

# MINUTES OF WORKSHOP

## HARMONY COMMUNITY DEVELOPMENT DISTRICT

A workshop of the Board of Supervisors of the Harmony Community Development District was held Thursday, May 29, 2008, at 9:00 a.m. at 7251 Five Oaks Drive, Harmony, Florida.

Present were:

Robert Evans	Chairman
Greg Golgowski	Vice Chairman
William O'Keefe	Supervisor
Ken Peach	Supervisor
Nancy Snyder	Supervisor

Also present were:

Gary Moyer	Manager: Moyer Management Group
Tim Qualls	Attorney: Young, van Assenderp
Steve Boyd	Engineer: Miller, Einhouse, Rymer & Boyd
Todd Haskell	Harmony Development Corporation
Shad Tome	Harmony Development Corporation
Brian Smith	Severn Trent Services
Brenda Wright	Moyer Management Group
Residents and members of the public	

### FIRST ORDER OF BUSINESS

### Roll Call

Mr. Evans called the meeting to order at 9:55 a.m.

Mr. Moyer called the roll.

### SECOND ORDER OF BUSINESS

### Questions and Comments on the Fiscal Year 2009 Proposed Budget

Mr. Evans stated every year we have expanded the narratives of our line items. We prepared a schedule for every light meter, every water meter and every individual expenditure and summarized them so we could track them and have a good idea of our costs. Our two biggest items are landscaping and street lights, and we broke them down into smaller categories as component parts are added. The punch line is under proposed assessments, based on the proposed budget and all the information we have available at this time, our actual combined debt service and O&M assessments will likely go down a few dollars. There will be some tweaking as we add or delete things, but the assessments for the coming year will be almost identical to what they were for this current fiscal year. I want to discuss expenditures and then come back to revenues. Supervisors, FICA tax,

worker's compensation is based on Supervisor attendance and is consistent. The arbitrage rebate fee, we have been forecasting \$3,000 but we spent only \$500 so far. Is there more to spend?

Mr. Moyer stated yes.

Mr. Evans stated the May to September projected column should reflect another \$2,500 that will occur.

Mr. Moyer stated the proposal you approved is \$1,200 on the 2004 bonds, so that projected amount should be \$2,400, and the total projected for the year end will be \$2,900.

Mr. Evans stated the fee for dissemination agent has been running \$500 every year. Engineering is our best estimate based on historical data. What is the change in information technology?

Mr. Moyer stated there were several things under the Severn Trent contract that were rolled into the management fee. It went from \$45,000 to \$50,000, which is more than we would normally expect. We rolled information technology and general rentals into the management number.

Mr. Evans stated the amount for legal services is our best estimate based on historical data. The fee for special assessments is for preparation of the assessment roll. The trustee fee is based on historical expenditures, and we adjusted that down a little. Auditing services are based on historical figures. We budgeted \$15,500 and we spend \$8,000.

Mr. Moyer stated \$8,000 is what we paid for 2007. I think we can lower the budgeted amount to \$10,000.

Mr. Evans stated communication - telephone is based on historical expense. Postage is consistent with what we have been projecting. Insurance - general liability and printing and binding are consistent. Legal advertising will vary depending on actions of the Board throughout the year.

Mr. Moyer stated we will probably be closer to \$3,000 for the projected total for this year simply because of the rulemaking notices.

Mr. Evans stated we used to be charged property taxes by the County and we were able to resolve that issue, so we no longer have a projected cost for property taxes. The assessment collection fee is based on our assessment collections. We budgeted a very small contingency fee, which is good because that means you paid attention to the other

line items. Office supplies and the annual filing fee are consistent. Capital outlay is budgeted for \$750 in case there is any other administrative capital expenditures. It is just a budget number, not an expected outlay.

Mr. Moyer stated it is in case we buy a filing cabinet or something like that. Last year for administrative expenses, we budgeted \$211,000 and this year it is \$203,000, which will be reduced further by the discussions we just had so we are bringing down our administrative expenses.

