an arrangement under any bankruptcy or insolvency law, or a receiver or trustee is appointed for the other party or for a substantial part of its property and such appointment is not vacated within sixty (60) days.

III. Effect of Termination.

- A. Accrued Rights and Obligations.** Termination or expiration of this Agreement shall not affect any rights or obligations of the parties that have accrued prior to the effective date of termination or expiration, including without limitation any Financial Obligations, indemnification obligations, or other obligations that by their terms survive termination or expiration.
- B. Continuing Obligations.** The provisions of Articles V (Indemnification), XI (Right of First Refusal), XIII (Dispute Resolution), and XV (Miscellaneous) shall survive the expiration or termination of this Agreement.
- C. Transition.** Upon termination of this Agreement, the parties shall cooperate in good faith to ensure an orderly transition, including but not limited to the transfer of records, data, and information, the return of property, and the wind-up of any ongoing matters.

- IV. No Unilateral Termination.** Notwithstanding anything to the contrary in this Agreement, neither party may terminate this Agreement without cause or for convenience.

ARTICLE XV — MISCELLANEOUS PROVISIONS

- I. Notices.** All notices, consents, approvals, demands, requests, and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given and received:
 - A.** On the date of delivery, if delivered personally or by confirmed facsimile or electronic mail transmission;

- B.** On the first business day following the date of deposit, if sent by a nationally recognized overnight courier service; or
- C.** On the third business day following the date of mailing, if mailed by certified or registered mail, return receipt requested, postage prepaid.

All notices shall be addressed as follows:

If to the City:

City	of	Apalachicola
Attention:	City	Manager
1	Bay	Avenue
Apalachicola,	Florida	32328
Email:		

With a copy to:

City Attorney
Daniel W. Hartman
PO Box 10910
Tallahassee, FL 32302
Email: dan@fllegalteam.com

If to the District:

Apalachicola Water and Sewer District
Attention: Executive Director or Board Chair]
[INSERT DISTRICT ADDRESS]
Email: [INSERT EMAIL ADDRESS]

With a copy to:

[INSERT DISTRICT ATTORNEY NAME AND ADDRESS]

If to the County:

Franklin County Board of County Commissioners
Attention: County Administrator

Email: [INSERT EMAIL ADDRESS]

With a copy to:

[INSERT COUNTY ATTORNEY NAME AND ADDRESS]

Either party may change its address for notice by providing written notice to the other party in accordance with this Section XV.I.

II. Governing Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without regard to conflicts of law principles. Venue for any action or proceeding arising out of or relating to this Agreement shall be in the Circuit Court in and for Franklin County, Florida.

III. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Neither party may assign, delegate, or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other party, except that the District may, without consent, assign its rights and obligations hereunder to a successor entity in the event of a merger, consolidation, or reorganization of the District authorized by law.

IV. Amendments. This Agreement may not be amended, modified, or supplemented except by a written instrument executed by duly authorized representatives of both parties and, if required by Applicable Law, approved by resolution or ordinance of the governing bodies of the parties.

V. Waiver. No waiver of any provision of this Agreement shall be effective unless in writing and signed by the party against whom the waiver is sought to be enforced. No failure or delay by either party in exercising any right, power, or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege.

- VI. Severability.** If any provision of this Agreement is held to be invalid, illegal, or unenforceable by a court of competent jurisdiction, such provision shall be deemed severed from this Agreement, and the remaining provisions shall continue in full force and effect to the maximum extent permitted by law, provided that the severance of such provision does not materially alter the rights and obligations of the parties or frustrate the fundamental purpose of this Agreement.
- VII. No Third-Party Beneficiaries.** This Agreement is solely for the benefit of the parties hereto, and no provision of this Agreement shall create any right in or benefit to any third party, including without limitation any employee, customer, contractor, or other person or entity. No third party shall have standing to enforce any provision of this Agreement.
- VIII. Sovereign Immunity.** Nothing in this Agreement shall be deemed a waiver of sovereign immunity by the City, the County, or the District beyond the limits of Section 768.28, Florida Statutes. Each party expressly reserves all immunities, defenses, rights, and protections available to it under the constitution and laws of the State of Florida.
- IX. Counterparts; Electronic Signatures.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Execution and delivery of this Agreement by electronic transmission of a signed signature page shall be as effective as execution and delivery of a manually signed original.
- X. Authority and Representations.** Each party represents and warrants that:
- A. It has full power and authority to enter into and perform this Agreement;
 - B. The execution, delivery, and performance of this Agreement have been duly authorized by all necessary action of its governing body;
 - C. This Agreement constitutes a legal, valid, and binding obligation of such party, enforceable against it in accordance with its terms, subject to applicable

bankruptcy, insolvency, reorganization, moratorium, and similar laws affecting creditors' rights generally and to general principles of equity; and

