

MINUTES OF WORKSHOP HARMONY COMMUNITY DEVELOPMENT DISTRICT

A budget workshop of the Board of Supervisors of the Harmony Community Development District was held Thursday, July 26, 2012, at 9:00 a.m. at 7251 Five Oaks Drive, Harmony, Florida.

Present were:

Robert D. Evans	Chairman
Mark LeMenager	Vice Chairman
Steve Berube	Supervisor
Kerul Kassel (<i>by phone</i>)	Supervisor
Ray Walls	Supervisor

Also present were:

Gary L. Moyer	Manager: Moyer Management Group
Tim Qualls	Attorney: Young vanAssenderp, P.A.
Greg Golgowski	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 meeting to order at 10:20 a.m.

Mr. Evans called the roll.

SECOND ORDER OF BUSINESS

**Comments and Questions on the Proposed
Budget for Fiscal Year 2013**

Mr. LeMenager stated given my comments about increasing assessments in the past, I wonder why we really want to lower the operation and maintenance assessment. I do not want it to come across that I am being inconsistent. I have consistently said, probably since the 2007 budget meeting, that we are in a position where we have an outstanding relationship with the developer and we have maintained nice surpluses year after year with the developer's full participation and cooperation, to help us build a financially stable body with a significant amount of money, which is projected to be about \$750,000 by the end of this year. There has been a change in how the debt service is going to work, but the bottom line to me, what I am seeing in draft 3 is we are going to give up a \$35,000 contribution from the developer to us, which essentially goes to continue to build our financial stability. All we really do is save the average home \$2 a month. I do not want to say that we are going to increase assessments. My proposal is to keep the operation and maintenance assessments where it has been for quite some time. if we go

back to fiscal year 2008, that is when we started collecting just over \$1.5 million in operation and maintenance assessments. We have held that constant for five years. I would argue that we want to keep that at a constant level. I tried this argument on my wife, and she ended up agreeing with me. If we lower the assessments by an average of \$2 per month for the home owners, the price for that is giving up \$35,000 from the developer. To the extent the developer says they prefer staying level, as well, that is a different issue. I have discussed this at budget meetings since before I was on this Board, and the response from the developer has been that they are more than happy with the way things are going. My overall view is, I prefer to keep the operation and maintenance amounts unchanged.

Mr. Walls stated I indicated my support for decreasing the operation and maintenance assessment at the last meeting because we are increasing the debt service assessment. The intent is to keep the overall fees the same amount.

Mr. Moyer stated that is correct.

Mr. Walls stated I think that is a good thing because otherwise, the assessments are increasing for everyone. Mr. LeMenager is correct that it is a small savings for each residential property, but when you include the debt assessment, it would be an increase of more than \$2 per month.

Mr. LeMenager stated no, it would not.

Mr. Walls stated I am proud that we can lower operation and maintenance assessments and still present a great budget. We do that because of the work that staff and everyone provides, looking for ways to save money and to cut costs. I am looking at this budget that staff presented, and I have some minor comments, nothing major. I think it is a good budget. I think it gets everything done that we need to accomplish. It still puts money away. We will have more money in reserves next year than we have this year, if everything goes as planned, even with the reduced operation and maintenance assessment for next year. We are saving money on the landscaping contract. We are saving money on the aquatic plant maintenance contract. I think we should return that to the people. Whether it is the residents or whether we are losing out on \$35,000 from the developer, I try to look at it as landowners, not that we are missing out on a payment from the developer. The developer is assessed in the same manner as all the landowners, based on the amount of land that they own. If they receive a bigger dollar savings because they

own more land, so be it. I do not think we should put priority on receiving money from one group or another or try to get more money from one group or another. All that to say, I like the fact that we can lower the operation and maintenance assessment and keep the total assessment level with what we charged this year, having an increase in the debt service assessment, and still put forth a good budget.

Mr. Berube stated I cannot disagree with anything Mr. Walls mentioned, but I go along with what Mr. LeMenager said, and I lean more strongly toward Mr. LeMenager's viewpoint. As a matter of fact, everyone knows that earlier this year, I proposed that we increase the operation and maintenance assessment by 1%. The background to that was largely the same argument Mr. LeMenager mentioned. If we increase the assessment by 1%, we add \$42,000 to the budget, of which \$26,000 is from the developer and \$15,000 from the residents. It seemed like good math to me. I am not in favor of lowering the operation and maintenance assessment. I have backed off my desire to increase the overall fee, even though not many people complained when Mr. LeMenager posted his position. Very few people were against it.

Mr. LeMenager stated no one opposed it, and in fact, several people said they would be willing to pay the fee.

Mr. Evans stated anytime a Supervisor takes a position, whether there is benefit to one landowner over another class of landowners, it is a breach of their oath. If this Board takes a position in a budget matter or any other economic matter, by which they place one class of landowners at a disadvantage for the benefit of others, that is a breach of the oath. This goes to the point that all landowners are looked at through the same view. I caution you how you take this approach. If you say that you are going to assess the home owners just a few dollars so that you can receive a massive benefit from a landowner that owes a lot of money, then it is not a balance. You are not looking at it impartially. Your motives are different than saying our objective is to keep the assessment level as low as we possibly can to satisfy our obligations, as Mr. Walls so eloquently stated. Our objective that we are very proud of is to monitor our expenditures for everyone and not to raise them just a little bit on the individual lot owners so that we can generate an additional amount of revenue from a large landowner.

Mr. Qualls stated that is correct. In order for the liens against the property to be first liens and to pass the lienability test, you cannot look at who owns the property. You have

to look at the special and peculiar benefits flowing to the property. The landowner should be irrelevant. It should be the benefits flowing to the property itself.

Mr. Evans stated that is a very narrow scope of authority that we have. I have heard comments for years between the home owners versus the developers, like they are some sort of class warfare element going on here. We cannot do that. You have to look purely as landowners through the same set of glasses and for the same objective. You cannot make decisions about making a lot of improvements because the developer is paying 70% of the cost.

Mr. Berube stated my thought was not to give an advantage or a disadvantage to any particular party. It was just a matter of acknowledging how the math works. The math is fixed, and that is just the way it is. Mr. Evans is absolutely right that if we are looking that way, then we need to rethink that process.

