

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 23, 2011, at 3:00 p.m. at 7251 Five Oaks Drive, Harmony, Florida.

Present from the Board were:

Robert D. Evans	Chairman
Mark LeMenager	Vice Chairman
Steve Berube	Supervisor
Kerul Kassel	Supervisor
Ray Walls	Supervisor

Also present were:

Gary L. Moyer	Manager: Moyer Management Group
Ken vanAssenderp	Attorney: Young vanAssenderp, P.A.
Steve Boyd	Engineer: Woolpert
Greg Gologowski	Harmony Development Company
Todd Haskett	Harmony Development Company
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 3:00 p.m.

Mr. Evans called the roll.

SECOND ORDER OF BUSINESS

Comments and Questions on the Proposed Budget for Fiscal Year 2012

Mr. LeMenager stated I provided each Supervisor with a history going back to 2007. Mr. Walls asked a question about how this has developed over time. The one thing this summary shows is that except for fiscal year 2009, we spend on average \$1.3 million every year. That is the level of expenditures we have had in the past. It appears from the information we received from Mr. Haskett that we will have more items for maintenance.

Mr. Evans stated I suggest we review this budget by line item and find the things we agree on and then narrow it down to the things we really need to the things we need to discuss further.

A. Administrative Expenditures

1. Board of Supervisors: Nothing changed on this line item.
2. Arbitrage Rebate: This item was further discussed with the contingency budget item.

Mr. Moyer stated the District pays \$600 per bond issue for this annual arbitrage calculation, totaling \$1,200 annually.

Mr. Berube stated the budget for fiscal year 2011 shows \$1,200 but the District spent \$3,000 so far in fiscal year 2011.

Mr. Moyer stated that would indicate their arbitrage calculation was for more than one year. They may have gone back to the 2004 bond series and did multiple years in one calculation. There is probably an explanation in the footnotes to the financial statements. For fiscal year 2012, we are anticipating they will perform calculations for one year at a fee of \$1,200.

Mr. LeMenager stated in 2007, we spent \$3,600 and in 2008, we spent \$3,600. It went down to \$1,200 in 2009 and it was zero in 2010. I wonder if what we paid this year was to catch up.

Mr. Moyer stated part of the higher costs in 2007 and 2008 is that prior to 2009, accountants and CPAs were charging about \$1,500 per bond issue. AMTEC came into the market with a program whereby they can do this work for \$600 per bond issue. Those fees in 2007 and 2008 are indicative of what the CPAs were charging versus AMTEC, who we are currently using. The reason we spent \$3,000 this year is because there were multiple years involved in the calculation. We have arbitrage calculated every year in order to establish in our accounting records any arbitrage liability that we have to set aside with the trustee. We may not have done it every year but we should be on a schedule where this is performed every year for accounting purposes. We have budgeted \$1,200 for one year, which is AMTEC's fee of \$600 per bond issue for one year. This District has two bond issues: Series 2001 and Series 2004.

3. Dissemination Agent: Nothing changed on this line item. This is another requirement of the bond issue.
4. Engineering: This item can be reduced.

Mr. Walls stated it looks like we will spend just under \$10,000 this year with the change in attendance. I think we can reduce the budget amount from \$18,000 to maybe \$14,000 or \$15,000.

Mr. Berube stated that is a good suggestion. I think we can reduce this line item somewhat. Your suggested savings will not be enough to cover Mr. Haskett's additional items, but it is a start.

Mr. LeMenager stated the engineer might need to be involved in some of those projects. The reason the cost is so low this year is because we did not have any big projects.

Mr. Moyer stated a lot of what the engineer incurred this year was paid out of the construction account because his time was directly related to construction activity. The general fund received the benefit from that.

5. Legal Services: Nothing changed on this line item.

6. Management Consulting Services: Nothing changed on this line item.

Mr. Walls stated I appreciate Mr. Moyer's staff and Severn Trent's efforts, but they are proposing a 3.5% increase for management services and assessment services. It has no bearing on the quality of work they provide, but it goes back to what I mentioned several months ago about their contract being perpetual. It was signed over 11 years ago. The details on this agreement reference Exhibit A, and at that time, the fee was \$35,000. There is no rational or justifiable basis or any explanation as to how the fee went from \$35,000 to where we are now at \$66,000 other than the Board arbitrarily setting the amount. If you look at any local government, I do not think you will find anyone who issues contracts for anywhere more than a maximum of five years without having to go back out and rebid that contract. It is a little unfair to the property owners. We cannot go to them and say that we know we are getting the best service at the best price because we competitively bid this contract. I think it is unfair to the business community at large because they do not have a chance to bid on this contract. I do not know if there are any other companies who might want this contract, but I think the least we can do is look. For that reason, I will not support this increase. What will go a long way to dissuade my concerns on that is if we did a request for information or something that did not lock us in like an RFP, but something to see if there might be other companies out there that might be interested in bidding for this particular contract and letting them tell us what their capabilities are and then letting us decide, if there is enough interest, if we want to go forward with an RFP. I want to stress that it has nothing to do with the service we receive. I have no complaints at all. It is a matter of principle for me, and we have several contracts like that in this District.

Mr. Evans asked who is going to write the specifications for the RFP? There is no standard.

Mr. Walls stated I understand that.

Mr. Evans stated there is no standard scope of services that I have found. There are a couple other firms who manage special Districts. Some of the ones I have had experience with were quite different than dealing with our current firm. We have raised this issue previously and I discussed it with Mr. vanAssenderp. The State Legislature has never truly defined the level of services that management companies should be providing. There is no minimum scope of services, unlike so many other services where you can define those levels. Unless you have a set of specifications in mind to draft, you will have bids in a wide range. Most of the management companies originally worked for Mr. Moyer and they decided they wanted to go out on their own.

Mr. Moyer stated I can tell you what management means, but I cannot tell you how to scope sitting in meetings for three hours at a time and sending staff out here on weekends to do work that we do not charge for. I do not know how you define that part. I can tell you what management is, but this Board has to agree that is what it is and be comfortable with those services for \$55,000. You are getting a manager, an accounting staff, secretarial staff, and office support. I would rather have you look at it in terms of whether or not it is a good deal for our small government called the Harmony CDD. I do not know of anywhere else in local government where you will get that type of service for the fees that you are paying.

Mr. Walls stated I completely understand that. It is up to the Board to tell you what your job is. The fact is, I cannot go to anyone and say that I know for a fact that this price is a good deal. It may very well be but no one else has come to us and said they will perform these services for a certain price and we have not had any competitive bid.

Mr. LeMenager stated this is a discussion of the budget and it is not in any way an approval for the 3.5% increase.

Mr. Walls stated there have been increases in the past.

Mr. Moyer stated some years there has been no increase for the management company and some years there has been a cost-of-living factor included in the budget.

I review this budget before it is sent to you and if I feel that the increase is warranted because of the additional effort that staff has put in last year, then I approve the 3.5% increase. I will be honest with you; if you think that I will lose a contract over 3.5%, I will not do that. If you tell me to take it out, then we will take it out. I simply do not do business that way.