- D.** The execution, delivery, and performance of this Agreement do not and will not violate any provision of law, regulation, order, judgment, or decree applicable to such party, or any agreement or instrument to which such party is a party or by which it is bound.

XI. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to take such further actions as may be reasonably necessary or appropriate to effectuate the purposes and intent of this Agreement.

XII. Recording. This Agreement, or a short-form memorandum hereof, shall be recorded in the Official Records of Franklin County, Florida, as required by Section 163.01(11), Florida Statutes. The District shall be responsible for recording and shall pay all recording costs.

ARTICLE XVI — SIGNATURE BLOCKS AND EXECUTION

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the day and year first written above.

CITY OF APALACHICOLA, FLORIDA

By: _____

Name: Brenda Ash

Title: Mayor

Date: _____

ATTEST:

By: _____

Name: Sheneidra Cummings

Title: City Clerk

APPROVED AS TO FORM AND CONTENT:

By: _____

Name: Daniel W. Hartman

Title: City Attorney

APALACHICOLA WATER AND SEWER DISTRICT, FLORIDA

By: _____

Name: [INSERT CHAIR OR EXECUTIVE DIRECTOR NAME]

Title: [INSERT TITLE: Chair of the Board or Executive Director]

Date: _____

ATTEST:

By: _____

Name: [INSERT SECRETARY NAME]

Title: Secretary

APPROVED AS TO FORM AND CONTENT:

By: _____

Name: [INSERT DISTRICT ATTORNEY NAME]

Title: District Counsel

FRANKLIN COUNTY, FLORIDA

(Solely for purposes of Articles VIII and IX)

By: _____

Name: Ricky Jones

Title: Chair, Board of County Commissioners

Date: _____

ATTEST:

By: _____

Name: Michelle Maxwell

Title: Clerk of the Circuit Court and Comptroller

APPROVED AS TO FORM AND CONTENT:

By: _____

Name: Thomas Michael Shuler

Title: County Attorney

ACKNOWLEDGMENTS

STATE OF FLORIDA

COUNTY OF FRANKLIN

The foregoing instrument was acknowledged before me by means of ☐ physical presence or ☐ online notarization this ____ day of _____, 2026, by **Brenda Ash**, as Mayor of the City of Apalachicola, Florida, a Florida municipal corporation, on behalf of the corporation. She is personally known to me or has produced _____ as identification.

Notary Public, State of Florida

Name: _____

Commission No.: _____

My Commission Expires: _____

STATE OF FLORIDA
COUNTY OF FRANKLIN

The foregoing instrument was acknowledged before me by means of ☐ physical presence or ☐ online notarization this ____ day of _____, 2026, by [INSERT NAME], as [INSERT TITLE] of the Apalachicola Water and Sewer District, Florida, an independent special district, on behalf of the District. He/She is personally known to me or has produced _____ as identification.

Notary Public, State of Florida

Name: _____

Commission No.: _____

My Commission Expires: _____

STATE OF FLORIDA
COUNTY OF FRANKLIN

The foregoing instrument was acknowledged before me by means of ☐ physical presence or ☐ online notarization this ____ day of _____, 2026, by [INSERT NAME], as Chair of the Board of County Commissioners of Franklin

County, Florida, a political subdivision of the State of Florida, on behalf of the County. He/She is personally known to me or has produced _____ as identification.