Ms. Snyder stated for communication - telephone, actual to date is \$1,091 and we have \$250 budgeted.

Mr. Evans stated the original budget was a blending of telephone costs and there were some other charges. We have a dockmaster phone and irrigation phones and we broke those down to be more specific.

Mr. Golgowski stated the assessment collection fees are holding pretty constant. We do not expect an unusual surge in these fees?

Mr. Moyer stated these fees are for the property appraiser and tax collector to provide those services. As management, we take this budget and once it is adopted will extend this amount against all the folios on the roll and certify that to the tax collector, and he collects those on the tax bill. These fees are related to that activity.

Mr. Evans stated the tax collector looks to Severn Trent as the manager, to prepare this assessment roll for the parcels and says based on this budget and these charges, this is what we want you to put on the tax roll. That is one of the services the manager provides in certifying the roll. Irrigation should be irrigation repairs, which is our best estimate based on what we have incurred to date and what we are projecting. Phase 1, total projected is \$78,027 and we are budgeting \$80,000. Phase 2 is close to the same as what we are projecting. Phase 3 has decreased a little based on the projected estimate. We looked at the existing contracts and based on what we incurred through April, we projected out the balance and came up with our best estimate for next year. Lakeshore Park is pretty consistent, and Town Square is consistent. The Hwy 192 entrance is consistent. Hwy 192 median also includes the secondary entrance?

Mr. Haskell stated the secondary entrance is considered Phase 2.

Mr. Evans does Hwy 192 median include the median area adjacent to the secondary entrance?

Mr. Haskell stated it includes the median area, the tunnel, the landscape and the high school side of the entrance.

Mr. Evans stated we previously had a line item called stormwater system, and that was for the lake treatments. We have a second line item farther down that specifies lakes but we do not have expenditures in that line item, so we will delete that line item and address it under lakes and wetlands and identify it under treatment. Swimming pool is based on the contracts we have in place for the two pools. Landscape for the existing parks is consistent. Parks D2 and E are new. Landscape for the pond areas, we added some substantial lake areas for D2 and E that now have to be addressed, so that is a significant increase. The rest of the parks are consistent. We had two line items in the 2008 budget where we forecasted D2 and E ponds, and you will see zero for those two line items—they were combined and added above. For tree trimming, we have had some recommendations that were made for the mature canopy trees that it would be in our best interests to prune the upper canopy. The existing contracts that we have with REW is to prune the trunk of the trees, which is the base of the canopy to ten feet or thereabouts. We discussed a number of months ago but we did not have money budgeted for this purpose at that time. Since that time we have received some proposals, and I suggest we add that to the budget for 2009. I believe there is an appropriate time of year to do this work.

Mr. Haskell stated typically it is done in the winter.

Mr. Evans stated we have allocated \$15,000 for canopy trimming. Miscellaneous services are for a number of items that have come up. There will be some additional mulch that will be needed for the playground areas and there may be some other maintenance elements for the parks. We have allocated \$10,000 for things we know and some things we anticipate. We will only spend money on things we know we have to do. Based on that, we allocated \$10,000 for some of these miscellaneous landscape areas that we have not already planned for. It could be tree replacement. All the items above are for normal maintenance and do not include tree replacement if something dies.

Mr. Peach asked on the thinning of the trees, does that address the email that was submitted by a resident regarding trees blocking the view?

Mr. Haskell stated it will for a portion of them. With some of the trees, the canopy is actually blocking the view of the stop signs. Pruning from the bottom will not address that and the tree trimming scope of services does not address this.

Mr. Evans stated the budgeted amount for electricity is pretty close to the projected amount. Street lighting has increased because of the addition of parcels D2 and E. Water and irrigation has also increased due to parcels D2 and E. These amounts are based on current contracts. Where you see irrigation earlier in the budget under landscape is for irrigation system repairs. This item is for the water utility. In 2008, we envisioned that parcels D2 and E would have come online much sooner than they did. Since the lights did not get turned on because of the construction period, that accounts for the difference.