Mr. Walls stated I am not saying the 3.5% is unreasonable. This is a matter of principle. If you look at the contract language, the contract can go for 100 years. There is no specific dollar amount in the contract other than the \$35,000 it started at. I would never write a contract like that for anything I do personally. I am trying to look out for the District.

Mr. Berube stated on principle, I agree with Mr. Walls that these things compound over the years and we are 11 years into a contract at various percentage increases and I do not know how many times the compounding has happened. Over a period of time, it gets to be a big number. Mr. Walls raised this issue six months ago and in principle, I agree with you that they need to be looked at. The reality is, when I see what Mr. Moyer and Severn Trent do for us, most everything happens fairly seamlessly. Certain things are a little slow to get through especially with employee relations. I recognize that Mr. Moyer provides the website at no cost to us. When there is a problem with the website, you contact Ms. Brenda Burgess and it gets fixed. Any time I have had a conversation with any of the management staff, they are very responsive and I always get the information I request very quickly. Ms. Rosemary Tschinkel will be in Harmony to facilitate the access card registration, and again, that is at no charge to the District. I have not heard any discussion indicating we will be charged for this.

Mr. Moyer stated that is correct, there is no charge.

Mr. Berube stated it all gets blended in. There was a big issue about six months ago with a public records request that took a huge amount of time. I know we spent money on the attorneys but I did not see any extra bills from Mr. Moyer's firm. I am torn on this issue. Mr. Moyer is very integrated both horizontally and vertically, just like the engineer and the attorney. My conservative side wants to side with Mr. Walls and look at what needs to be done and what can be done better. My realistic side says

that we might be stepping from a large frying pan into a very large fire. I like the *status quo* as it relates to the management company.

Mr. Walls stated if that is the will of the Board, I will go along with it.

Mr. Berube stated I understand what Mr. Walls is saying, and in my personal shopping, I look everywhere to find the best deal. When I look at the picture that Mr. Moyer and his staff provide, there is not much that I can complain about.

Mr. Walls stated I totally agree. I am not saying we are getting a bad deal. It is a principle matter for me.

Mr. Berube stated the question should be to Mr. Moyer. Do you anticipate increasing management fees 3.5% this year?

Mr. Moyer stated it is currently proposed in the budget.

Mr. Evans stated I think that increase is well overdue. For reasons that everyone has mentioned, they have done so much work for us. We are not the easiest District to deal with. We are constantly calling them with all kinds of different issues and things. We are on this Board because we have some level of expertise in any variety of things, and it is that expertise we are supposed to bring to the Board for the benefit of this District. Otherwise, whenever something arises, we call the manager, the engineer or the attorney and ask them to tell us what we are supposed to know. If you do not know, that is fine. There are enough people on the Board that should be able to figure it out as opposed to constantly asking for legal opinions and all these exhibits and other information. They are here to support us. I think Mr. Moyer's firm and Mr. vanAssenderp's firm are both doing us a tremendous service. Mr. Walls indicated he did not have anything to compare with. I have 15 years to compare it with. That is not meant to mock you, but I have dealt with a lot of law firms, a lot of engineering firms, a lot of contractors, and all that goes along with it. You cannot look at price alone. If you find someone you are comfortable with who does a good job for you, they are invaluable because you do not have to worry. You are not constantly taking your time to chase down Mr. Moyer or Ms. Burgess asking for something you requested a week ago. Your time is very valuable and when you have to chase down someone, it becomes cumulative and you have to factor that in. I do not have to chase down any of our staff, and the advice that we receive is not mere ramblings. It is information on what we need to do in order to keep the Board out of jail.

Mr. Walls stated I wholeheartedly agree. The experience that I bring is from the government budgeting and finance side. We would never have a contract like this at the County level ever.

Mr. Evans stated it may be that we need to update the contract, but 10 or 11 years ago, even though I was not a part of this District but I was a part of Districts from the beginning through completion of construction, the magnitude of the scope of services that are provided in the beginning accelerate over time as the district developed. Mr. Moyer and Mr. vanAssenderp spend time looking at the rules and looking at policies and everything we are trying to do as we grow. That time and commitment grow along with it, which is why it is not a flat fee.

Mr. Walls stated my concern is not price or quality. It is just the contract language.

Mr. Moyer stated I will offer one thing if someone asks you why our contract is not bid. Any other company that I am aware of that manages CDDs in the State of Florida is essentially an entrepreneur company. Ten years ago, I would have said that is absolutely fine, but the reality is that Severn Trent is a large international company. There is good news and bad news with that. Mr. Berube commented about personnel issues, which is very cumbersome because of all the rules for personnel. Your District staff members are technically Severn Trent employees and I think that is a great benefit to you. I have seen some of these other entrepreneurial companies that made mistakes on assessments—they may not be large but only \$3,000—and if that happens with Severn Trent, then Severn Trent pays for that mistake. That is the nice thing about having a substantial company standing behind the management of any of these Districts. I do not know how you put a price tag on that.

Mr. Walls stated I just wanted to raise the issue. If the rest of the Board is fine with it, then I will register my discontent and we can move forward.

Ms. Kassel stated it is always a smart thing to know what price things cost in the market. If it was easy to do, then I would support doing it. As Mr. Evans pointed out, it is not an easy matter. If there was a way to figure out how to do it that made it feasible and reasonable, I might support doing it. When I think about the contract we have with them and the work they provide for us, which I know the quality is not an issue, I think about my experiences on other Boards for condominiums associations

and the management companies they had and the quality of services received. There is no contest. I am also aware, as Mr. Berube pointed out, of all the extra things they do for us that are not included in their contract that they gladly provide without any charge and the fact that they are so responsive and so knowledgeable and experienced. I have hired contractors who were less expensive but I could not count on them to be there when I needed them to be there or when they said they were going to be there. I could not count on them to follow up if something was not correct. That is not an issue we have with our management company. I find for myself in the contractors that I have hired that it is worth paying an extra 15%, 20%, sometimes even 30% for the quality, the timeliness, the breadth of service, the knowledge, and the expertise.

Mr. Walls asked can we add an addendum to the contract each year that updates the amount?

Mr. Moyer stated yes.

Mr. Walls stated that way we can see the progression.

Mr. Moyer stated I can provide a schedule that shows the amounts since the beginning of the contract period.

Mr. Walls stated the budget indicates referring to Exhibit A, but your Exhibit A is from 11 years ago. I would like that exhibit updated each year.

Mr. LeMenager stated I recall that last year, Mr. Moyer proposed an increase and this Board voted to approve it, specifically to approve a 3.5% increase.

Mr. Evans stated I thought we did that, also.

Ms. Kassel stated I do not think we voted specifically on the increase, but we voted on a budget that provided for that increase.

Mr. Walls stated if we can update Exhibit A each year, then we can see the progression each year.

Mr. LeMenager stated I am in complete agreement with that. Just because something is included in the budget does not mean it is approved. We will still discuss spending the money or not.

Mr. Evans stated hearing enough comments in favor to provide a 3.5% increase for fiscal year 2012, we will leave that number unchanged.