Notary Public, State of Florida

Name: _____

Commission No.: _____

My Commission Expires: _____

EXHIBITS AND SCHEDULES

EXHIBIT A — FORM OF BILL OF SALE AND ASSIGNMENT

BILL OF SALE, ASSIGNMENT, AND ASSUMPTION AGREEMENT

THIS BILL OF SALE, ASSIGNMENT, AND ASSUMPTION AGREEMENT (this "Bill of Sale") is made and entered into as of December 1, 2026 (the "Transfer Date"), by and between the **CITY OF APALACHICOLA, FLORIDA**, a Florida municipal corporation ("Assignor"), and the **APALACHICOLA WATER AND SEWER DISTRICT, FLORIDA**, an independent special district ("Assignee").

RECITALS

WHEREAS, Assignor and Assignee have entered into that certain Interlocal Agreement dated as of [INSERT DATE], 2026 (the "Interlocal Agreement"), pursuant to which Assignor has agreed to transfer to Assignee, and Assignee has agreed to accept and assume, certain assets, properties, rights, and obligations relating to the water and sewer utility systems owned and operated by Assignor; and

WHEREAS, this Bill of Sale is executed and delivered pursuant to the Interlocal Agreement to effectuate such transfer and assumption.

TRANSFER AND ASSIGNMENT

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby sells, transfers, assigns, conveys, and delivers to Assignee, and Assignee hereby accepts, all of Assignor's right, title, and interest in and to the following (collectively, the "Transferred Assets"):

- I. All Personal Property described in Schedule 2 to the Interlocal Agreement, including all machinery, equipment, vehicles, tools, supplies, inventory, spare parts, computers, software, contract rights, customer lists, records, data, books, and accounts;
- II. All Permits described in Schedule 4 to the Interlocal Agreement, to the extent transferable;
- III. All contracts, agreements, leases, and arrangements described in Schedule 3 to the Interlocal Agreement, to the extent assignable;
- IV. All books, records, files, drawings, plans, specifications, and other documents relating to the Utility Systems; and
- V. All other tangible and intangible personal property, assets, rights, and interests of Assignor relating to the Utility Systems, excluding only the Real Property (which is conveyed by separate Deed or Ground Lease).

ASSUMPTION OF OBLIGATIONS

Assignee hereby assumes and agrees to pay, perform, and discharge when due all of the Assumed Obligations as defined in and in accordance with the Interlocal Agreement, including without limitation all debt obligations, contractual obligations, regulatory obligations, and other liabilities of Assignor relating to the Utility Systems arising on or after the Transfer Date.

AS-IS TRANSFER

THE TRANSFERRED ASSETS ARE TRANSFERRED AND ACCEPTED "AS IS, WHERE IS" WITHOUT ANY REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, EXCEPT AS EXPRESSLY SET FORTH IN THE INTERLOCAL AGREEMENT.

GOVERNING LAW

This Bill of Sale shall be governed by and construed in accordance with the laws of the State of Florida.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Bill of Sale as of the Transfer Date.

CITY OF APALACHICOLA, FLORIDA

By: _____

Name: Brenda Ash

Title: Mayor

APALACHICOLA WATER AND SEWER DISTRICT, FLORIDA

By: _____

Name: [INSERT NAME]

Title: [INSERT TITLE]

EXHIBIT B — FORM OF SPECIAL WARRANTY DEED

SPECIAL WARRANTY DEED

THIS INDENTURE, made this ____ day of December, 2026, between the **CITY OF APALACHICOLA, FLORIDA**, a Florida municipal corporation, whose address is 1 Bay Avenue, Apalachicola, Florida 32328 (the "Grantor"), and the **APALACHICOLA WATER AND SEWER DISTRICT, FLORIDA**, an independent special district, whose address is [INSERT DISTRICT ADDRESS] (the "Grantee").

WITNESSETH, that Grantor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby grant, bargain, sell, alien, remise, release, convey, and confirm unto Grantee, its successors and assigns forever, all of Grantor's right, title, and interest in and to the following described real property situated in Franklin County, Florida (the "Property"):

[INSERT LEGAL DESCRIPTION OR SEE EXHIBIT]

SUBJECT TO: taxes for the current year not yet due and payable; easements, rights-of-way, and restrictions of record that do not materially interfere with the use and

operation of the Property; and Permitted Encumbrances as defined in the Interlocal Agreement.

TO HAVE AND TO HOLD the same in fee simple forever.

Grantor hereby covenants with Grantee that Grantor has not done, made, committed, executed, or suffered any act, matter, or thing whatsoever whereby the Property is or may be in any manner encumbered, except as stated above.