Mr. Gologowski stated we had our irrigation audited last fall and we made some adjustments to the program that saved us some money. Perhaps the same service may be able to help us out on a regular basis to continue to save money on irrigation. That may be something to consider using those services again to keep a check on how we are using our water.

Mr. Haskell stated it might be helpful to look at the actual expenditures for 2007, which was \$143,625, and that is \$20,000 more than what our projected is for next year. Maxicom is a very resourceful use of the water and has helped lower that bill. That is with the addition of the Ashley Park swimming pool and parcels D2 and E. It is definitely keeping use of our resources to a minimum.

Mr. Evans stated under operations, payroll salary and FICA tax are for the dockmaster. When we get to contracts for the lakes and wetlands, there is a spraying that takes place for weed control around the lakes. That is the purpose of the \$40,000 in the budget. I mentioned earlier that there is a similar line item that was referenced stormwater system under landscaping. That line item is being eliminated as a duplicate line item, not due to a duplication of fees or costs. Communication - telephone has increased, almost double because we added a second line. We have a phone for the dockmaster but we also have a telephone line for the irrigation monitoring system. We had a renewal and replacement category that we have not spent anything on. We addressed contingencies with the miscellaneous services. Common areas, we have certain operation and maintenance for common areas. We allocated \$1,000 per month for repairs to common areas.

Mr. Haskell stated what we saw in the actuals were for doggie pots replacements that were done recently. We had a repair to the Ashley Park pool gate included in that line item. That defines typical repairs for the facilities.

Mr. Evans stated you mentioned earlier that there were some dog disposal pots that need to be replaced. That falls under this line item. In equipment, we allocated \$5,000 for any other kind of equipment repair or replacement. Under this category, we anticipated repairs for the boats. There is not a separate line for boat repairs; it all falls under equipment. The number for pools is based on the current contracts.

Mr. Haskell stated that is correct, and it is also for a few repairs to that equipment.

Mr. Evans stated there were some pool equipment repairs that were charged to that line item, when we should have charged it against equipment line item. That is the reason for the reduction from \$29,228 projected for this year to the budgeted amount of \$25,000. It is a higher level of reclassification to the appropriate line items. Lakeshore Park facilities is budgeted at \$4,000 for additional things that may take place at the new facilities at the park. Hardscape cleaning includes hardscape items, such as the monuments, signs, fencing that periodically need maintenance and pressure washing to keep them clean. Pool license and permits are annual requirements. Miscellaneous parks, there are many pocket parks scattered throughout the community that periodically require repairs. We tried to identify funds for those specific applications. Contingencies were reduced slightly; we allocated \$1,000 per month for things we did not foresee or that did not qualify for a specific line item elsewhere. I would rather have expenses taken from the appropriate line item, not from another one that looks close. I prefer to take them out of contingency with a note to define what they are. General operational supplies had no expenses during the year so we did not budget any for 2009. I cannot think of any supplies that we might need that are not already addressed in other line items. Chemicals for the pools and fountain are under another line item.

Mr. Golgowski stated boat supplies are nominal, as well as cleaning products.

Mr. Evans asked under the contract for cleaning the bathrooms, does that include restocking of paper products and other supplies?

Mr. Haskell stated they do restock supplies but I am not sure what line item it comes from. That is not a huge amount of money.

Mr. Evans stated nothing charged to this line item this year and there was \$142 in 2007.

Mr. Haskell stated that was for the smoker pot station at Buck Lake.

Mr. Evans stated I would prefer to have those kinds of supplies include in the pool and fountain item rather than setting up a line item for \$100.