Mr. Evans stated perception goes a long way. We cannot start making distinct designations and clarifications between the home owners and the developer. They are all landowners in the eyes of the District. They all pay their assessments based on the calculations in the assessment methodology, and they should all be treated equally, no matter what. That is why we are here. If we start getting outside of that, then we are in breach of our obligations. All it takes is for one complaint to be filed with the State, and it will trigger an investigation where they will go through all the minutes of all meetings, and they will start looking at who said what. It may rise to the level of having to remove a Supervisor from this Board. I caution you to make sure you look at all landowners being the same.

Mr. Berube stated that is a good point that I had not thought about.

Mr. LeMenager stated I am in agreement with Mr. Evans's comments.

Mr. Berube stated the math is fixed, but we need to consider what Mr. Evans said about penalizing one landowner.

Mr. LeMenager stated I do not know that we are penalizing anyone. Everyone pays the same rates. In terms of the rates, I think perhaps our discussion is more on a pragmatic basis as opposed to the reality of who pays the money, not trying to single out one group. I do think Mr. Evans makes a fairly good point.

Mr. Evans asked do we want to discuss the budget by line items?

Mr. Walls stated we did that last year, and I think it worked pretty well.

Mr. Evans stated I have to compliment the Board as well as Mr. Moyer and his staff. The line items in this budget have been enhanced and improved every year, which makes it easy to follow and manage the expenditures. That helps when it comes to a budget workshop.

Ms. Kassel asked which line item would be affected by the discussion last month from Mr. Haskett and Mr. Berube about the possibility of bringing in a firm to provide pool attendants to oversee the use of the pools? Would that be field services or professional services? I do not see that item reflected in the budget, so I do not know what line item it should be in, if you want to mention it as we get to the appropriate line item.

Mr. Berube stated we have not had a presentation on that yet.

Mr. LeMenager stated before we get into the individual line items, we have had two Supervisors argue about keeping the operation and maintenance assessment at the same level as this year's level. I think we have heard from two who are not in favor of keeping it at the same level. What is Ms. Kassel's position on that?

Ms. Kassel stated my position in the end will largely depend on how these numbers fall out as we continue to discuss them.

Mr. Evans stated we will go through the budget, line item by line item. As we get to one that needs more time for discussion, we will discuss it in more detail.

Mr. Walls stated I think I made this comment last year on discounts, and I am not advocating that we change it, but discounts are conservatively budgeted. Generally we are 10,000 or \$15,000 ahead on that line item just because of the way the discounts fall out.

Mr. Evans stated that is correct. We are obligated to use the standard discount percentage of 4%.

Mr. Moyer stated we assume that everyone will pay early to take advantage of the full discount.

Mr. Walls stated I just want to make sure everyone is aware of that, and it is usually an extra source of revenue for us.

Mr. Berube stated I believe we consistently gain on that line item.

Mr. LeMenager stated that is driven by the bad economy and all the foreclosures we had, so hopefully you will see more and more people taking advantage of the discounts.

Ms. Kassel stated which results in less of an advantage on the budget.

Mr. LeMenager stated that is correct; we will collect less of the money from tax certificate sales and more of the money from real taxpayers.

A. Administrative Expenditures

1. Payroll—Board of Supervisors: *Nothing changed on this line item.*
2. FICA Taxes: *Nothing changed on this line item.*
3. Professional Services—Arbitrage Rebate: *Nothing changed on this line item.*
4. Professional Services—Dissemination Agent: *Nothing changed on this line item.*
5. Professional Services—Engineering: *This item was reduced to \$5,000.*

Mr. Evans stated the budget for the engineer is \$11,000. I do not know that we have a lot lined up for civil engineering.

Ms. Kassel stated the Lakeshore Park project will be costly.

Mr. Berube stated that has already been accounted for.

Ms. Kassel asked so all of the costs for engineering are being funneled through the developer, and we will not incur any expense on that on our own?

Mr. Evans stated as a point of clarification, the improvements that will be made to Lakeshore Park will be covered under the capital projects fund since we need to use up the balance of the funds in that account so we can close it out.

Ms. Kassel stated so everything we would pay the engineer would come out of the capital projects funds.

Mr. Evans stated if there are any projects outside of the Lakeshore Park project, which is about \$115,000 to \$120,000 where we are contributing about \$62,000 toward, if the Board elects to do any other special projects, such as an analysis on reserves as far as deterioration of existing facilities and potential repairs, that would come under engineering. If we asked him to do an assessment on the drainage system or things of that nature, that would come from the engineering line item.

Ms. Kassel stated we did not actually discuss this project at this meeting. The budget line item is more than double what we spent this year.

Mr. Evans stated that is my point. Do we feel we need \$11,000? I do not see any kind of major improvements on the horizon that would require the expenditure of \$11,000.

Mr. LeMenager stated the last time we spent a significant amount of money was 2010 when we spent \$20,000. In 2011, we spent \$7,600, and this year, we will probably spend around \$5,000. Clearly, as the community is more established, are there any major infrastructure projects coming up? That is when we are going to need engineering.

Mr. Berube stated we need to be careful with some of that, because the community is aging.

Mr. LeMenager stated I agree.

Mr. Berube stated as things age, they get more expensive to maintain and repair.

Ms. Kassel stated we could reduce it to \$8,000.

Mr. Berube stated I was thinking about \$7,500.

Mr. Evans stated I was going to suggest \$5,000.

Mr. Walls stated \$5,000 sounds fine. To that point, I know Mr. Boyd had an invoice in this month's agenda package, and I do not remember if any of that included the Lakeshore Park project or not.

Ms. Kassel stated it did.

Mr. Evans stated I think it was the plat.

Ms. Kassel stated there were three things on the invoice. One was for attending the meeting, one was for the plat, and I think one was a Lakeshore Park item, perhaps in preparation or something.

Mr. Qualls stated he updated the engineer's report.

Mr. Evans stated he validated our ability to use the funds from the 2004 capital improvement fund.

Mr. Walls stated that may not be considered work on the actual project.

Mr. Moyer stated that is correct. He did that on our behalf.

6. Professional Services—Legal Services: *Nothing changed on this item.*

Mr. Evans stated this is tied directly to every time we call Mr. Qualls to ask questions and request him to render legal opinions for things.

Mr. Qualls stated I serve at the pleasure of the Board.

