

# MINUTES OF WORKSHOP HARMONY COMMUNITY DEVELOPMENT DISTRICT

The budget workshop of the Board of Supervisors of the Harmony Community Development District was held Thursday, June 24, 2010, at 6:00 p.m. at 7251 Five Oaks Drive, Harmony, Florida.

Present from the Board were:

Robert D. Evans	Chairman
Nancy Snyder	Vice Chairman
Steve Berube	Supervisor
Kerul Kassel	Supervisor
Mark LeMenager	Supervisor

Also present were:

Gary L. Moyer	Manager: Moyer Management Group
Ken vanAssenderp ( <i>by phone</i> )	Attorney: Young vanAssenderp, P.A.
Steve Boyd	Engineer: Woolpert
Thomas Belieff	Dockmaster
Brenda Burgess ( <i>by phone</i> )	Moyer Management Group
Greg Golgowski	Harmony Development Company
Fazeela Khan	Severn Trent Services
Jason Shafer	Luke Brothers
Shad Tome	Harmony Development Company
Residents and members of the public	

## FIRST ORDER OF BUSINESS

### Roll Call

Mr. Evans called the workshop to order at 6:30 p.m.

Mr. Evans called the roll.

## SECOND ORDER OF BUSINESS

### Comments and Questions on the Proposed Budget for Fiscal Year 2011

Ms. Snyder stated under expenditures for the Board of Supervisors, the narrative indicates the fee is \$200 per meeting not to exceed \$4,800 per year. I think that should be \$2,400 per year.

Ms. Kassel stated that figure is pursuant to Statute, not what you are receiving.

Mr. Moyer stated the budget amount anticipates 12 meetings. Chapter 190, Florida Statutes, provides that if you have more than 12 meetings, then you would still receive \$200 per meeting, up to a total of \$4,800. We do not anticipate that happening.

Mr. LeMenager stated I would like to commend Mr. Moyer and Ms. Khan on this budget and in presenting us with a document that, on a first draft, actually looks pretty

good and is in line with what we are thinking. It has been a process of three years, but this is the first time we have received a first draft that, from my perspective, is the kind of document that we are looking for. It is very well done.

Mr. Berube stated I agree with you. On electricity, the narrative indicates an anticipated 15% increase for electricity. Do you know something we do not?

Mr. Moyer stated no, we do not. It is pretty difficult to anticipate what the power companies are going to charge. In our case, it is a little more certain because of the contract that we have. If anything, that is very conservative. We would not anticipate that it will increase by 15%.

Ms. Kassel asked do we have anymore areas coming online that we will need to allow for more electricity costs?

Mr. Moyer stated no.

Mr. Berube stated street lighting is on a separate budget line item, and it is anticipated by contract at 3%. The next line is electricity in general at a 15% increase. It is nice to have some cushion in the budget.

Mr. Moyer stated it is conservative.

Ms. Kassel stated I think we have discussed this before, but I want to ask my question again anyway regarding the management consulting services fee. Osceola County has cut hundreds of jobs or they are instituting pay freezes. There is an increase in this budget item. Is that because of the contract we have with the management company that says there has to be a raise?

Mr. Moyer stated no, the contract says if the Board grants an increase, then it will be evidenced by the budget. There is nothing in the contract that requires an increase.

Ms. Kassel asked what is the percentage increase?

Mr. Moyer stated it is 3%.

Ms. Kassel stated I want to bring that up as a consideration.

Mr. Berube stated some of us received a spreadsheet from Mr. Ray Walls earlier this week with his commentary regarding the budget. I responded to him with my thoughts.

Ms. Kassel stated I responded to him, as well.

Mr. Berube stated I would like to allow him time to speak regarding his comments at the end of our discussion. He did a remarkably detailed job reviewing it, and I brought a copy with me.

Mr. Moyer stated staff has not seen that email or the spreadsheet.

Mr. Berube stated I have an extra copy you may have.

Mr. Evans stated I know there are some areas of capital improvements that we want to consider. We have discussed the pools, which has \$20,000 included in the budget item for some major repairs. There may be other things we will have to do.

Mr. Berube stated I provided a handout to everyone of the ongoing gate locking situation.

Ms. Kassel asked is that a capital expenditure?

Mr. LeMenager stated yes, and we have funds available.

Ms. Kassel asked unless there is an ongoing monthly fee associated with it, do we consider it as a capital expense?

Mr. Berube stated we have discussed funding it out of the general fund or the capital projects fund. The total is \$50,000 that could potentially come out of the \$68,000 capital projects fund.

Ms. Kassel stated I do not think we are ready to budget for that or to make a decision on that yet.

Mr. Evans stated we have discussed this and other projects and whether or not they are capital items. This would probably fall under the category of being capital just because of the nature of it, but we can also fund it from the general fund.

Mr. Berube stated it is an improvement to an existing facility.

Mr. Evans stated that is correct; it is an enhancement to an existing facility. You can argue either way.

Mr. Berube stated that is why I like to include it in the general fund, because we do not know what else will happen later. Basically, they will remove a lock and replace it with a new one.