Mr. Evans stated total expenditures are within \$25,000 from last year's budget. Other financing sources, last year we had a carry-forward surplus. That is an accumulation of a number of funding sources that is derived from revenues that are not expended. For example, we forecasted for street lights to come on line at a certain time. We saved that money because the contract did not come into effect until much later. Or we saved money on various line items from what we projected versus what we actually spent. Then we have interest on the construction account, debt service reserve account, and debt service accounts that accrue interest as well as on the O&M account. I think there are a total of five accounts where we are earning interest. When you add all this up, last year we had a little over \$200,000. We had a choice on what to do with those funds. We could apply them to reduce assessments at that time but we decided to put part of that money into self insurance escrow, \$50,000. In case we have some sort of disaster, we have some funds that we can use to make emergency repairs during that timeframe for immediate self-help remedies and to be able to keep our insurance costs down. The balance, which was \$173,000, we allocated and set aside for first quarter operating expenses. The District submits on the tax roll to collect revenue. We start incurring expenses on October 1 but we do not receive money to pay those bills just yet. The tax collector has to collect them, bring them in and distribute them. There is two months of delay time when we do not have any money. If we run out of money, we have to borrow it to pay our expenses. To avoid that, we set the balance aside as first quarter operating expenses that is replenished every year. Going forward next year for this budget, we can only estimate what our carry-forward surplus may be. It is our objective to take the carry-forward surplus to apply to the assessments for next year. Even though our costs may go up some, we have those funds that will be applied to the future costs. The District has \$50,000 in an emergency fund that is available for a catastrophic event. We are also in extremely good financial shape to address any shortfalls or anything that may happen from an operational standpoint. Many Districts I have worked on are not in this situation and do not have this benefit, and it causes issues later on. Fund balance as of October 1 is for what fund?

Mr. Moyer stated it is the operating account, the general fund; \$221,582 is actually what we had on October 1, 2007.

Mr. Evans asked is that carry-forward surplus?

Mr. Moyer stated yes and it tells you how good a job the Board did in budgeting last year since you expected to have \$223,924 that you allocated for self insurance and first quarter operating expenses.

Mr. Evans stated fund balance ending is \$180,976. That takes into consideration that we have carry-forward surplus to apply going forward to reduce our revenue requirements and reduce assessments but we will have \$223,924 set aside for operating reserves and self insurance.

Mr. Moyer stated next year you will be in a position where you can use \$180,000 as an assessment equalizer if the Board wants to apply that money to the fiscal year 2010 budget in some fashion. If that is not necessary, then the Board can look at putting that into a reserve account. In addition to insurance, you can have a reserve fund to take care of unforeseen catastrophes and future maintenance items. Sidewalks come to mind and you might want to have a renewal and replacement fund for sidewalks.

Mr. Evans stated we cannot assume what the carry-forward surplus amount will be in budgetary practices. We have to do the budget on the assumption that it does not exist. We have to project our expenditures are going to be and then project what revenue requirements are, which are the assessments, to satisfy the expenditures. When the savings actually occurs is when you can apply it the following year.

Ms. Snyder asked when we put in the trails, will we have more expenses going into the budget?

Mr. Evans stated we are accumulating some excess funds from the carry-forward surplus. The first thing we said was to apply them to establishing the reserve account and insurance. We can take that carry-forward surplus and set it aside for improvements. Under the existing economic times now, everyone is concerned about their assessments going up, and I think we need to demonstrate financial prudence. We could keep that reserve saying that we will build more things later. But right now, we want to keep our assessments at or as close to our current assessment levels. That is the recommendation we are considering. When times are better economically and we generate surplus, we may earmark a certain percentage of it for projects as we go forward. Carry-forward surplus over the years will slowly decrease.

Mr. Moyer stated if you hold the assessments constant, you have inflation effect on the expense side so you would expect the surplus to decrease.

Mr. Evans stated in today's economy, we want to take every possible step we can to maintain the lowest assessments that we can. In reality costs are going up but we are using the projected carry-forward surplus to keep our assessments at a lower level. The debt service amount is fixed. We work on expenses for operation and maintenance, and that helps determine total assessments.

Mr. Moyer stated the Board does not have any discretion on the debt service budgets.