Mr. LeMenager stated I think we should make it \$30,000. Let us be realistic about what we have been spending year after year: \$23,000, \$34,000, \$40,000, \$20,000, \$21,000, \$27,000, and this year \$32,000.

Mr. Walls stated I think the amount for this year includes the 2005 assessment issue, which I consider an extraordinary cost.

Mr. Berube stated that was \$9,000 for that item.

Mr. Walls stated I like the budget figure of \$25,000 that has been presented.

Mr. Berube stated if you reduce this year's expenditures by \$9,000, that brings the projection to \$23,000, which is in line with the proposed budget figure. I am fine leaving it at \$25,000.

7. Professional Services—Management Consulting Services: *Nothing changed on this item.*

Mr. Evans asked does this include the amount projected for additional staff?

Mr. Moyer stated no, that is included under field payroll. This is just for me, Ms. Brenda Burgess, and Severn Trent accounting, clerking and reporting.

Mr. Evans asked does that take into effect any of the credits?

Mr. Moyer stated no. I thought we decided to leave the budget where it is, but you will then run a \$13,000 surplus at the end of next year because we will continue to bill monthly at a lesser amount. My preference is not to lower the budget figure because next year, you will go back to the \$55,000 figure.

Mr. Evans stated as long as we are all cognizant of those details. We can leave that as it is.

Mr. Berube asked does everyone recognize there is a 3.5% increase built into that line item?

Mr. Moyer stated no, there is no increase in that line item. That is for salaries under field management, but not for management consulting.

Mr. Berube stated I noticed 3.5% is included in the narrative. That is not for the entire Severn Trent package?

Mr. Moyer stated no.

Mr. Berube asked Severn Trent's management consulting fee is staying flat?

Mr. Moyer stated that is correct.

Ms. Kassel stated if you look at the adopted budget for fiscal year 2012 and the proposed budget for fiscal year 2013, they are the same number.

8. Professional Services—Property Appraiser: *Nothing changed on this item.*

Mr. Berube asked is this the item where we had the argument with the County over who billed us?

Mr. Qualls stated I need clarification for that item. I know the tax collector receives funds to cover the actual cost of collection or 2%. I am not sure why there is any fee for the property appraiser. I do not think there would be anything that you need to include in the budget, but I will confirm that.

Mr. Berube stated we paid it this year.

Mr. Moyer stated we budgeted for it this year, but we have not paid anything this year.

Mr. LeMenager stated we have never paid anything to the property appraiser.

Mr. Qualls stated I will contact their office and confirm that.

Ms. Kassel asked since we are looking at other professional services, where would we budget for any kind of pool supervision?

Mr. Moyer stated under field services.

9. Professional Services—Special Assessments: *Nothing changed on this item.*

Mr. Evans asked is this for preparation of the assessment rolls?

Mr. Moyer stated that is correct.

10. Professional Services—Trustee: *Nothing changed on this item.*

11. Auditing Services: *Nothing changed on this item.*

Mr. Evans stated these fees are consistent with last year.

12. Communication and Telephone: *Nothing changed on this item.*

Mr. Evans stated this provided for an additional phone.

Mr. Berube asked is that just for telephones in Mr. Moyer's and Severn Trent's offices?

Mr. Moyer stated yes.

13. Postage and Freight: *Nothing changed on this item.*

14. Insurance—General Liability: *Nothing changed on this item.*

Mr. Evans asked does this include a projected increase?

Mr. Moyer stated yes.

15. Printing and Binding: *Nothing changed on this item.*

Mr. Evans stated we printed RFP packages this year.

Ms. Kassel stated we should not have that expense next year.

Mr. Berube stated it also includes the monthly agenda packages.

Mr. Walls stated I am fine with the proposed amount of \$5,000, but I will mention again that I think we can save a substantial amount by going to electronic agendas.

Ms. Kassel stated I agree.

Mr. LeMenager stated then we need to purchase computers.

Mr. Walls stated we can get tablets for about \$200.

Ms. Kassel stated that would be less expensive than \$5,000 for printing and binding.

16. Legal Advertising: *This was reduced to \$500.*

Mr. Walls stated I think we can decrease this amount to about \$500.

Mr. Qualls stated you switched to the Osceola News Gazette about halfway through the year, which was a substantial savings.

Mr. Evans stated I support decreasing it to \$500.

17. Miscellaneous—Assessment Collection Cost: *Nothing changed on this item.*

Mr. Evans asked is this predicated on a percentage?

Mr. Moyer stated that is correct.

Ms. Kassel stated it looks to be a little lower for next fiscal year than the projected actual for this current fiscal year.

Mr. Evans stated it is 2%.

Mr. Moyer stated that is correct, and it is based on the assessment levy.

18. Miscellaneous—Contingency: *This item was reduced to \$500.*

Mr. Evans stated we rarely use the contingency line item.

Ms. Kassel stated it is still good to have.

Mr. LeMenager stated this goes to one of my overall concerns. In the first draft of the budget, there was \$89,000 in contingencies, and now we have reduced it to \$53,000.

Mr. Walls stated we still have a contingency reserve in this budget of about \$135,000. It is termed Unassigned Fund Balance, but we will have this amount in addition to that.

Mr. LeMenager stated that is if we agree with what we are doing with reserves, which is essentially leaving reserves unchanged. I am not sure I favor that.

Mr. Berube stated before anyone says we do not need that excess money, I would argue that we do need it.

Mr. Evans stated this line item is \$2,800 and we are probably projected to spend \$112. I think we need to keep the budget as realistic as we can.

Mr. Berube asked should we reduce it to \$500?

Mr. Evans stated I would agree to that.

19. Office Supplies: *This item was reduced to \$1,000.*

Ms. Kassel stated we could probably reduce this to \$1,000.

Mr. Walls stated I agree.

20. Annual District Filing Fee: *Nothing changed on this item.*

Mr. Evans stated this is a fixed amount.

B. Field Expenditures

1. Professional Services—Field Management: *Nothing changed on this line item.*

Mr. Evans stated this is for our field employees. We discussed possibly adding pool personnel. Is this number reflective of that suggestion?

Mr. Moyer stated no.

Mr. Walls stated I thought we discussed having it as a contract with a staffing agency or something along those lines.

Mr. Berube stated that is correct; this would not be a permanent staff position.

Mr. Walls asked is it proposed only for three months?

Mr. Haskett stated the thought was to have the pool staffed during summer break while kids are out of school.