Ms. Kassel asked is the access with a key or a card?

Mr. Berube stated it is with a key.

Ms. Snyder asked is that the same thing that we have now?

Mr. Berube stated no, these are smart keys.

Mr. Evans stated I would like to begin our discussion with the general fund budget.

Ms. Kassel stated I think the list Mr. Boyd provided to us is pertinent to this discussion.

Mr. Evans stated I agree. Under field expenditures, you will see the one landscaping budget item as a comparison to fiscal year 2009. Going forward, we will be adjusting these line items to concur with the revised contract categories. We were able to save a substantial amount, at least for now, in landscaping.

Mr. LeMenager stated we could argue that some line items could be \$2,000 higher or lower. The only single line item that jumps out to me is repair and maintenance of the alleys in the amount of \$3,000, which is not very much. We have a field contingency of \$20,000, which is probably sufficient.

Ms. Kassel stated some of our reserves can be targeted for certain areas. Now that we are going to be paying more attention to reserves, we should be able to use some for alley repairs.

Mr. Berube asked how is it that we have spent zero for roads and alleys this year?

Mr. LeMenager stated you are right; that is not a correct number.

Mr. Evans stated the vast majority of the budget we are reviewing is predicated on historical expenditures, aside from landscaping and street lights. Those are broken down into existing contract amounts. Water consumption is based on historical usage, and there is really nothing new going on in that category. We addressed the electrical consumption line items. We have the landscaping contract amount through the end of this fiscal year. We really need to look at the other categories. Are there other landscaping elements that we need to plan for? Ms. Kassel raised a good point at the last meeting about the reserves, are they high or low, and that is another conversation we can have as we try to understand what is expected and how much money we need to have. Basically, we are extending, with some changes, what we spent last year into a proposed budget going forward. It is an extremely comprehensive line-item budget. For those items we may want to consider for landscaping elements and other improvements, that is what we need to discuss. Do we need \$3,000 for the alleys or \$10,000 or \$20,000? Is \$20,000 adequate for the pool? There have been conversations relative to the irrigation system, if there needs to be some enhancements or other things we need to address to better handle our water consumption for irrigation, which will also be an enhancement to the irrigation system. There are a few of these major expenditures that we should discuss.

Ms. Kassel stated irrigation is not listed.

Mr. Evans stated that is the purpose of this workshop, so we can address some of those key items. We significantly reduced the landscaping amount from our previous budget as a result of our bidding efforts. We need to make the determination if there is a reasonable expectation that this cost will hold for the next fiscal year.

Ms. Kassel stated there are a lot of trees that are having a problem and may need to be replaced. There are a lot of plant beds that are in poor shape and will need refurbishment. We may need to add more for these items. I do not know if we want to have it as separate line items or just have a landscaping contingency.

Mr. LeMenager stated the landscaping budget already contains a significant amount of contingency.

Mr. Berube stated we will handle the tree issue in tonight's meeting. There is work being done behind the scenes for those dead trees, and I think a significant portion of the responsibility for those dead trees will fall on Luke Brothers.

Mr. Evans stated no landscaping company is responsible for natural causes or events that take place, and there will be some trees and other plant material that dies. How much do we think we need to allocate for that? Just because we include the money in the budget does not mean it is an allocation to spend. It is a projection of where we believe we may have to allocate funds, based on past experience and what we envision will happen in the next fiscal year. Ms. Kassel has spent an enormous amount of time looking at plant bed enhancements

Ms. Kassel stated we are not even one-quarter finished with that.

Mr. Evans stated these are some of the things we look at and considered ways we could save money, so that we can make these improvements without having to raise any assessments. This budget contemplates no increase in assessments so we will work within the budget that we already have. I think we are all in agreement that we are starting with that budget number and working down.

Ms. Snyder stated we also want to keep the quality that we have now.

Mr. Evans stated I like to break things down into what we have to do, what we want to do, and what we would like to do. We have addressed the things we have to do: street lighting and electricity. Then we can address the things we want to do, including some programs where we feel we need to replace trees or other enhancements and maintenance activities. Those are the areas where we need to consider the reasonable expectation for

the budget. At the end of the process, we end up with a total. If the total seems too high, then we start reducing the budget and eliminating and adjusting the budget numbers to accomplish our goal. I want to focus on those specific line items. With landscaping, we have \$10,000 in miscellaneous services and we can call it anything we choose. Do we believe that is reasonable? Perhaps some of the things Ms. Kassel has suggested will fall under a different line item.

Ms. Kassel stated the problem is how we are going to allocate these things. If we are thinking about continuing with refurbishing the plant beds that have fallen into disrepair, I think we have another \$6,000 or \$7,000 in the program that we received in the proposal from Luke Brothers. We were hoping that within the next six months we would be able to complete the rest of the program. That alone is another \$7,000. We do not have \$7,000 included in the R&M-Ground line item; we have only \$3,000. In order to consider that proposal, we note that we have only \$3,000 so we think we should spend only \$3,000. My point is, I would like to take some out of Miscellaneous Services or just take a larger amount in that line item to account for the cost. If trees need to be replaced, we also need to think about including that amount under Tree Services or Tree Trimming. We do not have a line item for tree replacement, and it should be reflected in the budget. I have no idea what the cost for that will be.