Mr. Evans stated the amortization schedules are also included. We have two series of bonds, 2001 and 2004, and they are noted at the top. One thing I noted was they blocked out three payments but it includes November 2009 payment.

Mr. Moyer stated when you look at the detail, we fund the November payment and always have. We are only getting charged for two installments for May and November, but the November 2009 payment falls in the 2010 fiscal year. We need to have that money available so that is why it is levied in 2009. It is historical and we are always six months ahead on that levy to have the funds in the bank to make the November payment.

Mr. Evans stated on the debt service, we have already collected this November payment.

Mr. Moyer stated that is correct.

Mr. Evans stated it is that collection that is accruing interest that goes into the carry-forward surplus account. To avoid any confusion, the debt service assessment being calculated in this analysis is for May 2009 and November 2009. The November 2008 interest payment has already been collected but it is payable during this fiscal year.

Ms. Snyder stated the numbers did not change.

Mr. Evans stated it is a straight-line amortization and it will not change. Interest will change because we are paying off principal. In May, we pay principal and interest and November is just an interest payment. The interest payments will gradually start to decrease, just like your mortgage payments. The payments are relatively constant but as time goes on, a larger portion is applied to principal as opposed to interest. When you factor in debt service and O&M based on all the assessed properties, it is broken down on the last sheet in the budget packet. There will still be some minor tweaking based on the comments we have made to some of the line items. They also included a narrative with

the budget to give you a snap shot of the definition of various line items, which is very helpful.

Ms. Wright stated we listed the items in the narrative in the same order that they appear on the budget and we are still working on the field narratives.

Mr. Evans stated as I noticed with the improvements at Lakeshore Park, we are developing a parking issue with people parking on the bike path instead of the street. Do we need No Parking signs on that side of the street where they are blocking the bike path in that area? It will only get worse.

Mr. Haskell stated yes.

Mr. Golgowski asked can we ticket them?

Mr. Evans stated I would like to do something more as a friendly reminder. There is parking right across the street and plenty of parallel parking there and by the school.

Mr. Haskell asked is that a responsibility of the CDD or the County?

Mr. Evans stated it is a County issue. How do we address it in a friendly manner rather than having the County ticket people?

Ms. Snyder asked do you know what will be left there after the portables are taken down?

Mr. Evans stated it will be vacant.

Ms. Snyder stated there is a paved part there now where teachers park.

Mr. Tome stated that is private land.

Ms. Snyder stated I think signs will help.

Mr. Evans stated it was just a thought. Procedurally, do we open this meeting for public comment?

Mr. Moyer stated that is at the discretion of the Board. Workshops are traditionally meant to give the Board the opportunity to discuss this, and the public may or may not be included. You have always run a very open meeting in terms of public comment. If you want to hear what they have to say, that is appropriate.

Mr. Evans stated since they came to the meeting, I am very interested in their comments.

Mr. Peach stated we had some questions arise on staffing and other things, so it will be good to get feedback now as we consider the budget.

Ms. Kassel stated on page 3 under landscape, you included D2 and E areas under landscape and pond areas. Previously you had put them under landscape. That was a projection of \$20,000 for those two items but when we put it into the line item above, for landscape pond areas, that is \$32,000.

Mr. Evans stated when we did the budget and forecasted for parcels D2 and E, it was under construction. We forecast when we thought that community would be completed and it would not be for a full year. We estimated it would be less than a year and I think we used eight months that we would incur maintenance on those ponds when in fact it was not that long. They are now fully there so we have to look at the full annual obligation. The same thing relates to street lights. We budgeted \$333,000 for street lights but we will incur only \$305,000 because we estimated they would be on earlier in the year when, in fact, it was much later. Now that they are all on, we have to look at a full year's expenses.

Ms. Kassel stated thank you for bringing street lights on. What is the arrangement for street lights? Is there a contract that requires that we use them and we pay on a monthly basis? Or is it strictly a utility usage fee that we are paying?