Mr. Evans asked will we need a separate line item for this part-time staffing?

Mr. Walls stated it would be a contractual service with an agency if we decide we need something like that.

Ms. Kassel asked do we have an idea what the cost would be?

Mr. Haskett stated no.

Mr. Berube stated I see this as being problematic, but that is my opinion.

Mr. Evans stated the current budgeted amount is \$119,113.

Mr. LeMenager asked how much overtime is included in that figure?

Mr. Berube stated overtime hours have been decreasing fairly steadily, to the point where it is almost nothing now.

Mr. Moyer stated \$200 per month, or \$2,400 per year.

Mr. Berube stated that seems fine. We included a 3.5% increase in salaries plus the overtime amount. I do not think there is a lot of extra in this line item, and I think we ought to leave it as it is.

C. Landscape Expenditures

1. Utility—Refuse Removal: *This item was increased to \$2,000 and should be deleted from Landscape and moved to Operation and Maintenance.*

Mr. Evans stated we are providing most of this service in-house. Is there a dumpster fee?

Mr. Haskett stated yes, there will be to Waste Services. We discussed a few meetings ago in relation to the landscape company that we are utilizing their dumpster, and I mentioned that we need to start providing that service on our own. It is about \$120 per month for the service, and the container is dumped once each week. As I reviewed the budget, there is a line item for common area maintenance.

Mr. LeMenager stated there is a line item for refuse removal. Is that where we want to apply that service?

Mr. Berube stated it probably ought to fall under that line.

Mr. LeMenager asked is it for landscaping?

Mr. Haskett stated no, it is more for trash.

Ms. Kassel stated then it should be operation and maintenance.

Mr. LeMenager stated I agree.

Mr. Walls stated I suggest we increase it to \$2,000 in case there are some additional fees, for the dumpster or for whatever reason.

Mr. Berube stated to be clear, this dumpster will take everything: green waste, trash, doggie pots.

Mr. LeMenager stated I do not think this item should be in the landscape category. This was in the landscape category for three years because of the nature of our contract with Luke Brothers. That is why it then vanished. It really belongs in the operation and maintenance category. We can create a new line item for it.

Mr. Walls stated we should just remove this line item from landscape and move it to operation and maintenance.

Ms. Kassel stated we could incorporate it under common area.

Mr. Walls stated since we already have a line item for it, I think it would be nice to keep it.

Mr. Evans stated we will allocate \$2,000 for this and move the line item to fall under operation and maintenance, cut and paste.

2. Contracts—Grounds Maintenance: *Nothing changed on this line item.*

Mr. Berube asked are the new figures from Davey Tree included in these numbers?

Mr. Moyer stated yes.

Mr. LeMenager stated it appears it is all included under turf care in one number instead of breaking it out.

Ms. Kassel stated all of these items are pretty much set. We moved some contingency items and miscellaneous items. It is my understanding that these are the Davey contract amounts, and we moved any additional amounts that were in miscellaneous services down to a specific line item for miscellaneous services.

Mr. Moyer stated that is correct.

Ms. Kassel stated we may want to make changes to miscellaneous services, but the others are pretty set based on the contract.

3. Repair and Maintenance—Irrigation: *This item was increased to \$20,000.*

Mr. Berube stated I have mentioned this before, but I would like to add a line under irrigation to break out the costs associated with Maxicom. Part of that would include the telephone lines that are dedicated to Maxicom. We briefly discussed going wireless, but those telephone lines cost \$100 per month. Maxicom is aging, and it is getting more and more expensive to maintain, which is why I requested a separate line item. I think as it ages, it will become surprisingly expensive.

Mr. LeMenager asked what line item is it coming from now?

Mr. Berube stated I believe the whole irrigation line item.

Ms. Kassel asked do the telephone costs get applied to the telephone line item?

Mr. Berube stated the telephones blend into our other telephone costs.

Ms. Kassel stated you are asking to take them from the telephone line item and put into a separate line item for Maxicom.

Mr. Berube stated yes. It can fall right after R&M Irrigation. It is a matter of shifting some money around.

Mr. LeMenager stated I would surmise that it is included under operations and maintenance for telephone. I am not sure where it is applied, but I would be surprised if it is R&M Irrigation.

Mr. Moyer stated Mr. LeMenager is correct; it is included in operation and maintenance for telephone. The only thing included in the irrigation item is system

management for \$3,000, unscheduled maintenance and repair of the weather station for \$1,400, and irrigation supplies of \$12,000 for a total of \$16,400.

Mr. Walls stated I think system management is what we pay to Walker Technical Services. Rather than complicate it, would staff be able to prepare a separate spreadsheet on those costs if we requested it?

Mr. Moyer stated yes, that would probably be easier.

Mr. Berube stated that is fine.

Mr. Moyer stated otherwise, we would need to take every phone bill and break it down into components for budget purposes.

Mr. Berube stated the lines from Century Link are only for Maxicom.

Mr. Walls stated I am fine with whatever is easier for Mr. Moyer's staff.

Mr. Berube stated if we do not care what we spend on Maxicom, that is fine, but as it ages, it will be surprisingly expensive.

Mr. Walls stated I am not saying that I do not care. I am just saying it might be easier for staff to prepare a spreadsheet showing the costs related to Maxicom.

Mr. Berube stated irrigation is not set by contract since that is done in-house. We spent \$6,000 on mapping this fiscal year. Was that applied to the irrigation line item? I am trying to get an accurate cost on what we spent for this year on irrigation.

Ms. Kassel stated it looks like we did.

Mr. Berube stated we will not have this expense for fiscal year 2013.

Mr. LeMenager stated we are going to spend \$34,000 on an aging system, so \$16,400 will not be enough.

Mr. Berube stated that is correct; \$16,400 is not a good number.

Mr. Evans asked was that based on Luke Brothers providing this service previously?

Mr. Moyer stated yes.

Mr. Walls stated we paid a lot of money this year to Luke Brothers for irrigation repairs.

Mr. Evans stated a lot of the repairs that drove this up to \$34,000 was Luke Brothers providing that service. We made the transition doing it in-house.

Mr. Berube stated to reduce it in half is too much.

Mr. LeMenager stated in our meeting just prior to this workshop, we discussed a lot of problems along Cat Brier, and I saw the crew out there digging it up. It was not one of

our employees; it was two of our employees working on it. Clearly our irrigation person is not able to handle emergencies since he called for help.