7. Special Assessments: Nothing changed on this line item.

Mr. Moyer stated this is for preparation of the assessment roll and certification of that roll to the tax collector.

Mr. Walls stated my comments about the 3.5% increase for management services apply to assessment services, as well.

8. Property Appraiser: Nothing changed on this line item.

Mr. Berube asked was the expense of \$779 related to the invoice we received that was not legitimately from the property appraiser? It was from the Board of County Commissioners.

Mr. LeMenager stated this is a new budget item because we have not budgeted for it in previous years.

Mr. vanAssenderp stated the property appraiser has not been willing to take this work back from the County since those services are provided by the County. I wrote a letter directing the District to pay that invoice until the property appraiser tells us differently. The property appraiser has requested the County send the District an invoice for her services; the County is doing her work and that is the way it should be.

Mr. Evans asked did we pay it or have we simply budgeted for it?

Mr. Berube stated it is in the Projected column, so it looks like it is scheduled to be paid.

Mr. LeMenager stated we have not paid it yet.

Mr. vanAssenderp stated the District has done all it can do. The property appraiser has to decide if she wants to continue in this regard. My suggestion is to pay her directly and then she can pay the County if she wants the County to do her work. She has said for the time being to pay the County and she will think about taking her work back from the County and do what she is supposed to do.

Mr. Berube stated we probably paid more for legal opinions than the amount of the invoice.

9. Trustee: Nothing changed on this line item.

Mr. Moyer stated this is a fixed number and is part of the bond issue.

10. Auditing Services: Nothing changed on this line item.

Mr. Moyer stated this is an annual fee of \$8,000 as provided in their engagement letter.

11. Telephone: Nothing changed on this line item.

Mr. Moyer stated this number is an estimate based on the previous year's usage.

12. Postage and Freight: Nothing changed on this line item.

Mr. Moyer stated this number is an estimate based on the previous year's usage.

13. Insurance – General Liability:

Mr. Evans asked are you projecting an increase in the insurance premium for 2012?

Mr. Moyer stated we call the insurance company and ask what our premium will be for the following year, and that number is reflected in the budget.

Mr. Evans stated it looks like it increases 10% annually.

Mr. LeMenager stated it is exactly 10% for next year.

Mr. Berube asked is our deductible high enough?

Mr. Moyer stated yes, we have a \$50,000 deductible. If it were not \$50,000, then the premium would probably be closer to \$60,000.

Mr. Berube asked what if we had a \$100,000 deductible and put the extra \$50,000 in an insurance account?

Mr. LeMenager stated it is \$50,000 per claim, not per year. If we had a couple claims in a year, the claims can add up pretty quickly.

Mr. Evans stated it is not like medical insurance where it is cumulative.

Mr. Berube asked are we designating \$23,000 every year for the insurance reserve?

Mr. Moyer stated we just went through this in Celebration, and it is cumulative. On an annual policy, it is an annual deductible for the policy year. If we are sued a couple times and paid the deductible with the first claim, the insurance company will pay the balance.

Mr. LeMenager stated in that case, I support Mr. Berube's suggestion to change it to \$100,000.

Mr. Berube asked should we investigate that?

Mr. Evans stated with a \$50,000 deductible, our premium went from \$60,000 down to \$20,000. If we put another \$50,000 at risk and the premium only drops \$5,000 or \$6,000, it does not make sense.

Mr. Moyer stated we will ask the question and find out what the premium would be for a \$100,000 deductible. I can tell you from experience that the \$50,000 deductible makes a big difference in the premium.

Mr. Berube stated we might be surprised by increasing it to \$100,000. I understand what you are saying, but if we save even \$5,000 a year and have no claims, that money compounds. If we have a claim, the compounding ceases, but I think we should at least see what the premium would be for a higher deductible.

14. Printing and Binding: Nothing changed on this line item.

Mr. Berube stated this looks like a good number based on current projections.

Mr. LeMenager stated we are spending less than we used to, which used to be about \$8,000 annually.

15. Legal Advertising: Nothing changed on this line item.

16. Assessment Collection Cost: Nothing changed on this line item.

Mr. Evans stated this is a derivative of the assessments that are collected.

Mr. Moyer stated that is correct; it is what the tax collector charges us to serve as our agent in collecting these assessments. Truthfully, it is the best use of money we spend in the whole budget.

17. Contingency:

Mr. Evans asked what do we typically budget for in this line item? We have a fairly detailed budget.

Ms. Kassel stated the narrative indicates it is for monthly bank charges and any other miscellaneous expenses that may be incurred during the year. It is for miscellaneous administrative expenses.

Mr. Evans stated I would like to reduce this to \$1,000 from the proposed amount of \$2,800.

Mr. Walls stated I would suggest reducing it to \$500. If we need it to pay bank charges, we can put that in a separate line item.

Mr. Moyer stated it essentially is for wire fees and what is shown to be expended this year is for CenterState Bank wiring fees for the non-ad valorem assessments that are sent electronically by the tax collector.

Mr. Evans stated if we expect to expend a total of \$678, I suggest we round it up to \$1,000.

Mr. LeMenager stated I am looking at the differences from the last version of the budget, and I see that there are two tiny changes. One is the arbitrage rebate item when down \$1,800 and this line item increased by \$1,800. I wonder if that was her intention. The grand total is exactly the same. From the first draft to the second draft, that is the only change made to administrative expenses. I wonder if one of the automatic formulas did something.

Mr. Moyer stated that could very well be.

Mr. LeMenager stated then arbitrage rebate calculation would go back to \$3,000, which is what we spent, and this would be reduced to \$1,000 as provided in the first draft. We should just leave the amounts as they were in the first draft.

18. Office Supplies: Nothing changed on this line item.

Mr. Moyer stated this number is an estimate based on the previous year's usage.

19. Annual District Filing Fee: Nothing changed on this line item.

20. Capital Outlay:

Mr. Evans stated we have not spent any money out of this line item in quite some time. I believe it was for purchasing file cabinets one year. Do we need this line item?

Mr. Moyer stated no.

B. Administrative Expenditures Summary

Mr. Evans stated arbitrage rebate services and contingency will be revised as provided in the first draft of the budget, with arbitrage rebate going to \$3,000 and contingency going to \$1,000. The only line item for administrative expenditures that we need to discuss further is engineering fees. Mr. Moyer will provide information on changing the insurance deductible to see what the resulting premium would be.

C. Discussion of Engineering Fees

Mr. LeMenager asked is Mr. Boyd aware of any projects that will be coming online during the next fiscal year that will require engineering services?

Mr. Boyd stated there are no capital projects planned, and I am not anticipating any other general maintenance activities at this time.

Mr. Evans stated we can discuss this further since there might be some projects that come up that will need engineering services.

Mr. LeMenager stated we have two more opportunities to discuss the budget.

D. Field Expenditures

1. Payroll – Salary: Nothing changed on this line item.
2. Payroll – Field Management: Nothing changed on this line item.

Mr. Walls asked do these payroll amounts go directly to the employees?

Mr. Moyer stated most of it will. There is an administrative overhead charge as well.

Mr. Berube asked do they receive it automatically or do we build in their increase? Is there an automatic pay increase for the staff?