Mr. Evans stated the District leases the lights. We entered into a long-term contract with OUC to supply lights with power to them. It is a blended contract that includes installation, the lights and usage.

Ms. Kassel asked is possible for us to ask OUC to turn out the lights in areas that are not being utilized?

Mr. Evans stated I do not think that would be prudent nor would the County allow us to. We are required to provide street lights. Those lots are all platted. The owners of those lots are paying the same rate per lot that everyone else is, since all lots have been platted. I do not think it would be prudent to turn those lights off and create a vandalism environment. That is one of my concerns.

Ms. McGinnis stated they can still access the areas.

Ms. Kassel stated you can turn off every other light since it is an isolated area and it would save both money and energy.

Mr. Evans stated I have never turned off lights. They are required as part of the platting process.

Mr. Moyer stated Mr. Smith works with me in Celebration and runs 4,000 street lights. They are on a string that goes to a transformer and I do not think you can turn every other light off.

Ms. Kassel stated you can remove the bulb. You do not have to address it now but I am simply bringing it up. We are the environmentally intelligent community. Energy savings in whatever way, especially as it translates into cost savings, where it might not impede our safety issues, it ought to be considered.

Mr. Evans stated the contract is not just for power. It is to recapture the cost. It is like an amortization schedule. They are under contract and before they install the lights, they want to know how they are going to be paid. That is how the monthly payment is scheduled. It is a good suggestion but I do not think it is possible to modify or change the agreement based on the structure of the agreements.

Ms. Kassel stated it may not be possible to reduce our usage. You said we own the street lights and then you said we also have a lease agreement.

Mr. Evans stated the utility company owns the lights and we lease them. We did not purchase them; it is a lease agreement. They have several styles of lights that you pick from. You can buy your own lights if there is a certain ornamentation that you prefer, but we lease those.

Ms. Kassel stated it might be something to look at in the future to see what our obligation is. Communication - telephone under operation and maintenance, you said this is a line for the irrigation system.

Mr. Evans stated that is correct.

Ms. Kassel asked we are paying over \$250 a month?

Mr. Evans stated we have two lines; one is for the irrigation and one is for the dockmaster.

Mr. Golgowski stated there are actually two irrigation lines altogether, so there are four lines including the dockmaster's phone.

Ms. Kassel stated there are a number of places where different line items are confusing, like parks and equipment and contingency. Is there a good way of making sense out of which items go to what line item? I want to clarify that the actual column through April is not from January but from October 1.

Mr. Moyer stated that is correct.

Ms. Kassel stated on the page just before the narrative called proposed assessments, I am requesting in the future that we add another column for percentage increase or decrease. It will probably be the same across the board, but it would help residents understand this better rather than having to calculate it themselves. We have a decrease and if we have that column, they can see that it is across the board and is the same for everyone.

Mr. Moyer stated the Board's next action will be the adoption of this budget in August, although you may want to discuss it at the June and July meetings. As more information comes to us from invoices and we keep updating the monthly ledger, we can tweak these numbers.

Mr. Evans stated I know many people have other commitments in the afternoon. For the budget hearing in August, can we have a later afternoon meeting?

Mr. Moyer stated yes.

Mr. Evans stated I would like to have at least one meeting for the District at night because we have done it before. Everyone is concerned about dollars in the budget and it is a good opportunity for those who cannot come during the day to have that Board meeting later and they can experience a meeting. Then we can adopt the budget at that meeting. We may need to go through this discussion again, but we have done that in the past.

Mr. Moyer stated how about 6:00 p.m.

Mr. Peach stated that responds to the request last year.

Mr. Moyer stated we will have to amend the Resolution that the Board adopted at your regular meeting. Since this is a workshop, the Board cannot take any action. We will put it on the agenda for next month to reconsider the Resolution and change the time for the hearing.

**THIRD ORDER OF BUSINESS**

**Adjournment**

The workshop adjourned at 10:55 a.m.

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Gary L. Moyer, Secretary

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Robert Evans, Chairman