Mr. Moyer stated to address Ms. Kassel's question, keep in mind that as we review the budget on a monthly basis, once we adopt the budget, to the degree we recognize that certain things have to be done that we did not anticipate in the budget, we can prepare a budget amendment to this document, and we have done that on a fairly regular basis, as long as it is within the overall parameters of the budget. You always have the opportunity to do that.

Ms. Kassel stated since we are thinking about what to do this year, the budget should try to reflect that.

Mr. Berube stated if you look at the landscaping line items, we will be \$20,000 under the projection. If we need \$7,000 for the plant beds, the flexibility is in the overall landscape budget this year because we will have about \$20,000 extra. That does not mean that we should spend it, though.

Ms. Snyder asked when was that approved?

Ms. Kassel stated the Board approved doing the first phase and we will evaluate the other phases on a quarterly basis.

Ms. Snyder asked is the first phase complete?

Ms. Kassel stated we will discuss that with Mr. Shafer.

Mr. Evans stated we will also have a carry-forward surplus.

Mr. Moyer stated that is correct.

Mr. Evans stated I do not believe this budget considers the carry-forward surplus.

Mr. Moyer stated no, it does not. This is a balanced budget that anticipates funding a self-insurance reserve of \$43,000. There is an analysis of the fund balance in the budget on page 4.

Mr. Evans stated this is a balanced budget presuming that we start with no money at the beginning of the year but at the end of the year, it is a balanced budget.

Mr. LeMenager stated that is incorrect. This budget is designed to have an ending balance of \$40,779, which we will add to our reserves.

Mr. Evans stated we are funding an established reserve.

Mr. LeMenager stated that is correct, but it is not an expenditure.

Mr. Evans stated it is an allocation.

Mr. LeMenager stated I do not disagree it is an allocation.

Mr. Berube stated we will have some money left over at the end of the fiscal year. That goes to my point of the projected additional \$20,000 from landscaping. If everything else goes forward next year on a level field as where we are now, we will end this year \$20,000 under what we budgeted. For the program Ms. Kassel suggested for \$7,000 for plant bed replacements, we have money to do that. All other things being equal this year, we could fund that \$7,000 and still end the year with a surplus of \$13,000. I do not think we should change what has been successful.

Mr. LeMenager stated we will be more than \$200,000 under budget.

Mr. Berube stated I was referring only to the landscaping budget item. The adopted budget is \$542,000 and the projected budget is \$522,000. We can discuss this in great detail where we are going to put that extra money. We are looking at about \$10,000 for plant bed upgrades, and there is \$20,000 left over this year. If we have the same cushion next year, we can still fund the upgrades. I agree the plant beds need to be upgraded but

at our current pace, we may be able to get one phase done each year. The pace seems awfully slow.

Ms. Kassel stated that is partly because we only approved the first phase and partly due to economic conditions globally. We will get there.

Mr. Evans stated we are looking at what we budgeted last year and how much we actually spent. Looking at this year's performance, we will not spend all the money we budgeted, so we are under budget. We can use those funds in carry-forward surplus that we can utilize this year. The budget we are considering does not reflect those funds, whatever they may end up being.

Ms. Kassel stated it is reflected in fund balance.

Mr. Evans stated but it is not reflected in the projected expenses.

Mr. Moyer stated that is correct.

Mr. Evans stated if we started with a zero balance and we were going to satisfy the \$40,000 for reserves we have a balanced budget with no increase. We are now looking at how to tweak this.

Mr. LeMenager stated I do not think it needs tweaking.

Mr. Evans stated I think it is an accurate budget.

Mr. Berube stated I agree, based on our experience and history.

Mr. Evans stated once we implement this budget on October 1, 2010, and once we have received and paid all the bills for fiscal year 2009, we will have a surplus number. Now we can look at replacing trees, enhancing plant beds, and other programs that are in addition to what has been allocated in this budget that you can provide with the savings from last fiscal year's budget. This budget addresses all of our projected needs to the best of our abilities going forward. Something can happen between now and September 30 where we may have to spend that extra money.

Ms. Kassel stated for example, we had the unexpected expense of the pool heating coil.

Mr. Evans stated we could have a hurricane. There is any number of things that could happen between now and the end of the fiscal year. We do not assume we will have that amount left over, but if we do, those are funds we can use for some of these other programs.