Mr. Moyer stated not in the budget. For the assistant, there was an increase after his 90-day probationary period, which unfortunately took almost 90 days for that to become effective.

Mr. Berube stated if we are budgeting a 3.5% increase for our employees, I would like to make it automatic, provided their supervisors approve it, on their annual anniversary date, they should automatically receive that increase. It is not a large amount of money, but if we are paying it, they should be putting it aside and it should automatically happen. We should not have any hassle and should not have to track it down and go back and forth. On their anniversary date, that 3.5% increase should automatically be included in their paycheck. I think that is a decent policy.

Mr. Walls asked is that how it has worked? Technically, they are employees of Severn Trent, so Severn Trent sets their salary.

Mr. Moyer stated that is correct. Severn Trent has always been very responsive in that regard. If this Board is adding that money for those employees, they will do what we tell them to do relative to the increases for those employees.

Mr. Walls stated I support that.

3. Landscape – Refuse Removal:

Mr. Berube stated I thought we removed this from the Luke Brothers contract. Is there still some work they are doing within this line item?

Mr. Moyer stated there is still some refuse removal that is being done by Luke Brothers. Our staff performs the trash removal from trash cans.

Mr. Tome stated this is for landscape clippings and debris.

Mr. LeMenager stated we are projecting to spend zero for the rest of this fiscal year. What happened? We spent \$5,000 for the first half of the year but we are

anticipating spending zero the rest of the year, which coincides with the time when we hired the assistant field manager.

Mr. Moyer stated I will check on that.

Mr. Berube stated I thought this budget item ended when we hired the assistant field manager and removed it from their contract. There is nothing for this line item on their monthly invoices.

Mr. Walls stated the narrative indicates it is also for replacing damaged trash cans and things of that nature, so I presume that is what this budget item is for.

Mr. Tome stated Luke Brothers continued to remove trash for about two months after Mr. Rick Druckenmiller was hired, so there was a period of time we still paid them for trash removal. Once he started performing that service, then Luke Brothers stopped.

Mr. LeMenager stated I am not sure we should continue to budget for this line item.

Mr. Walls stated the narrative explains that this line item is also for supplies and replacing damaged trash cans. I do not know if the entire amount of this line item was originally intended to be for the contracted service by Luke Brothers.

Mr. Berube stated I would think we would put money for damaged trash cans into either Equipment or Parks and Facilities.

Mr. LeMenager stated we did repair those trash cans this year.

Mr. Moyer stated that is correct.

Mr. Evans stated we can revise the narrative. It references refuse removal but it includes more than hauling off trash.

Mr. Walls stated whether or not that is the right place for it, I do not know.

Mr. Berube stated we can leave it in that line item.

4. Landscape – Grounds: Nothing changed on this line item.

Mr. Berube asked why are we budgeting more money for fiscal year 2012 than we are projecting to spend this year?

Mr. LeMenager stated there are contingencies built in that we did not spend.

Mr. Moyer stated that is correct. The description in the narrative for almost all of these line items include Unscheduled Maintenance. Most of them are about \$2,000 or \$3,000, up to \$5,000. In total, there is \$26,730 in Unscheduled Maintenance.

Mr. Berube stated the reason I mentioned it is because we revised their contract last year and removed the annual increase.

Mr. Moyer stated that is correct.

Mr. Berube stated these are not for increases but just projections on what we might spend.

5. Landscape – Irrigation:

Mr. Haskett stated I was pleasantly surprised to see this line item was reduced rather than increased, although we did have some line breaks that we were told would not happen again. The fact still remains that the irrigation system has been stressed by all those pressure changes. What we are finding now is smaller cracks rather than big blow-outs of the whole system. The little cracks are seeping into the ground, so there is still a lot of wear and tear on the irrigation system. I would like the budget number to reflect what we spent for this year as a safeguard. History shows that we need to be prepared.

Mr. LeMenager stated that is correct, and we are looking at \$40,000 for this year. I think Mr. Haskett has a good point.

Mr. Evans stated I will go with Mr. Haskett's expertise. Should we change this to \$43,000 for the proposed 2012 budget amount?

Mr. Haskett stated yes.

Mr. Berube stated \$8,000 of that increase could potentially come from the engineering line item that we are saving from last year's numbers.

6. Landscape – Tree Trimming Services: Nothing changed on this line item.

7. Landscape – Trees and Trimming: Nothing changed on this line item.

8. Landscape – Turf Care: Nothing changed on this line item.

9. Landscape – Shrub Care: Nothing changed on this line item.

10. Landscape – Miscellaneous Services: Nothing changed on this line item.

Mr. Walls stated I would like to see some sprucing up of the west entrance to make it look more like the east entrance. It is shoddy and ratty looking in places. There is \$10,000 in this line, which includes landscape updates. I would like to see some money put toward that entrance, but I do not know how much without getting proposals.

Mr. LeMenager stated I was going to raise that in the regular meeting tonight.

Mr. Evans stated we still have money left in this year's budget to do that work this year.

Mr. LeMenager stated that would be nice to do it this year. The whole wildflower idea sounded great but I think what it has given us is one month of beautiful and 11 months of "wow." The first impression people have of Harmony is that this place cannot pay their bills.

Mr. Walls stated I am not talking just about the wildflower area, but the actual entrance itself. It needs some shrubs and sprucing up.

Mr. LeMenager stated I am in total agreement with you.

Mr. Evans stated this is the second driest spring on record.

Mr. LeMenager stated I understand, but that area looks really bad.

Mr. Evans stated our projected expenditures for this current fiscal year is about \$2,500 and we budgeted \$10,000, leaving about \$7,500. If we want to allocate to these project in this current fiscal year, we can do that. We can also anticipate that we will need to do some of this work in the next fiscal year and keep that line item at \$10,000.

Mr. Walls stated I am fine with that. Perhaps we can get a proposal worked up.

Ms. Kassel stated we can discuss this item further in our regular Board meeting.

11. Utility – General Electricity:

Mr. Evans stated our projection for this current fiscal year is \$32,000 but the proposed budget is for \$40,000.

Mr. Walls stated I received a notice from OUC that they are not going to seek a rate increase this year. I would be comfortable reducing that down to \$35,000.

12. Utility – Street Light Electricity: Nothing changed on this line item.

Mr. Moyer stated in the budget that was provided last month included one of the changes that I asked for, which was to increase the electricity back to \$385,000.

Mr. LeMenager asked is that a contracted amount?

Mr. Moyer stated yes.

Mr. Evans stated there is also a surcharge included in those street lighting agreements, and they have not yet implemented that surcharge.

Mr. Moyer stated that is correct. As I recall, the agreement entitles them to a 2% increase.

Mr. Berube asked if we are keeping general electricity the same, why are we increasing the street lighting?

Mr. LeMenager stated that is by contract. We have a specific contract with OUC to provide the street lights, fixtures and the electricity.

Mr. Berube stated we just discussed that they have not implemented their surcharge.

Mr. Evans stated we need to account for it in the budget in case they do. We factored in what they were entitled to charge us, which I believe is 2%, so we always budget that 2% in case they charged it to us.