Mr. Haskett stated it takes two people to repair main lines.

Mr. Walls stated this also includes \$7,000 for the utility vehicle for this year.

Mr. Berube stated that brings the total to \$27,000.

Mr. Haskett stated that is correct. I am not sure why it was included in that line item.

Mr. Walls stated I think the rationale was that this vehicle would be used for the irrigation technician.

Mr. Evans stated that was for parts and labor, and now labor is in a different line item.

Ms. Kassel asked do we want to reconsider \$25,000 or \$30,000 for this line item?

Mr. Berube stated considering the vehicle was included in the \$34,000 projected actual costs, I would like to increase the \$16,400 to \$20,000. I would feel more comfortable with that number.

Mr. LeMenager stated I agree.

4. Contracts—Tree Canopy Trimming: *Nothing changed on this line item.*
5. Contracts—Trees and Trimming: *Nothing changed on this line item.*
6. Contracts—Turf Care: *Nothing changed on this line item.*
7. Contracts—Shrub Care: *Nothing changed on this line item.*
8. Miscellaneous Services: *Nothing changed on this line item.*

Mr. Berube stated this line item is the only thing that is not fixed, but I am fine leaving it as proposed.

Mr. Walls asked what are we contemplating for this line item?

Mr. Evans stated anything that is not contemplated elsewhere in the budget.

Ms. Kassel stated we have a number of things that we have discussed, such as spending \$3,000 to put hedges around the playground that we did not anticipate. There are other park enhancements and facilities we may consider, and we still need to refurbish various landscaping infrastructure that has died.

Mr. Walls stated I am not saying that I do not think we can use this line item. I was just wondering if there were special projects that we would apply to this line item.

Mr. Berube stated with a new landscaping company, I think we will feel more comfortable doing more enhancements to these areas where it is brown mulch now. I can see a lot of that happening, so I am fine leaving the amount as proposed.

Mr. Haskett stated I foresee additional trees being planted because of the ones that died from disease. I am comfortable with that number.

D. Utilities Expenditures

1. Electricity—General: *This item was reduced to \$30,000.*

Mr. Walls stated I think there is room in this line item.

Mr. Berube stated there is a lot of room because that number should be fairly fixed.

Ms. Kassel stated we can probably reduce it by at least \$5,000.

Mr. Berube stated we will save \$3,000 just by shutting off those water heaters.

2. Electricity—Street Lighting: *Nothing changed on this line item.*

Mr. Evans stated there is a provision in the street light agreement that allows for a fuel charge adjustment. I recall it is about 3%. I do not know if we have actually seen it reflected, but we can always allocate monies to this line item in the event they do exercise that provision.

Mr. Berube stated the actual costs were \$377,000 in fiscal year 2011, and we are projecting to spend \$378,000 in fiscal year 2012, so it barely rose \$1,000.

Mr. Evans stated it is included in the street light agreement, so they have the ability to do it, whether they have exercised it or not. I do not think they have.

Mr. Berube stated if we increased it 3%, that would be \$10,000, so it looks like it is included in the proposed budget figure.

3. Utility—Water and Sewer: *Nothing changed on this line item.*

Ms. Kassel stated this number looks good, based on actuals for fiscal year 2011. We are dealing with a lot of the irrigation breaks in-house and preventing them, which was the reason our costs were so high in 2011.

E. Operation and Maintenance Expenditures

1. Contracts—Lake and Wetland: *This item was reduced to \$25,000.*

Mr. Evans stated this includes the revised number based on our change in frequency of monitoring certain ponds.

Mr. Walls stated it includes other things, such as \$16,000 for unscheduled maintenance.

Ms. Kassel stated that is a lot of money.

Mr. Walls stated we just did a major planting at Long Pond, and have done plantings on a number of other ponds.

Mr. Berube stated this line item would also include stocking the grass carp. The actual contract for routine maintenance is \$16,000. If we add \$9,000 to that, we would be at \$25,000 for that line item. I would be comfortable with that.

Mr. LeMenager asked we are spending \$30,000 but we are going to budget \$25,000?

Mr. Walls stated the \$30,000 included some pretty big plantings.

Mr. Berube stated they were \$6,000 or \$7,000.

Mr. LeMenager stated I appreciate that, but it just depends on how much you want to plant in the ponds next year.

Mr. Berube stated I think we are fine with the plantings we have. You should not make too many changes all at once.

2. Communication—Telephone: *This item was reduced to \$6,000.*

Mr. Evans stated this item is proposed to be double our actual expenditures this year. Is that for the additional phone for the employees?

Mr. Haskett stated yes, as well as the data plans for the cell phones, but it should not be that high.

Mr. Berube asked why are we increasing it from \$4,800 to \$8,000? We already have their current phone and data plans, and we have a projection.

Mr. Walls stated it is about \$300 each month.

Mr. Moyer stated that also includes the phone lines for Maxicom.

Mr. Berube stated that is another \$100 each month. The projection is correct at \$4,800.

Mr. Evans asked how about a budget of \$5,000 instead of \$8,000?

Ms. Kassel stated I would go with \$6,000.

Mr. Walls stated I agree with \$6,000, just in case we add something.

Mr. Berube stated I do not foresee adding another employee this year.

3. Repair and Maintenance—Common Area: *Nothing changed on this line item.*

Mr. Berube stated it looks like the proposed budget is very close to the projected actual number.

4. Repair and Maintenance—Equipment: *Nothing changed on this line item.*

5. Repair and Maintenance—Pools: *This line item was increased to \$57,000 with the furniture repair item to be changed to furniture repair or replacement at \$20,000.*

Mr. Berube stated we need to replace furniture at the Swim Club. I anticipate that is worth \$20,000. All the furniture at the Swim Club is broken or falling apart. It has been out there for 10 years.

Mr. LeMenager stated the pool is also getting older.

Mr. Moyer stated we included \$3,000 in the budget for furniture repair.

Mr. Berube stated I do not know what it will cost, but it seems to me that every piece of furniture in that pool was worth \$500.

Mr. LeMenager stated so far, we have reduced seven line items and just increased one.

Mr. Berube asked is my estimate of \$20,000 for pool furniture reasonable?

Mr. Haskett stated yes.