Mr. LeMenager stated the one page I would change significantly is page 4 where we are talking about the allocation of funds available. I do not think it is appropriate to have \$305,000 in undesignated cash. I think we should allocate where we think the money needs to be spent. To me, there are three significant items. What Mr. Boyd provided to us is terrific. We have the need to fund long-term for the first-quarter operating expenses before the first payment is received from the County. We now have \$175,000 in that category. As the developer pays less and less, the residents pay more. We spend about \$125,000 per month, so it is \$375,000 for the first three months. Our long-term goal is to have \$375,000 in cash simply to get through the first quarter in future years when the developer is not making monthly payments. The number can be \$300,000 or \$350,000, but we need that as a long-term goal. We started discussing another item last meeting. Our community is seven years old and we will need to start replacing things. Mr. Boyd provided this information, which is the first time someone gave some thought to this idea without just pulling numbers out. His estimate is about \$34,000 or \$35,000 a year. It is very preliminary. The third area is what we have referred to as self insurance, if a hurricane comes along and we have to replace 500 trees. In the allocation of funds available, in terms of what is left, we really need to indicate that we expect to have \$575,000 in cash. If things work perfectly in next year's budget, we will end the year with \$611,000 in cash. I think part of our budget process should be to put that extra \$611,000 into those three areas: first-quarter operating expenses, replacement, and self insurance.

Mr. Berube stated one of the line items in the estimated funds available is Reserves of \$40,779.

Ms. Kassel stated that is what they are proposing to add to the self insurance reserve.

Mr. LeMenager stated I am saying it should not be \$40,000; it should be \$305,000.

Mr. Berube stated this says Reserves-Fiscal Year 2011 Additions. Where did that come from?

Ms. Kassel stated we budgeted a line item in that amount, to add to the current balance of \$131,558.

Mr. LeMenager stated we never consciously budgeted that.

Ms. Kassel stated maybe we should.

Mr. LeMenager stated I disagree.

Mr. Moyer stated let me caution the Board and give you some information. There are accounting rules on reserves and fund balance. To the degree that you encumber a reserve as a reserve, it has to stay there. The reason we always budget the way we do by leaving it in fund balance is because that gives the Board more flexibility. If something happens that is not anticipated that would not fall in one of those three reserves and we needed that money, it would be available for the Board to use. You can take the other side of that argument and say that you do not want to give the Board that type of flexibility and you want to put these monies away for a specific purpose. Once you make that decision, there are accounting rules on what you can do with that money.

Mr. LeMenager stated what we perhaps should be discussing is the self insurance reserve and give that a different name.

Mr. Evans stated Mr. LeMenager raises a good point that if we designate these three accounts and one is a true escrow account for the long-term maintenance obligations, when the money goes into that account, it stays there. The other two accounts include the self insurance reserve, which means the Board has access to those funds in the event of a hurricane, some other natural disaster or emergency need. Then there is the money for the operating account to pay the bills for the first three months. That amount will gradually need to start increasing.

Mr. Moyer stated regarding the self insurance reserve, I have no problem with the way the Board is interpreting that. Let me share what its purpose was originally. In order to bring down your insurance cost, the intent is that this fund would be a deductible. Then we can get liability and other forms of insurance at a lower premium because we have a higher deductible. Some of the analysis that I did several years ago, if you reserve \$50,000, you can actually cut your premium by about \$20,000 or \$25,000. It does not take very many years in order to recapture that amount through lower insurance premiums. That was the original intent. Going forward, since we have a good amount set aside in that account, we should redesignate that \$40,000 for your capital replacement reserve and start funding it according to Mr. Boyd's analysis. That goes back to my comment about the fund balance not being encumbered as a reserve, and if you have a hurricane, that money is available to the Board to respond to those types of things.

Mr. Evans stated we could breakdown different categories so that we understand why it was allocated on an internal basis. We have \$50,000 being applied to the insurance

reserve of \$131,000. Then we kept adding to this fund in the event of a hurricane or other catastrophic event because of things that are not covered by insurance. At least we have the funds to address those emergency issues. Now we need to consider a replacement program where we need to start planning for the next 30 and 40 years of capital improvement replacements. We are trying to establish a methodology to start adding to this gradually. When you review Mr. Boyd's report, you have to look at the life expectancy of these facilities. Some may be two years, others 10 or 20 years. This is a great start, so perhaps we should include a line item and earmark a certain dollar toward that in the budget. From what I see, the \$40,000 was intended to initiate the creation of this long-term reserve.

Mr. Moyer stated I think that makes sense.

Ms. Kassel stated I thought the \$131,000 was part of that.

Mr. Evans stated there is nothing included in the \$131,000 to cover these items.

Mr. LeMenager stated I think perhaps we ought to put a cap on the self insurance reserve and actually define what we have in mind. If it was designed to be the deductible on a liability policy, that is fine, as opposed to a reserve for capital replacements. We will want a reserve for capital replacements, but we have the issue of a reserve in the event we have a hurricane or something like that.

Mr. Berube stated the self insurance reserve started at \$50,000 to have a higher deductible. We have been adding monies to that reserve over the year. Maybe we should stop putting excess monies in that reserve.

Mr. LeMenager stated we have not put any monies in that fund. These are proposals. Even the \$40,779 in this proposed budget, if you look at the first budget we approved to start this process, you will not find that. We did not approve anything like that last year. It is a proposal and we understand that. This is a proposal to increase the self insurance reserve. It sounds like we are saying \$50,000 is fine for that, but that does not mean we want to use it for something else. It means we should be much clearer in our allocation. This is the logical development of our growth and understanding of this. In the past, we have spent a lot of time talking about each of the line items. I think we are pretty comfortable with the line items. Now we are talking about the financial structure, and I think it is a great discussion.