13. Utility – Water and Sewer: Nothing changed on this line item.

Mr. Haskett stated this includes the irrigation water. Between November and April, we had line breaks which accounts for most of the increase in actual expenditures. In the past couple months, we have used more water because of drought conditions.

Mr. Evans stated we have \$104,000 projected expenses for this current year based on these trends. Is it reasonable to assume that we will need that volume of water going forward?

Mr. Berube stated yes.

Mr. Evans asked is most of it attributable to line breaks or just a small portion? Is most of it for watering the landscaping?

Mr. Berube stated I reviewed the water bills very carefully. More of them have been trending down the past two months, which surprised me, but then I found out there were some zones that have been turned off for any number of reasons. Our last two months have had artificially low bills, but there are many months when they were artificially high because of leaks and breaks and various other things. Now that these zones are back on, I expect we will see higher bills going forward.

Mr. Haskett stated that is correct. I would keep the proposed figure of \$105,000 for next year. We are proposing additional landscaping and enhancements and will use more water next year.

Ms. Kassel stated if we think of the fact that there are now some cracks in the lines that are not going to be as bad as the breaks we had and that our irrigation system is aging so we might have more breaks, we might anticipate more leakage

and, therefore, more water costs. In addition, if weather trends continue the way they are—Florida is one of the areas that the United Nations has forecast to become drier, not wetter—then we may see a trend needing to irrigate more because our weather patterns are such that they are not providing the rain we need to maintain our landscape.

Mr. Berube stated part of this also includes a 4.5% increase that we have been charged from Toho Water Authority. All of our base charges increased and our usage charges per gallon increased. There are other factors involved in this line item, but I would feel much more comfortable leaving it at \$105,000.

Mr. LeMenager stated in 2007, we spent \$143,000, so the money we spent on the water control system was money well spent. That is something we should consider investing in even further.

14. Operations and Maintenance – Lake and Wetland:

Ms. Kassel stated if we are considering installing more plantings, this line item needs to reflect that but it does not currently.

Mr. LeMenager stated that would not be under this contract line item.

Ms. Kassel stated it should be the same line item; however, we can include unscheduled maintenance, just like we did for all the landscaping items.

Mr. Walls stated it includes \$3,000 for unscheduled maintenance.

Mr. Evans stated at our last meeting, we requested Bio-Tech to provide a proposal based on some of these linear feet of the ponds.

Mr. Golgowski stated they provided a proposal for 500 linear feet at a cost of \$1,795.

Mr. Berube stated that averages to just under \$4 per linear foot.

Mr. Evans stated Mr. Golgowski also looked at the linear footage of the ponds.

Mr. Berube stated we thought about doing Long Pond, which is 4,080 feet and there is probably as much as 500 feet that already has a good amount of cannas and other plants growing there, which may not need to be touched. If we are going to plant 3,500 feet at \$4 per foot, it is about \$14,000 to install plantings on that one pond.

Ms. Kassel stated that would be if we did the entire pond at one time and at that planting density.

Mr. Berube stated if we are going to do one, we ought to do that pond since it is the most visible one we have. The developer has put in some openings through the woods to

show the pond behind it for safety reasons. If we are going to have a showpiece, I think that is the one. Did Biosphere provide an estimate for installing plantings?

Mr. Golgowski stated yes, but it is not an equal comparison. Biosphere's proposal was \$1,480 for 500 linear feet.

Mr. Berube stated that is just under \$3 per linear foot.

Mr. Evans stated the range is about \$15,000 for that one pond if we do the whole pond at one time.

Mr. Berube stated I think it is wise to do the whole pond at one time because there are changes that will need to be made in the way it is mowed and other reasons.

Ms. Kassel stated we discussed that you do want some open areas. You do not want the whole pond edge to be inaccessible. You want to be able to get a boat in there and some wildlife likes to drink from open areas. If we were to do perhaps 1,500 feet, that might suffice depending on the specific areas that were chosen and what areas were chosen to be left open.

Mr. Berube stated the reason I left out 500 feet was because there are a number of areas that have grown in heavily and other areas are fairly sparse. The actual count is 4,080 linear feet around the pond. Some of it we simply will not want to plant, but that is why I suggested 3,500 feet.

Mr. Evans asked do you want to do that this summer or include it in the budget for next year?

Ms. Kassel stated I think the spring is the best time to do this work.

Mr. Golgowski stated you could do it before the end of the fiscal year.

Mr. Evans stated we have the funds to do the work now if we choose to. I think we are in agreement that we want to do something. Is this something we want to do over a period of two years? Do we want to do one of the ponds now while we have the funds? Do we want to budget for another series of ponds for next fiscal year?

Mr. Berube stated I think we have \$15,000 in the current year budget for that plan. We could do Long Pond toward the end of the fiscal year and then budget \$15,000 for next year to do more plantings. All the other ponds are significantly smaller than Lakeshore Park. There are only six other ponds that the District owns. If we spend \$15,000 this year and \$15,000 next year, then we will have all our ponds planted.

Mr. Walls stated now is not the right time of year to install those plantings.

Mr. Golgowski stated it can still be done before the end of the fiscal year. When it rains, the pond levels change so much.

Mr. Berube stated these are tropical plants, anyway, so the heat should not burn them.

Mr. Evans stated if it starts to rain soon, you could plant these in August and perform the work in this fiscal year. We can discuss at the Board meeting tonight what we want to do for this fiscal year, and then we can include money in the budget for the next fiscal year, with the assumption that this year's plantings will be successful. We can increase the proposed budget for 2012 to \$35,000 to include those plantings.

Mr. LeMenager stated we used to spend over \$30,000 just on the contracted services. I find myself not in agreement in spending a lot of money trying to make our ponds look like Celebration when all we need to do is wait a number of years and then they will; otherwise, we are trying to achieve something artificially. We have already planted thousands of plants already but we need to give them time to grow. I support enhancing Lakeshore Park to make it more of a showpiece, but I do not necessarily support spending money on the rest of the ponds. We just need to wait for nature and it will take a while.

Mr. Berube stated some of Lakeshore Park is growing in now because of the plantings we installed this year. We are not bound to spend the money if we budget for it.

Mr. Walls stated \$35,000 will probably only cover Lakeshore Park.

Ms. Kassel stated that is only if we decide to do the entire linear circumference and if we decide to do it at that planting density.

Mr. Walls stated that is correct.

Ms. Kassel stated right now we are just discussing our options, including providing this extra money in the event we want to do that additional work. If we decide we do not want to do the work, we will just have that extra money in our account.

Mr. Evans stated it may be that after we do Lakeshore Park this fiscal year, we might decide that the other six ponds we can plant them with the excess that we are forecasting for the next fiscal year. There are certain economies of scale in doing the work all at once, and it will take time for the plants to fill in.

Mr. Golgowski stated there are a couple ponds, one in a field all by itself and another one on the golf course, with no activity and no problems. They are sparsely planted now, and at some point, those will be grown in.

Ms. Kassel stated I had a question at the last meeting related to what has already been planted. What has the density been and what has it gotten to now? I would like to have an idea of how quickly things will fill in.