Mr. Berube stated they each cost \$500, and there are at least 40 pieces, maybe more.

Mr. Haskett stated we can budget that amount, but we can always try to find something less expensive.

Ms. Kassel asked do we need to replace it all in one year?

Mr. Berube stated if you go there and look at the lounge chairs and seating chairs, they are breaking while people are sitting on them.

Mr. Haskett stated we have been repairing them over the past three years to get more life out of them.

Mr. Berube stated also related to the pools, the second heater is broken. The first one cost \$18,000 to replace.

Mr. Haskett stated I received a quote for this one that is just under \$17,000.

Mr. Berube stated I would like to move away from those heaters that cost \$20,000 each every five years, and go with solar heat. We are looking to spend \$18,000 on one heater. I do not know what we can get for \$20,000 for solar, but Mr. Haskett can probably do a really good job of getting solar to that pool, and it will last 20 years.

Mr. Haskett stated I have done a lot of research on it, and it depends on whether you talk to the solar people or the geothermal people under efficiency and the expected life of solar heat and how well it will heat the pool. From what I found, it would not be cost effective to do solar heat. My recommendation is that we get through this next winter on the one heater. The second heater that went out only kicks in under extreme cold

temperatures. The geothermal people believe one heater will be sufficient for that pool. I do not see making any changes to the heating of the pool in this upcoming budget year.

Mr. Berube stated my concern is, as a Board, we are required to maintain infrastructure. We have two heaters and both have to work.

Mr. Walls stated that is if we need two heaters.

Mr. Berube asked what happens if the primary one goes out? Now we have zero heaters.

Mr. Walls stated then the water gets cold.

Mr. Berube stated I am not sure that is what the residents expect.

Mr. Evans stated then we get the heater fixed.

Mr. Berube stated everything is getting older and more expensive. We will continue to face this, and we have to plan for it.

Mr. LeMenager stated you are correct. We are getting back to my earlier comment that we are cutting the contingency money to the bone. The community is getting older.

Mr. Berube stated this will happen more and more often. We did not expect the pool vault to flood, either. If we decide not to fix the secondary heater and the primary one goes out, someone will come here and complain that they expected a heated pool. How do we tell them we did not do it because we thought it would be acceptable? I do not see that as our role. It is just like all the broken furniture; we have to replace it.

Mr. Evans stated let us discuss the furniture again. What do we need to include for furniture?

Mr. Berube stated I recommend \$20,000.

Mr. Haskett stated I agree with \$20,000.

Mr. Evans stated it will increase from \$3,000 to \$20,000.

Mr. Walls asked does it all absolutely need to be replaced right now?

Mr. Berube stated go take a look at it.

Mr. Haskett stated I have not taken a recent count, but there are probably 20 pieces of furniture that are not there now that used to be there in the earlier years. They have fallen apart and have not been replaced.

Mr. Evans stated if we increase this line item from \$40,000 to \$57,000, that takes into consideration an increase for replacement of the furniture. We still have unscheduled maintenance of about \$12,000. Will it suffice for that one adjustment?

Ms. Kassel stated furniture replacement should not go under contingencies.

Mr. Evans stated it is not under contingency. There is a series of line items that are included in this pool budget item. Repair for furniture is already included at \$3,000. We want to change the designation to replacement of furniture and make it \$20,000, which is a \$17,000 adjustment to the budget as presented.

Ms. Kassel stated you are referring to renaming one line item and adding \$19,300 or something to that effect.

Mr. LeMenager stated in the narrative, we change that line item from “repairs to furniture” to “replacement and repair of furniture.”

Mr. Berube stated there are not a lot of repairs to be made.

Ms. Kassel stated I think we are talking about the same thing.

Mr. Evans stated so we will increase this line item to \$57,000.

Mr. Berube stated for an enhancement, I am thinking about an additional shade structure inside the pool area. I know it is a pool and people want to go there for the sun. But if you go there on a weekend, everyone crowds under that single shade structure. That is the area where people want to sit. A lot of people sit out in the sun and play in the pool, but shade is a big deal nowadays. I do not recall how much that shade structure cost. Was it \$5,000?

Mr. Haskett stated I just priced them recently, and they are just under \$8,000, installed.

Mr. LeMenager stated they look like the ones that are at the bus stop.

Mr. Berube stated that is exactly right. It is a canvas material. People crowd under that and drag the furniture. People like the shade. I realize we are spending money.

Mr. Walls stated I think we fix the furniture and consider the shade structure next year.

Mr. Evans stated I agree.

Mr. Berube asked do you use the pool very often?

Mr. Walls stated my wife does. I work during the day.

Mr. Berube stated I understand that, and I appreciate it. I hear comments from people. This community is growing. We have more homes occupied than ever before. The pools are getting a lot of use. I was there last night at 7:00, and there were 45 people. I was surprised. I go there on the weekends. There are sometimes several parties. We use the

pools nearly every day when I am home, and the shade structure gets a lot of use. People like it.

Mr. Evans stated let us increase this item to \$57,000, and then see how the budget plays out going into next year as far as how close you are on the budget. If you have some extra money, you can consider this.

Ms. Kassel asked have we decided to nix the pool supervisory services for the next budget year? We discussed this briefly last month where we could contract with a company to provide an employee to supervise the pool use.

Mr. Berube stated I think that will prove to be so expensive that we will decide against it. That is my presumption.

Mr. Haskett stated I may have been premature on that request. Perhaps we can consider it for the following budget year.

6. Repair and Maintenance—Roads and Alleyways: *This line item was increased to \$5,000.*

Mr. LeMenager stated let us consider reality. We will spend \$5,400 this year in this category. We spent \$3,000 in the past. I think \$1,000 is completely unrealistic in a community that has aging infrastructure. We are responsible for the alleys. They will cost us money over time, and it will not be \$1,000 a year.

Mr. Walls stated I was going to suggest \$5,000.

Mr. Evans asked did we have an erosion issue that cost about \$4,000?

Mr. Moyer stated yes.

Mr. Walls stated something like that will happen again, so I recommend \$5,000.

Mr. LeMenager stated we will definitely have alley issues.

7. Repair and Maintenance—Sidewalks: *Nothing changed on this line item.*

Mr. Evans stated this includes monies for grinding the sidewalks.

Mr. Berube stated we have some sidewalks that are in need of work. Are we going to continue to grind them in-house?