Mr. Evans stated I think we are all saying the same thing. I think we are saying we just want to know. As Mr. Moyer said, if we designate these reserves for a specific category, it stays there for that pure sole purpose. That is its own discussion item.

Mr. Berube asked what if we called them general reserves?

Mr. Evans stated the other item to discuss is the self insurance, if we have a deductible.

Mr. LeMenager stated we can identify that as long-term capital replacement.

Ms. Kassel stated I am not clear where we have items of agreement and disagreement.

Mr. Evans stated we have two categories. Under those categories are operating funds that we need to gradually start increasing at some point, or else there will be a shortfall somewhere. Right now, the developer pays on a monthly basis. When the developer sells land to someone else, that property is then transferred to be collected on the tax roll, which means those funds will not be received on a monthly basis. The developer is funding 60% of the general fund assessments on a monthly basis. When that stops over a period of time and all the assessments are collected by the tax collector, we will need to have first-quarter operating reserves of \$375,000. Right now, we are budgeting \$175,000, so there will need to be \$200,000 that we need to gradually start planning for, just because of the cash flow timing. That is one whole subject for discussion. Then we get into the rest of the \$305,000 of funds that we have been discussing. We have allocated \$50,000 for self help which really has nothing to do with trees. If a structure blows down that is covered by insurance, we have a \$50,000 deductible.

Mr. LeMenager stated I thought we just had a liability policy.

Mr. Moyer stated that is correct; it is liability insurance, not property insurance.

Mr. LeMenager asked is the deductible on our liability policy \$50,000?

Mr. Moyer stated yes.

Mr. LeMenager stated we should add that in here to pay for our deductible. What is our deductible on our property insurance?

Mr. Moyer stated I will have to find that out.

Mr. LeMenager stated we will want to add that to be sure we have enough to pay the deductible for our property insurance.

Mr. Moyer stated it will be much less than \$50,000. We would never have a deductible on property insurance of that amount, because if you did that, then you would not have an insurance policy at all, and then it would truly be a self insurance fund.

Mr. Berube asked is there some reason we cannot raise that?

Ms. Kassel stated we need to find out our deductible amount.

Mr. Moyer stated it will be between \$2,500 and \$5,000 per occurrence.

Mr. LeMenager stated something tells me if we get hit by a big hurricane and we lose \$1 million worth of trees, our insurance company is not going to pay \$995,000 for tree replacement.

Mr. Moyer stated you cannot insure trees and landscaping.

Mr. LeMenager asked so it is self insurance for non-insurable items?

Ms. Snyder stated this fund was designated so that if we had to replace something that was not covered, it would be paid out of this line item.

Mr. LeMenager stated then I think we need more than just this line. There are some things included that we may need to clarify.

Ms. Snyder stated we may need other deductibles and money to cover things that are not insured.

Mr. Berube stated we are trying to designate reserve line items.

Mr. LeMenager stated that is correct.

Ms. Kassel stated we have self insurance, capital replacement.

Mr. LeMenager stated we have an operating reserve, a liability insurance reserve of \$50,000, a property insurance reserve of \$5,000 for now until we get the final number, a non-insurable risk reserve that should probably be a substantial amount of money.

Ms. Snyder stated the insurance deductibles are per occurrence.

Mr. LeMenager stated I understand. I would be in favor of increasing that more. The operating reserve today is \$174,000 and our long-term goal is to get that to about \$300,000.

Mr. Berube asked for the non-insurable risk reserve, are you suggesting something like \$100,000?

Mr. LeMenager stated yes, I think it should be a substantial amount of money.

Mr. Berube stated I suggest we used \$100,000.

Mr. LeMenager asked is it normal for a body like this one to have a large amount of undesignated cash? Is that normal or should we call it something?

Mr. Moyer stated it is financially prudent to make it undesignated.

Mr. LeMenager asked then what do we call it?

Mr. Moyer stated it is called undesignated fund balance.

Mr. LeMenager stated I am not very supportive of that.

Mr. Evans stated this comes back to the original question about the amount of money we have and what is it for. It can be used for a number of different things. Is it enough or is it too much?

Mr. Berube stated it is not enough.

Ms. Kassel stated this analysis from Mr. Boyd does not include everything and this is just for the long-term replacement fund. It is \$34,000 a year, which does not include replacing landscaping, irrigation, or sidewalks in the linear parks.

Mr. Boyd stated it does not include the major replacement of sidewalks, but a major refurbishment is included.

Ms. Kassel stated the community is seven years old, and we should have well over \$200,000 set aside for this because of how long things have been in existence.