Mr. Golgowski stated the density of the pond near this facility, the cannas were installed with two-foot centers, and now they are bumper to bumper. Those were planted about a year ago.

Mr. Berube stated it looks very pretty.

Mr. Moyer stated cannas are very good and they grow and fill in quickly.

Ms. Kassel stated that was a low density planting, two feet on center. In a year or two, it has really filled in. It is possible that we may be able to get away with a lower density and still achieve a benefit in a short period of time without spending quite as much money.

Mr. Berube stated if all this goes as planned, we ought to be able to reduce our monthly outlay for chemical treatments, as well.

Ms. Kassel stated that is a matter of having a contract that will reflect the proper treatment.

Mr. Berube stated I understand, and we are not there yet.

Mr. Moyer stated do not be totally misled. Even with all those beautiful pictures of Celebration, they still spend a lot of money on aquatic weed control.

Mr. Evans stated we will increase this to \$35,000 with the increase going to unscheduled maintenance for additional plantings.

15. Operations and Maintenance – Telephone:

Mr. Haskett stated I provided a proposal for a change in the cell phone service provider. The minutes were outweighing the contract, which is 700 minutes. Mr. Thomas Belieff uses his about 800 minutes each month, and Mr. Druckenmiller uses his about 700 minutes per month. We looked at a plan for 1,400 minutes with data capabilities for an additional \$80 per month, which will reduce the amount of overages we have been experiencing. It will provide Mr. Druckenmiller with a smart phone and a data plan. As an assistant dockmaster on certain days, the District office emails the boat reservations to Mr. Belieff and they will then be able to email them to Mr. Druckenmiller. Part of this line item is also for the two swimming pools to be able to access the online card access system remotely. The District office will also be able to access them through a remote

server on the internet, which eliminates the need for a separate laptop. It is all automated and no one will need to go to the physical access card location to upload information because it is all done online.

Mr. Walls asked how much is that access?

Ms. Kassel stated it looks to be \$3,500.

Mr. Haskett stated that is for the data access.

Mr. Walls asked what is the cost to install the lines to the access readers?

Mr. Haskett stated zero; BrightHouse is not charging to install the lines.

Ms. Kassel stated it looks like that is \$300 per month. With the extra \$80 for the new cell phone plan and the \$4,000 we already have budgeted along with the \$8,000 you are proposing, it looks to be \$3,300 to \$3,400 for these new lines to the pools.

Mr. Haskett stated it is about \$3,000 annually for the cell phone data plans.

Mr. Berube asked what kind of line is being installed?

Mr. Haskett stated it is an internet line.

Mr. Berube stated so it is high-speed access with a router.

Mr. Haskett stated that is correct.

Ms. Kassel asked why is that \$250 per month?

Mr. Haskett stated there are two different locations at \$125 per month.

Mr. Berube asked will we be able to tie in the cameras on those lines?

Mr. Haskett stated yes.

Mr. Berube asked will they be live all the time?

Mr. Haskett stated yes.

Mr. Berube stated on the cell phones, I do not remember us going over our minutes.

Mr. Haskett stated we are not yet but we are close each month and we accumulated minutes when there was just one employee.

Mr. LeMenager stated what he is saying is, we are living off the rollover minutes and after 12 months, there are no more rollover minutes and we will start paying more money each month.

Mr. Haskett stated that is correct.

Mr. Berube asked does the third phone figure into the rollover minutes?

Mr. Haskett stated that phone rarely has any minutes. It is provided to boat users if they do not have their own phone.

Mr. Berube stated that phone is not a cost, but it is providing additional minutes in addition to the other two phones.

Mr. Haskett stated that is correct.

Mr. Berube asked if we implement the changes that you are suggesting, will we continue to keep the third phone?

Mr. Haskett stated yes unless you change the policy that boat users do not need to have phone access with the dockmaster.

Mr. Berube stated I think the vast majority of people have their own phone.

Mr. Haskett stated I agree.

Mr. Berube stated I am not sure we need to be providing them with a phone. It is a minimal amount of money, and communication is important out on the boat. We should just tell boaters to bring their own phone. One of these days, someone will more than likely drop the phone into the water and then we will not have it anyway, so we will need to decide if we want to pay the early termination fee or if we will bill the boater.

Mr. Haskett stated eliminating the third phone will remove \$9.99 from the bills each month.

Mr. LeMenager stated for that amount of money, it is worth it to keep it.

Mr. Evans stated we will increase this line item to Mr. Haskett's proposal.

16. Operations and Maintenance – Common Area: Nothing changed on this line item.

Mr. Haskett stated this line item covers work efforts that Mr. Druckenmiller performs.

Mr. Berube stated this is where some of the money for the field manager was plugged into, which is why we went from \$3,000 to \$18,000. I think we need to keep the amount where it is because Mr. Druckenmiller is doing a lot of work and we need these funds available for his projects.

Mr. LeMenager stated I thought we discussed setting up some things for power washing, but it has not happened yet.

Mr. Haskett stated we purchased a power washing and he is using it today.

Mr. LeMenager stated some of the sidewalks in the parks are looking bad.

Mr. Evans stated we will leave this item at the proposed figure.

17. Operations and Maintenance – Equipment:

Mr. Berube stated the majority of expenses in this line item is related to the boats. This year we purchased two motors for boats and all the miscellaneous repairs, and we are still projected to spend half of what we budgeted. I anticipate next year will have similar expenses with the boats.

Ms. Kassel stated perhaps we can reduce this to \$15,000.

Mr. Berube stated we also have a mule and a golf cart that need to be maintained in a budget line item, and I think they are considered equipment within our budget.

Mr. Haskett stated that is correct.

Mr. Berube stated I am happy to provide my assistance with the golf cart and the mule, similar to what I provide for the boats. The mule is still under warranty and all we pay for is tires and oil changes. I would be comfortable reducing this line item to \$14,000.

Mr. Evans stated I suggest \$15,000 because the math is a little easier.

18. Operations and Maintenance – Pools:

Mr. Haskett stated we did some work on the pool last year but the tiles need to be replaced and refinished. I received some proposals in the past few months ranging from \$29,000 to \$37,000. We need to keep at least \$30,000 to refinish the pools either in this fiscal year or next fiscal year. We originally thought it would be \$20,000 and included that in this year's budget.

Mr. Berube stated we included \$20,000 and the rest of our expenditures stayed within budget, so we could schedule that work into this fiscal year.

Mr. LeMenager stated realistically we are looking to perform this work next fiscal year because we are not going to want to close the pool during the summer.

Mr. Haskett stated we are planning to schedule the work in October because that is the only heated pool we have.

Mr. Evans asked so do we need to increase this line item to \$65,000? Mr. Haskett estimated \$20,000 for this work, which resulted in the \$45,000 proposed for 2012.

Mr. Berube stated we will have spent \$33,000 this year and we budgeted \$58,000, so we should have \$25,000 leftover this year.

Ms. Kassel stated but the work will not be performed until next fiscal year.

Mr. Evans stated for normal maintenance, we spend about \$30,000 or \$33,000 annually. If we add \$30,000 for this refinishing project, we really should budget \$60,000 for next year.