Mr. Haskett stated yes. We are waiting to see how the budget is before providing a proposal for purchasing a grinding machine instead of renting one.

Mr. Moyer stated we do that in Celebration, and it works pretty well.

Mr. Berube stated I seem to recall that Severn Trent has a grinder.

Mr. LeMenager stated I would like to keep track of our actual costs for sidewalks separately. As Mr. Moyer indicates in Celebration, over time, as these tree roots continue to destroy the sidewalks, we will have an increased need for grinding and sidewalk repairs.

Mr. Berube stated there are four or five on the sidewalk on Beargrass in front of my house toward the school.

Mr. Haskett stated I am aware of those. I requested monies for this activity in my review of the budget with Ms. Fazeela Khan.

Mr. LeMenager stated clearly, though, there are no monies being added for this activity.

Mr. Berube stated if we rent something from Rental World, it might not be applied to this line item. The labor for our staff to do this work comes from field services. Unless the Rental World invoices get designated with the proper code, they will never get applied to the right line item.

Mr. Walls asked how much is a grinder?

Mr. Haskett stated about \$3,000.

Mr. Walls stated let us leave this line item at \$4,000, and it can go toward the cost of purchasing a grinder.

8. Repair and Maintenance—Parks and Facilities: *Nothing changed on this line item.*

Mr. Berube stated there is a significant increase for next year's budget that includes something.

Mr. Qualls asked would that be to maintain the improvements that the District will acquire, being the boardwalks and the docks?

Mr. Berube stated I would not expect it to be that expensive since they are brand new.

Mr. Qualls stated I am not opining on that aspect.

Mr. LeMenager stated the narrative indicates it is for maintenance and repair of basketball courts and athletic fields, including sod replacement. The soccer field needs some work since there is a huge patch in the middle that needs to be fixed. This item is also for cleaning the basketball courts, dog parks, and miscellaneous areas. Lakeshore Park is budgeted for \$6,500. That might be a little high.

Mr. Haskett stated the reason I added those items is due to the shade unit at Lakeshore Park. The fabric on it needs to be replaced. It was vandalized recently, which I forgot to mention in the regular meeting earlier. That cost is included in this budget item as well as some work at the Ashley Park pool. That is the reason I did not reduce that amount from last year,

Mr. Walls asked is there a way to build infrastructure to keep people from getting on top of it or climbing up the pole?

Mr. Berube stated at Lakeshore Park, there is only one kid who does that.

Mr. Haskett stated if you provide his address to me, we can prevent that from happening again.

9. Repair and Maintenance—Hardscape Cleaning: *Nothing changed on this line item.*

Mr. Haskett stated this includes pressure washing various areas and still includes some outsourcing of pressure washing of the long white fence.

Mr. Berube stated we have a pressure washer. The difficulty in cleaning the long white fence seems to be a supply of water.

Mr. Haskett stated to some point. Over the past few years, we have added valves along that area, so there are more water sources than there used to be. It is possible that our staff might be able to handle it, but it will take them two weeks to complete it. I do not think it is worth the \$2,000 that we spend outsourcing that activity.

Mr. Berube stated unless we add another staff person. When you add up all the things that need to be done, at some point it makes sense to hire an additional staff member. Is \$5,000 sufficient for this work?

Mr. Haskett stated yes.

10. Miscellaneous—Contingency: *While initially discussed to be reduced to \$10,000, this line item will be the plug number to balance the overall budget.*

Mr. LeMenager stated this is always a plug number based upon the grand total and what we include in the other line items.

Mr. Walls stated this is also in addition to the other \$23,000 included in landscaping contingency.

Mr. Evans stated the line items that we review in great detail really help minimize the contingency. We try to foresee and address a lot of the things that could happen. I think we can reduce this significantly, down to \$10,000.

Mr. Walls stated that is more than we have spent over the last couple years.

11. Miscellaneous—Security Enhancements: *Nothing changed on this line item.*

Mr. Evans stated we discussed additional cameras from time to time. Are they included in this budget item?

Mr. Haskett stated I recommended we reduce it to \$2,500 since that is a comfortable number for next year.

Mr. Berube stated this is related to the Century Link telephone bills. We pay BrightHouse internet two monthly charges for, effectively, security enhancements. Where are those bills applied? How are they coded? Is that to this line item?

Mr. Haskett stated I think it is coded to communications.

Mr. Evans stated that makes sense to me since they are usually charged to telephone.

Mr. Berube stated it is just a matter of where the money is applied.

Mr. Evans stated as opposed to micromanaging or micro-breaking them out separately.

Mr. Berube stated we provided these security enhancements, and it would be nice to know what they cost.

Mr. Walls stated this appears to me to be a capital line item to purchase enhancements.

12. Capital Outlay—Other: *Nothing changed on this line item.*

Mr. Evans stated this item is budgeted at \$12,000.

Mr. Haskett stated the last capital outlay was for the shade structures at Lakeshore Park, which drove the actual number over the budget.

Mr. Evans stated these are “wish list” items, things that come up later when someone wants to plant more flowers or put in a swing or something else.

Mr. LeMenager stated we can look at reality. In 2010, we spent \$23,000. In 2011, we spent \$30,000. This year, we will spend \$30,000.

Mr. Berube stated according to the budget, in 2011, we only spent \$6,300.

Mr. Evans stated that is discretionary spending.

Mr. Walls stated this category could also be used if one of the ATVs breaks down and we have to purchase a new one. All of ours are new, but that is an example.

Mr. Evans stated this would be for items such as the pool canopy that Mr. Berube mentioned earlier.

Mr. Berube stated I am fine leaving this at \$12,000. Perhaps it needs to be higher; I do not know.

Mr. Evans stated I think it needs to be lower. We have been raising more line items than we have been reducing.

Mr. Berube stated we just decreased contingency by \$11,000.

Mr. LeMenager asked has anyone been running a total so far?

Mr. Moyer stated yes. On administrative line items, we have an extra \$9,300. Under the various field items, we added \$26,600 and deleted \$27,260. We have about \$10,000 extra on these items.

Mr. Berube stated if we leave this item alone, we still have some extra money. We could actually increase this item by \$10,000.

Mr. Evans stated no, we cannot. I agree with Mr. Walls that we need to look at every line item.

Mr. Walls stated I am fine with \$12,000.