Mr. LeMenager stated we are looking at a budget that contemplates having just over \$600,000 at the end of next fiscal year. What we should do now is define what categories we want to put that \$600,000 into. I am not suggesting we do it right now. Our accountant can help us by suggesting the right numbers to include in each category. If those are the right categories, we know how much we have and then it is a question of applying that to each fund. I do not like the idea of undesignated cash, but it is partly semantics. Whatever that amount can be will be used for requests that come up that people have not yet considered. We have a clear number but we do not have people suggesting things for us to spend that money on. In fact, I do not think anyone here realizes we have that much money available.

Mr. Berube stated the budget refers to it as undesignated cash, but it is not. It is designated for something.

Mr. LeMenager stated that is the next logical step we should be taking.

Ms. Kassel asked by doing this, will it restrict us?

Mr. Moyer stated based on this discussion, I think we have some good insight into where we think the Board wants to end up in this process. For next month's meeting, I will circulate the Government Accounting Standards Board (GASB) information. They are the people we are accountable to if the auditors say that we are not handling public money appropriately. That will tell you how to handle those reserves, and once you set it into a reserve, what that means. The GASB information describes designated reserves and undesignated reserves.

Mr. LeMenager stated that would be great. We are doing a good job with our general fund budget, so now we need to think about the allocation process and the categories we should be putting monies into. When do we finalize this budget?

Mr. Moyer stated the public hearing is in August.

Mr. LeMenager stated we can still discuss this at the next meeting.

Mr. Berube stated for purposes of these reserves, it will not really affect this year's budget.

Mr. LeMenager started you are right.

Mr. Berube stated my question during this conversation is, we have a reserve analysis that indicates \$35,000 should be reserved annually.

Mr. LeMenager stated it is an estimate.

Ms. Kassel stated it does not include a number of things.

Mr. Berube stated but there is a guideline.

Mr. LeMenager stated it is a great first step.

Mr. Berube stated this \$40,779 in the budget could be allocated to cover that.

Mr. Moyer stated that is correct.

Mr. LeMenager stated we expect to have \$600,000 at the end of the next fiscal year. How do we want to allocate that? We have discussed some things, and we directed Mr. Moyer and his staff to come up with some ideas and see how that looks.

Mr. Berube stated we asked Mr. Boyd to prepare a guideline, which he did. There is enough already delineated in the budget that we can include it in next year's budget, and then we can fill in the rest of the items.

Mr. LeMenager stated I do not think we need to make our first-quarter operating reserve be \$300,000 immediately. That is a ways in the future. On the other hand,

certainly making sure we are funding for the long-term costs of operating these facilities is the most responsible thing we can do.

Ms. Snyder stated we are also not going to have \$200,000 all of a sudden for that reserve either.

Mr. LeMenager stated we do not even know if that is the right amount. Staff will work on it and come up with some ideas. Now that we understand the general fund and are getting more into details, I want to have a better understanding of our debt service. The general fund only accounts for one-third of our expenses. I have some general questions. In terms of the assessment chart, this only relates to the Series 2001 bonds. There is nothing from the Series 2004 bonds. The \$68,000 left in the capital projects fund relates to what is left from the Series 2004 bonds. Is Series 2004 bonds currently paid entirely by the developer?

Ms. Khan stated yes.

Mr. LeMenager asked is that for lots that are on the other side that will eventually get billed?

Ms. Khan stated it is for unplatted parcels. There is no parcel identification number.

Mr. LeMenager asked are they on the east side of the community?

Mr. Boyd stated they are on the east side and some on the west side. They are the undeveloped parcels. The developer is paying those assessments.

Mr. Berube asked when does the 2004 debt service come online to us? When they are platted?

Mr. Evans stated when they change ownership.

Mr. LeMenager stated the debt service assessment shown on the chart is strictly for Series 2001.

Ms. Kassel stated we will just be adding two columns to the current chart for Series 2004.

Mr. Moyer stated the table that you indicated will be expanded already includes developer properties. This includes the Series 2004 assessments. The developer is funding both operation and maintenance assessments and the debt service assessments, as if those lots had houses on them.

Mr. Berube stated that is why the 2004 amortization schedule is included in the budget, but it is basically a pass through of developer funds.

Mr. Moyer stated it is the way they are collected. We collect them directly.

Mr. Berube asked where is parcel G?

Ms. Kassel stated it is west near the second entrance.

Mr. Boyd stated yes, across from the school.

Mr. LeMenager asked what is going in on the east side of town?

Mr. Evans stated parcels I, J, and K.

Mr. LeMenager stated those are not listed on this spreadsheet.

Ms Kassel stated they are still unplatted.

Mr. LeMenager stated that is my point; there will be more lines on this chart.

Mr. Evans stated to address Mr. Berube's comment, based on the budget that has been submitted, it is a balanced budget without any special projects. There was a comment made that at the end of September we figure out how much money we have as far as actual cash to carry forward. We can then make the allocation of those funds to some of these different projects. Do we want to proceed in that manner? Otherwise, we need to add money to the budget.

Mr. Berube stated I do not want to add money to the budget. My only request is for the swing set, which I have been promoting for over a year. That will be \$6,000.