IN WITNESS WHEREOF, Grantor has caused this Deed to be executed as of the day and year first above written.

CITY OF APALACHICOLA, FLORIDA

By: _____

Name: Brenda Ash

Title: Mayor

ATTEST:

By: _____

Name: Sheneidra Cummings

Title: City Clerk

(Notary acknowledgment and recording information to follow)

EXHIBIT C — FORM OF GROUND LEASE

GROUND LEASE AGREEMENT

THIS GROUND LEASE AGREEMENT (this “Lease”) is made and entered into as of [INSERT DATE], 2026, by and between the **CITY OF APALACHICOLA, FLORIDA**, a Florida municipal corporation (“Landlord”), and the **APALACHICOLA WATER AND SEWER DISTRICT, FLORIDA**, an independent special district (“Tenant”).

RECITALS

WHEREAS, Landlord and Tenant have entered into that certain Interlocal Agreement dated as of [INSERT DATE], 2026 (the “Interlocal Agreement”); and

WHEREAS, pursuant to the Interlocal Agreement, Landlord has agreed to lease to Tenant, and Tenant has agreed to lease from Landlord, certain real property for use in connection with the operation of water and sewer utility systems.

LEASE PROVISIONS

- X. Demised Premises.** Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the real property described in Exhibit D to the Interlocal Agreement (the “Premises”).
- II. Term.** The initial term of this Lease shall be fifty (50) years], commencing on December 1, 2026 and expiring on December 1, 2076. Tenant shall have two (2) option(s) to renew for additional 20 year term(s) upon written notice to Landlord at least 180 days prior to expiration.
- III. Rent.** Tenant shall pay annual rent in the amount of \$[INSERT AMOUNT] (the “Base Rent”), payable in advance on [INSERT PAYMENT DATE] of each year. Base Rent shall be adjusted [INSERT ADJUSTMENT MECHANISM AND FREQUENCY].
- IV. Use.** The Premises shall be used solely for water and sewer utility purposes and related activities.
- V. Maintenance and Repairs.** Tenant shall maintain the Premises in good condition and repair at Tenant’s sole cost and expense.
- VI. Insurance.** Tenant shall maintain One Million (\$1,000,000.00) dollars of general liability which includes City as an additional insured. Further the District shall fully insure all improvements on the leased property against loss or damage sufficient to fund a full restoration of the same.
- VII. Assignment and Subletting.** Tenant may not assign this Lease or sublet the Premises without Landlord’s prior written consent, except as provided in the Interlocal Agreement.
- VIII. Default and Remedies.** [INSERT DEFAULT AND REMEDIES PROVISIONS CONSISTENT WITH INTERLOCAL AGREEMENT, NEED TO DISCUSS AND AGREE ON REMEDIES].
- IX. Governing Law.** This Lease shall be governed by the laws of the State of Florida.

X. Incorporation of Interlocal Agreement. The terms and conditions of the Interlocal Agreement are hereby incorporated by reference, and in the event of any conflict between this Lease and the Interlocal Agreement, the Interlocal Agreement shall control.

(Additional lease provisions to be inserted as appropriate.)

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first written above.

(Signature blocks to follow)

EXHIBIT D — LEGAL DESCRIPTIONS OF REAL PROPERTY

INSERT COMPLETE LEGAL DESCRIPTIONS OF ALL REAL PROPERTY PARCELS COMPRISING THE UTILITY SYSTEMS, INCLUDING:

- Water treatment plants and facilities
- Wastewater treatment plants and facilities
- Pumping stations and lift stations
- Storage tanks and reservoirs
- Wells and wellfields
- Administrative and operations buildings
- Easements and rights-of-way
- Other real property used in connection with the Utility Systems

Legal descriptions to be provided by survey and title work.

EXHIBIT E — FORM OF PROMISSORY NOTE

To be inserted if Purchase Price is payable in installments

PROMISSORY NOTE

\$[INSERT PRINCIPAL AMOUNT] [INSERT DATE], 2026

FOR VALUE RECEIVED, the **APALACHICOLA WATER AND SEWER DISTRICT, FLORIDA**, an independent special district (the "Maker"), promises to pay to the **CITY OF APALACHICOLA, FLORIDA**, a Florida municipal corporation (the "Payee"), or order, the principal sum of [INSERT AMOUNT] DOLLARS (\$[INSERT AMOUNT]), together with interest on the unpaid principal balance from time to time outstanding at the rate of [INSERT INTEREST RATE] percent ([INSERT]%) per annum.