Mr. LeMenager stated historically we have spent \$47,000, \$44,000, \$40,000 and this year is unusually low.

Ms. Kassel stated last year we had that unusual repair of \$16,000 for those heater coils.

Mr. LeMenager stated that is true.

Mr. Haskett stated I am looking at the narrative that breaks down the total budget amount for this line item, which does not include any carryover of surplus budget.

Mr. LeMenager stated no matter what we do for the pools, they always end up costing us more than we planned.

Ms. Kassel asked will \$65,000 be enough?

Mr. Walls stated I think we need to add \$30,000 to the proposed budget for this refinishing work.

Mr. Berube asked is this to refinish the interior of the pool as well as replace the tile?

Mr. Haskett stated yes.

Mr. Berube stated this year we repaired the pavers and there are still some openings on the bottom of the palm trees.

Mr. Haskett stated that has all been typical maintenance. The only major expense that I can see immediately coming out of this year's budget is computers for the two pools and the water feature to convert them to being chemically fed. I have a proposal for \$2,400 each to bring them up to Code.

Mr. Berube stated we are looking at another \$7,400 in addition to \$37,000, which is the higher proposal for refinishing the pool, so we need to add \$44,000.

Mr. Evans stated that brings our total for this line item to \$75,000.

Mr. Berube stated the chemical feed conversion will happen in this fiscal year, so we can reduce that \$75,000 to \$70,000.

19. Operations and Maintenance – Roads and Alleyways:

Mr. Boyd stated this budget item is for miscellaneous repairs that might need to be done as far as regular maintenance and is based on the reserve study we provided last

year. I am not aware of any repair items for the roads or alleys that have been brought to my attention.

Mr. Walls asked what is the replacement period on those?

Mr. Boyd stated 25 years for the alleys. The county owns and maintains the roadways.

Mr. Walls asked do you think the alleys will last 25 years?

Mr. Boyd stated that is what we are projecting at the current time. Most of the alleys are six years old, and we anticipate every ten years they will need some degree of repair. We anticipate every 25 years they will need to be milled and overlaid with asphalt.

Mr. Evans stated we are not envisioning many road or alley repairs, so we could reduce this from \$3,000 to \$1,000.

20. Operations and Maintenance – Sidewalks: Nothing changed on this line item.

Mr. Evans stated we have undergone a major sidewalk repair program and repaired the sidewalks last year. Can we do the same as we did with roads and alleys and reduce that to \$1,000?

Mr. LeMenager stated sidewalk maintenance is a never-ending battle. There are some areas where the grinding is so extreme that you almost need to replace the panels. We definitely need some work done.

Mr. Berube stated as the street trees grow, the roots push up sidewalks and get into irrigation lines.

Mr. LeMenager stated I think the amount of repairs next year will surprise. I would like to keep it where it is.

21. Operations and Maintenance – Parks and Facilities:

Mr. Haskett stated I would like to increase this to \$8,500 because we have repaired some park facilities, including the Lakeshore Park restrooms. Doors need to be replaced and other improvements need to be done to the Lakeshore Park facilities since it has higher use than other areas. That is work we can do with our District staff and we will just incur material costs.

Mr. Berube asked does this include painting?

Mr. Haskett stated yes.

Mr. Berube asked can we do without the vented doors?

Mr. Haskett stated yes, we have noticed with all of them, even on golf course property, that they retain water and cause maintenance problems.

22. Operations and Maintenance – Hardscape Cleaning: Nothing changed on this line item.

Mr. Berube stated if we now have a pressure washer, we might be able to reduce this item.

Mr. Haskett stated Ledesma pressure washes the fence running alongside U.S. 192 at \$2,800 twice a year, which accounts for the \$6,000 I recommend for next year's budget for that work. I do not think it is feasible to have a District employee out there pressure washing that fence for a week and a half.

Mr. LeMenager stated historically we have spent between \$5,000 and \$9,500 on this budget item. Perhaps the projection is unrealistic since they have not done that work yet.

Mr. Haskett stated they are doing that work this week.

23. Operations and Maintenance – Contingency: Nothing changed on this line item.

Mr. Haskett stated I included a number that I felt was reasonable for other items that need repair or replacement. The drinking fountains are starting to rust and degrade so I am scheduling the gradual replacement of those.

Mr. LeMenager stated I think that is also the accountant's plug number so that the grand total equals \$1,513,027. She has to back into one of the budget lines to get everything to total.

Mr. Moyer stated that is correct.

Mr. Berube asked is there a different style of fountain available?

Mr. Haskett stated yes, we have not been pleased with the performance of our current fountains.

Mr. Berube stated the new doggie pots look nice. They are not aluminum and they are not black, but it is a nice change.

24. Operations and Maintenance – Security Enhancements:

Mr. Moyer stated this is a number that I chose because we are spending a fair amount of money on security enhancements in this fiscal year. The original budget was \$30,000 and I reduced it to \$10,000, but it is open for discussion.

Mr. Haskett stated I was thinking of putting all our expenses related to the security gates in this line item.

Mr. LeMenager stated it gives us a better idea of what it costs us to do. That is a very good idea.

Mr. Moyer stated one phone bill will still be coded to Telephone for those lines.

Mr. Haskett stated it is a separate bill from BrightHouse so we will receive it on a separate bill and it could be coded for this line item.

Mr. Moyer stated that will work as long as it is a separate bill.

Ms. Kassel stated it is a different vendor, so hopefully that will remind the person coding the invoices. I think we should leave this at \$10,000. We keep having things come up that we did not count on, like the printer for the access cards and the access integration.

Mr. Berube stated that was included in the original \$30,000 proposal.

Ms. Kassel stated we did not think about paying \$250 per month for internet access. I would rather have more of a cushion than less. You could reduce this to \$5,000, but I think we need something in this line item.

Mr. Berube stated I support \$5,000.

Mr. Walls asked does it include the phone?

Ms. Kassel stated no, that is \$3,000.

Mr. Evans stated that was added to the Telephone line item.

Ms. Kassel stated we are talking about lowering the Telephone item back to \$4,000 or whether we are going to add it to this number.

Mr. Berube stated it is already built in and we can shift the line items later once we include everything.

Mr. LeMenager stated assuming that our goal is to have no increases in assessments, other than Mr. Haskett's items, we are reducing budget line items. Perhaps we have too much in contingency at this point. It is fine to have more money in some line items that we are unsure about.

25. Operations and Maintenance – Capital Outlay:

Mr. Haskett stated the Americans with Disabilities Act (ADA) is now requiring by March 15, 2012, wheelchair or handicapped accessibility to all of our pools. That means we need to install, at a minimum, chair lifts at both pools.

Mr. Walls asked that applies to existing pools?

Mr. Moyer stated yes, it applies to public-owned facilities. If it was an HOA amenity, it would not apply.

Mr. Haskett stated those average about \$4,200 each.

Mr. Evans stated you budgeted for \$12,000, and we show \$30,000 in the proposed budget. Can we change that to \$15,000?