Mr. LeMenager stated if we get to September and decide we are doing fine, there might be one or two special projects that we can consider doing. If the invoices for those are not received until the next fiscal year, does that violate the budget? We may decide in September that we want to do something that we can fund from the fiscal year 2010 budget, that is not included in the fiscal year 2011 budget, but the invoice will not be received until fiscal year 2011. Can we do that?

Mr. Moyer stated yes, you are working with the fund balance.

Mr. LeMenager asked can we accrue for it?

Mr. Moyer stated yes.

Mr. Berube stated when you look at the line items, I know we need to stay within the legalities, but the boating line item will likely be \$10,000 or \$12,000 under budget this year.

Ms. Snyder stated then we can consider the resident's request at the last meeting for more kayaks.

Mr. Evans stated we can review this more thoroughly next month. We have raised a lot of good points and suggestions. Mr. Moyer's office will provide more information for us.

### **THIRD ORDER OF BUSINESS**

### **Resident Questions/Comments**

A Resident stated I was on a Board of Directors for a condominium association. We prepared depreciation and replacement reports every so many years, which would tell us what it will cost for major repairs or replacements. I heard the comment about the County having different requirements as to what we can use money for. Is that something the CDD is planning to do, such as replacing the park facilities? I think it is a great idea to start putting money aside for that and designating different funds for that money. Is that something that is required by Statute or County rules?

Mr. Moyer stated unlike condominium associations, where they are required to establish reserves, government agencies are not required to do that. The discussion that we just had, even though we are not required to do it, I think this Board is of a mind that is good sense to do that. We asked the engineer to come up with a list of depreciable assets and a schedule of when they need to be repaired. In all likelihood, we will start funding that as part of this budget discussion.

Mr. Ray Walls stated I think what would make your lives easier is if you show fund balance on the revenue side and the expense side. You will have a good idea of how much money you will have allocated. On the bottom expense side, allocate that money to a surplus. Unless you have a specific reserve policy that you have approved, you can decide where you want that money to go. If something happens and there is an emergency where you need to move those monies out of reserves to an expenditure line, your life will be easier. This is the only governmental entity I have seen that does not do that.

Mr. Moyer stated fund balance is not a revenue; it is an asset. You do not budget an asset, which is part of the problem.

Mr. LeMenager stated our approach is more corporate. Our financials are about a profit and loss statement and a balance sheet, whereas the government approach is 100% a sources and uses of funds document. We have some disagreements with what they call certain things, but that is semantics. It is just a different style. The classic annual report has three components: a profit and loss statement, a balance sheet, and sources and uses

of funds. The one that the county does is the sources and uses of funds. There is an argument for what he said, but it is a matter of interpretation. A lot of this is semantics. We are doing this from the basis of two separate documents—the profit and loss statement and the balance sheet—whereas to an extent they get combined in the sources and uses of funds document.

Mr. George Schiro stated I notice that there was a big change from 2009 to 2010 for turf care and shrub care. Why is that?

Mr. LeMenager stated we have a contract with a new vendor.

Mr. Evans stated there was a change in line items. We used to have many categories and now we have consolidated a lot of the line items.

Ms. Kassel stated when we switched to the new landscaping company, we also changed the way we allocated line items in the budget. There were certain things that were lumped in one category and are now broken out in other categories. It looks like it is much bigger in some places.

Mr. LeMenager stated the individual lines do not make sense; only the bottom line makes sense.

Mr. Schiro stated it looks like a bunch of numbers were rolled into one big number.

Mr. Moyer stated that is correct.

Mr. Berube stated it simplifies the invoicing and monitoring of the contract.

Mr. LeMenager stated I am not sure I agree with that. It is a completely different structure to the contract. The problem we had before was, every time we added something new, we had a new contract with REW. In the previous budget, each line item represented a separate contract. When we switched to Luke Brothers, there is now only one contract.

Ms. Kassel stated we wanted to take a closer look at what we were spending on the various landscaping items. The way we budgeted it before was by contract. When we had one new piece of property come online, we would contract for that, but we did not have line items for the various work efforts: trees, irrigation, groundcover, turf. Now we have broken all those things down and we have lumped all the contracts together.

Mr. Schiro stated the only problem is that there used to be a breakdown and now there is not.

Mr. Berube stated it is gone.

Mr. Schiro stated on page 9, the dockmaster line item and assistant dockmaster line item look like they were reversed.

Mr. Berube stated that is correct; the \$45,213 should be where \$4,944 is, and vice versa. They are backwards.

Mr. Schiro asked who is the full-time field manager/dockmaster? Is that Mr. Belieff?

Mr. Berube stated yes.

Mr. Schiro asked who is the assistant dockmaster?

Mr. Moyer stated we do not have one at this time.

Mr. Schiro asked did we ever have one?

Mr. Moyer stated yes.

Mr. Schiro asked will we have one again?

Mr. Moyer stated yes, it is anticipated to have one.

Mr. Schiro asked does the CDD pay these salaries directly, or does it pay through Severn Trent?

Ms. Kassel stated through Severn Trent.