Principal and interest shall be payable in [INSERT NUMBER] equal [INSERT FREQUENCY: e.g., annual] installments of \$[INSERT AMOUNT] each,

commencing on [INSERT DATE] and continuing on the same day of each [INSERT PERIOD] thereafter until the principal and all accrued interest are paid in full.

[INSERT ADDITIONAL TERMS: prepayment, default provisions, acceleration, security, etc.]

This Note shall be governed by the laws of the State of Florida.

APALACHICOLA WATER AND SEWER DISTRICT, FLORIDA

By: _____

Name: [INSERT NAME]

Title: [INSERT TITLE]

SCHEDULE 1 — REAL PROPERTY

INSERT DETAILED LIST AND DESCRIPTION OF ALL REAL PROPERTY
PARCELS BEING TRANSFERRED OR LEASED, INCLUDING:

- Parcel identification numbers
- Addresses
- Acreage
- Facility type and description
- Current use
- Reference to legal descriptions in Exhibit D

SCHEDULE 2 — PERSONAL PROPERTY

INSERT DETAILED INVENTORY OF PERSONAL PROPERTY BEING
TRANSFERRED, INCLUDING:

- Machinery and equipment (with serial numbers, model numbers, and condition)
- Vehicles (with VIN, make, model, year)
- Tools and supplies
- Computers and software
- Office furniture and fixtures
- Inventory and spare parts
- Intangible property (customer lists, intellectual property, data)
- Books and records

SCHEDULE 3 — CONTRACTS AND AGREEMENTS

INSERT LIST OF ALL CONTRACTS, AGREEMENTS, LEASES, AND OTHER
ARRANGEMENTS BEING ASSIGNED TO THE DISTRICT, INCLUDING:

- Contract name and description
- Parties
- Effective date and term
- Subject matter
- Whether assignable or consent required
- Key terms and conditions

SCHEDULE 4 — PERMITS AND LICENSES

INSERT LIST OF ALL PERMITS, LICENSES, APPROVALS, AND
AUTHORIZATIONS RELATING TO THE UTILITY SYSTEMS, INCLUDING:

- Permit name and number
- Issuing authority
- Issue date and expiration date
- Whether transferable or new permit required
- Key permit conditions and limitations]

Examples to include:

- Water use permits (consumptive use permits from Water Management District)

- Wastewater discharge permits (NPDES permits from FDEP)
- Drinking water operating permits
- Construction permits
- Operating licenses

SCHEDULE 5 — ASSUMED OBLIGATIONS

INSERT DETAILED DESCRIPTION OF ALL DEBT OBLIGATIONS, CONTRACTUAL OBLIGATIONS, AND OTHER LIABILITIES BEING ASSUMED BY THE DISTRICT, INCLUDING:

I. FDEP State Revolving Fund Loans:

- Loan number, original principal amount, current outstanding balance, interest rate, maturity date, payment schedule, and summary of key loan covenants

II. Revenue Bonds:

- Bond series, original principal amount, current outstanding balance, interest rate, maturity date, trustee, CUSIP numbers, and summary of key bond covenants

III. Other Loans and Debt Obligations:

- Description, lender, terms

IV. Contractual Obligations:

- Obligations under assigned contracts

v. Regulatory Obligations:

- Permit compliance obligations, consent orders, administrative orders

VI. Other Liabilities:

- Any other assumed liabilities

SCHEDULE 6 — CITY EMPLOYEES

INSERT LIST OF ALL CITY EMPLOYEES EMPLOYED FOR THE PURPOSE OF OPERATING AND MAINTAINING THE UTILITY SYSTEMS AS OF THE TRANSFER DATE, INCLUDING:

- Employee name
- Position/job title
- Department
- Hire date
- Current salary/wage
- Full-time or part-time status
- FRS membership status
- Accrued leave balances

This information shall be updated immediately prior to the Transfer Date to reflect current status.