Mr. Evans stated I will concede to leave this at \$12,000.

13. Capital Outlay—Recreation Improvements: *Nothing changed on this line item.*

14. Capital Outlay—Vehicles: *Nothing changed on this line item.*

F. Next Steps

Mr. Evans stated Mr. Moyer will have this budget revised with our comments, and it will be submitted for consideration at the August meeting.

Mr. Moyer stated the public hearing has been scheduled for August 30.

Mr. Berube asked have we settled the question about operation and maintenance assessments?

Mr. LeMenager stated if this is what we are going to do, then I think what we are saying is this will result in a decrease in operation and maintenance assessments.

Mr. Evans stated it is a decrease of about \$10,000 based on the changes we just made.

Mr. Walls stated it is a decrease on the assessments for next year, but the budget itself is not necessarily being reduced.

Mr. Moyer stated right now, we will lower the assessments by \$10,000, so they will be lower than they were last year.

Mr. Walls asked you will lower the assessments based on the changes we just made?

Mr. Moyer stated yes, to balance the budget.

Mr. Walls stated my assumption was that the additional money would go into reserves.

Mr. Moyer stated we need to have that direction.

Mr. LeMenager stated we need to have a place to put it. Basically, we got to this point because the Board wanted to include a specific number for miscellaneous contingency, whereas in the past, that is the number Ms. Khan always backed into to get the overall total that we were after.

Mr. Moyer stated that is correct.

Mr. Evans stated I saw a 1.2% increase.

Mr. LeMenager stated that is the wrong one.

Mr. Moyer stated the numbers were correct, but the summary in the agenda package showed 1.2%.

Mr. Walls stated my intent was to leave the total exactly as you have it and take the difference and put it into a contingency reserve.

Mr. Evans asked you mean staying at the current assessment level?

Mr. LeMenager stated those are wrong. This is the correct one.

Mr. Walls stated whatever was proposed coming into today is the assessment level we are discussing. It is the same as for fiscal year 2012.

Mr. Moyer stated that is correct.

Mr. LeMenager stated but in the budget, we have to put it somewhere.

Mr. Walls stated I thought we could take the difference that we just discussed and put it into contingency.

Mr. LeMenager stated you back into it to determine the contingency. I would also like to point out that we are making no change to our reserves. Right now, they took \$50,000 out of one reserve and put \$50,000 in another one. We are going from \$235,000 in designated reserves to \$235,000 in designated reserves.

Mr. Walls stated the unassigned fund balance will increase because we are carrying forward money from this year.

Mr. Moyer stated that is correct.

Mr. Berube stated every year, we fund our reserves at about \$50,000.

Mr. Evans stated we fund them out of our savings, based on the tight management of our expenditures. The excess is what we are carrying forward and putting into reserves.

Mr. LeMenager stated that is correct. What I am saying is, now we are looking at a lot less excess.

Mr. Walls stated we are projecting \$82,000 to carry forward from this year to next year, which is in addition.

Mr. Evans stated if we hold our budget at the same level, we reduced landscaping expenses and we added some things that we wanted to do. If we remain constant on the expenditures, it is reasonable to assume we will have \$70,000 to \$80,000 in carry forward surplus next year that you can allocate to reserves. It is my understanding that we will make the adjustments to these line items as we described. The intent is to hold to no increase in the overall operation and maintenance and debt service combined assessment.

Mr. Moyer stated that is correct.

Mr. Evans stated to get to that point, we will use this allocated budget. for Miscellaneous Contingency, we will back into that number to maintain a balanced budget.

Mr. Moyer stated it was about \$22,000 and you reduced it to \$10,000. Now it will be about \$21,000.

Mr. Walls stated at the end of the day, the overall assessment for fiscal year 2013 remains the same as it was for fiscal year 2012.

Mr. Moyer stated that is correct.

Ms. Kassel stated I need to leave for another appointment.

Mr. LeMenager stated you indicated you were not sure about the assessment level earlier. Are you happy with the discussion today and where the budget ended up?

Ms. Kassel stated yes.

THIRD ORDER OF BUSINESS

Resident Comments and Questions

A Resident stated as I understand it, you are going to take a \$10,000 reduction in the budget and put it into a contingency reserve.

Mr. Evans stated we reviewed every line item in detail, for the ones that we could define, knowing that there will always be some things that we cannot foresee. Our goal is to make sure we have an adequate account for the unknown without being too high or too low. After reviewing all the individual line items that we feel we can reasonably and accurately project, based on historical expenditures or fixed contract, we are so tight to the budget that we had last year and what worked. We were within \$20,000 on a budget of \$1.5 million.

The Resident asked so you are putting in a calculated surplus into contingency reserves?

Mr. LeMenager stated that is the way this District has done it from the beginning.

Mr. Evans stated we had about \$20,000 in that line item when we started this discussion. After our conclusion of the budget discussion, we discovered we are right back at almost the same level of \$20,000.

The Resident asked do you perform an analysis on the contingency reserves periodically to make sure they are on track with expenses?

Mr. Evans stated yes, we do that every month.

The Resident asked does someone else perform that analysis?

Mr. Moyer stated the engineer did that for us a year ago, to provide what we need for reserves. That is what we funded based on the engineering report.

The Resident asked you do that periodically?

Mr. Moyer stated yes.

The Resident asked are we on track with our reserves and expenses?

Mr. Moyer stated yes.

Mr. Evans stated this District is probably one of the most financially sound Districts in the State.

Mr. Berube stated this is related to the question I asked at the end of our budget review. Every year, we put in a minimum amount into the reserve to make sure we are on track. If there is more money at the end of the fiscal year, then we add more to that reserve. If a hurricane blows through here tomorrow, we are in pretty good shape.

The Resident stated you said you are responsible for the alleys. Does that include Ashley Park?

Mr. Haskett stated yes.

Mr. LeMenager stated yes, the District owns the alleys.

The Resident stated we have some heavy construction going on in there, and the alleys may be suffering from that.

Mr. LeMenager stated if D.R. Horton damages the alleys, then we will send a bill to them.

FOURTH ORDER OF BUSINESS

Adjournment

The next meeting will be Thursday, August 30, 2012, at 6:00 p.m.

The workshop adjourned at 11:30 a.m.

Gary L. Moyer, Secretary

Robert D. Evans, Chairman