Mr. Schiro stated there is a separate line item for Severn Trent. Should the dockmaster/field manager be included in that other line item?

Ms. Kassel stated no, because the fee we are paying to Severn Trent is a management fee. The amount we are paying to the staff is not a management fee.

Mr. Schiro stated I agree. There are other things included in the management fee. I think this should be included in that other line item.

Mr. Moyer stated it could be, but it is the same difference. It does not change anything.

Mr. Schiro stated I would think you want everything paid to Severn Trent in one line item.

Mr. LeMenager stated I think Mr. Schiro makes a good point. The totality of what we pay Severn Trent includes other services.

Mr. Berube stated what we pay personnel is separate.

Ms. Kassel stated it is a pass through. We pay it through Severn Trent, but we are not paying Severn Trent.

Mr. LeMenager stated professional services for special assessments is where you calculate the assessments, and you bill the District for that.

Mr. Moyer stated that is correct.

Mr. LeMenager stated it is a fair comment that perhaps sometimes the various and sundry items we pay to Severn Trent are not as clear as they could be.

Mr. Moyer stated I am not sensitive at all to rolling it all up into one line item for Severn Trent. For the amount of money you are paying Severn Trent, you are getting an accounting department, a secretarial department, office space, and field management. I would challenge anyone to look at what we are doing and come anywhere close to that amount.

Mr. LeMenager stated it is not an issue of the value for the money. It would just be nice to have something that is a little clearer.

Mr. Moyer stated I have no problem if you want to reclassify it.

Mr. Berube stated we have a really good budget, and I do not want to change it.

Mr. LeMenager stated it would be nice, then, to have a footnote that shows the total amount paid to Severn Trent.

Mr. Schiro asked what is information technology services?

Mr. Moyer stated that is an allocation to offset the IT support that we receive from Severn Trent that essentially goes for the accounting software more than website management and things like that. The website is being provided personally by me at my cost, at no expense to the District. That is not money that goes to me for website management.

A Resident stated I have a question under rentals and leases. What are we renting and leasing?

Mr. Moyer stated you are using a facility in Osceola County since we do not have an office out here. It is a District office in another location. It would be unfair for the residents in that District to pay your share of the office rent.

The Resident asked everyone shares in the cost for that office?

Mr. Moyer stated that is correct.

Mr. Berube stated the reason is that we must have an office in this County where all our records and documents are kept.

The Resident stated regarding the numbers being switched for the field manager, on page 1 of the budget, it shows \$45,213 for field management. Do we need to adjust that to \$50,000 instead of \$45,213?

Mr. Moyer stated no.

Mr. Berube stated there are FICA and other things we need to account for.

The Resident stated so you need to just fix that number. It looks like you added in the assistant dockmaster.

Mr. LeMenager stated I think she is correct. Either the notes are backwards or the lines are backwards. I think we understood what it was because the notes say the full-time person is \$4,900 and the part-time person is \$45,000 per year.

Mr. Berube stated the notes are backwards.

Ms. Kassel stated if you look at the budget in the right column, but the full-time and the part-time staff members are represented, for a total of \$50,157 for both positions.

Mr. Moyer stated taxes and employee benefits are included in that budget number.

Ms. Kassel stated last year, there was a separate line for FICA, but for fiscal year 2011, it is rolled into the total shown for both positions.

The Resident asked on the line items, do you separate the contract for the assistant and one for the full-time dockmaster?

Mr. Moyer stated no, they are both being paid through Severn Trent as Severn Trent employees. The reason for that is the District did not want to hire those two employees and have all of the accounting and other work that is necessary, so they were hired as Severn Trent employees to keep it as simple as possible. Payroll and everything else is handled by Severn Trent.

The Resident stated on page 1 under Field Management, you have only accounted for the one full-time person.

Mr. Moyer stated the part-time person is included in the line above called Salaries in the amount of \$4,944.

The Resident stated you are contradicting what you just said.

Mr. LeMenager stated no, that is not correct.

Mr. Berube stated the part-time person is Payroll-Salary and the full-time person is Professional Services-Field Management. The total of those two salaries is \$50,157.

Mr. Moyer stated she brings up a good point, so let us make this clear, because it is confusing. We will have a full-time and part-time staff and we will designate it as such.

Mr. LeMenager stated that will be a much better description.

The Resident asked why are they separated in the first place when they are both under the same contract?

Mr. Moyer stated one position is mandatory and the other is optional.

Mr. Berube stated the part-time person only works when he is needed. Right now there is no one working in that capacity because there is no one. Mr. Belieff is here all the time so we need to provide for his salary, and we need to provide for assistance when he cannot be here.

Mr. Dave Leeman I notice there is \$5 million in the bank to pay off bonds. It is not necessarily a budget question. Is it appropriate to discuss now or in the regular meeting?

Ms. Kassel stated we should discuss it in the regular meeting.

**FOURTH ORDER OF BUSINESS**

**Adjournment**

The workshop adjourned at 7:50 p.m.

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Gary L. Moyer, Secretary

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Robert D. Evans, Chairman