Mr. LeMenager stated I thought we still had \$60,000 left in the capital account.

Ms. Kassel stated I would think this qualifies as a capital expense.

Mr. Moyer stated we will reduce this line item to \$15,000.

E. Budget Summary

Mr. Moyer stated as Mr. LeMenager indicated, we do not want to raise assessments because that is a very difficult process in terms of public notice and public hearings. To the degree that we have a problem and these numbers do not balance, then I will come back to the Board and suggest that some of Mr. Haskett's items, like refinishing the pool surface, be considered a renewal and replacement item to be funded from renewal and replacement dollars and not the general fund, or the operating budget. The numbers we have to reallocate are the \$15,000 left in capital outlay, \$29,550 in miscellaneous contingency, \$5,000 in security enhancements, and some reductions in some of the rest of the budget. I believe we will be fine when we tally these up.

Mr. Walls stated for revenues, you have \$15,000 to \$20,000 available if you review the interest income and even the special assessment discounts because those are very conservative numbers.

Mr. Moyer stated that is correct. Clearly, we should have about \$10,000 available in revenues.

Mr. LeMenager stated the reason I provided this long-term perspective is because every year we talk about coming up with a budget of \$1.5 million, but the reality is that we end up spending less than that, which is great. I have said many times, as long as the developer is willing to pay his share on a monthly basis, we should say thank you very much.

F. Allocation of Reserves

Mr. LeMenager stated the reserves for renewal and replacement, as shown on page 9 of the budget, should go from \$135,000 to \$170,000.

Mr. Berube stated we discussed last year adding \$50,000 each year.

Mr. Evans stated I discussed this with Mr. Boyd and asked him to expand on what he put together in looking at the expended useful life. What should we have reserved today to cover our facilities, and he came up with \$169,000. Our renewal and replacement fund is currently at \$135,000, so if we allocate \$35,000 next year, we will be at \$170,000.

Mr. LeMenager stated I am saying that we should be setting aside \$35,000 each year.

Mr. Berube stated according to the engineer's estimate, we should be at \$169,313 right now. We need to set aside more than \$35,000.

Mr. Moyer stated the handouts you received are different. The one I distributed is the one that Mr. Evans mentioned that includes the estimated useful life and remaining useful life.

Mr. LeMenager stated the numbers are way off.

Mr. Boyd stated the first one has omitted the alley repairs.

Mr. Berube stated to clarify, the engineer's recommendation is that we have \$169,313 now.

Mr. LeMenager asked is that now or by the end of next year?

Mr. Boyd stated that should be what you have accumulated up to today.

Mr. Berube stated that means we are \$35,000 short already.

Mr. LeMenager stated this shows how much we want in reserves by the end of next year.

Ms. Kassel stated that amount is \$205,000.

Mr. Berube stated I read through last year's minutes when we discussed this over a period of months. As best as I can tell, what we decided last year was to put \$50,000 each year into this line item. The numbers vacillated from \$25,000 to \$35,000 to \$50,000. I think our agreement was \$50,000. I do not have any problem with that because the money is available and I would rather be over in this category. Perhaps \$50,000 each year is not enough.

Mr. Evans stated if we add \$50,000 this year, then we will be caught up. That might be better than doing it all in one year. Whatever carry-forward surplus we have from this year can be added.

Mr. Moyer stated I believe we anticipate having \$147,000 in carry-forward surplus.

Mr. Evans stated we allocated \$250,000 for first-quarter operating capital.

Ms. Kassel stated I thought we increased that to \$300,000.

Mr. LeMenager stated it was \$250,000.

Mr. Evans stated I think we are going to get to \$300,000 eventually, but that takes up a good portion of that carry-forward surplus.

Mr. Walls stated this year it is \$200,000 and it is being increased to \$250,000 next year in the proposed budget.

Mr. Moyer stated three months' of expenses would equate to \$375,000.

Mr. Evans stated in round numbers, we have \$150,000 in carry-forward surplus. Of that, we move \$50,000 toward renewal and replacement and we move the remaining \$100,000 toward our first-quarter operating capital, bringing that line item to \$350,000. At the end of this year, we are solid in our operating and in our reserve funds.

Mr. Walls stated we also talked about increasing the insurance reserve, depending on what the savings in premium would be.

Mr. Evans stated in either direction, we will be in really good shape there.

Mr. Walls stated I am not overly concerned with the operating reserve. When you look at the total cash in the bank, we have over \$700,000.

Mr. Evans stated the way they pay the bills during the first quarter is from the money received from the direct assessment to the developer before they are received from the tax collector.

Mr. LeMenager stated we are building up this line item for the future when everything comes from the tax collector.

Mr. Walls stated we do not need to be in a huge hurry to do that now.

Mr. LeMenager stated you are correct. We have years to get there.

Mr. Berube stated the good news is, we can discuss how to shuffle money around and there is always money left over. There are many businesses and governments who have nothing left over, let alone being able to discuss shuffling dollars around. I think we are in a good position.

Mr. Evans stated we have a very detailed line item budget compared to a lot of Districts. Our management staff does a good job of reviewing every invoice and every line item with scrutiny to try to find out how to maximize value. I think that is a credit to everyone. It has been a tremendous pleasure having the Board members do that, as well.

Mr. Berube asked are we agreed to add \$50,000 to reserves?

Mr. Evans stated we are only earmarking it. We are not labeling it or putting it into an escrow account.

Ms. Kassel stated we will add \$50,000 to renewal and replacement, and \$100,000 to first-quarter operating expenses.

Mr. Moyer stated that will still leave you with about \$138,000 of undesignated fund balance.

Mr. Boyd stated since you included \$30,000 to resurface the pool for next year, I will modify my report to show a zero expended life.

G. Debt Service Budget

Mr. Berube stated these budgets are fixed so we really have no discussion or input into these numbers. This is the first year we can call bonds for the 2000 series. Is there any advantage to prepaying them? We are paying 6.75% to 7% interest.

Mr. Moyer stated outside of this District, the most highly respected Districts in the State of Florida are The Villages, who sold bonds are 7%, which was as of March 2011. There is really no reason to call bonds, and from what I understand, the market is moving away from us. The cost to refinance those bonds at the same interest rate does not make sense.

Mr. Berube stated I was not referring to refinancing. Do they not work like a mortgage where you prepay the interest? Can you do that?

Mr. Moyer stated you prepay principal and then you re-amortize the rest of the debt service schedule. I would rather have you keep that \$135,000 in fund balance to be used if a hurricane comes through or something of that nature where we may need that money, rather than paying \$100,000 in principal. You probably will not see much of a reduction in your annual amortization schedule.

Mr. Berube asked are there fees involved in paying them down?

Mr. Moyer stated yes.

THIRD ORDER OF BUSINESS

Discussion of GASB-54 Dealing with Reserves

Mr. Moyer stated this material is provided for your information.

THIRD ORDER OF BUSINESS

Resident Questions/Comments

There being none, the next order of business followed.

FOURTH ORDER OF BUSINESS

Adjournment

The workshop adjourned at 4:40 p.m.

Gary L. Moyer, Secretary

Robert D. Evans, Chairman