

MINUTES OF MEETING

HARMONY COMMUNITY DEVELOPMENT DISTRICT

The regular meeting 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 and constituting a quorum 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
Larry Medlin	Bio-Tech Consulting
Garth Rinard	Davey Commercial Grounds
Shad Tome	Harmony Development Company
Michael Wallander	EcoCity Partners
Residents and members of the public	

FIRST ORDER OF BUSINESS

Roll Call

Mr. Evans called the meeting to order at 9:00 a.m.

Mr. Evans called the roll and stated a quorum was present for the meeting.

SECOND ORDER OF BUSINESS

Approval of the Minutes of the June 28, 2012, Meetings

Mr. Evans reviewed the minutes of the June 28, 2012, regular meeting and requested any additions, corrections, notations, or deletions.

On MOTION by Mr. LeMenager, seconded by Mr. Walls, with all in favor, unanimous approval was given to minutes of the June 28, 2012, regular meeting.
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THIRD ORDER OF BUSINESS

Audience Comments

There being none, the next order of business followed.

FOURTH ORDER OF BUSINESS

Presentation by Michael Wallander from EcoCity Partners on PACE Financing

Mr. Moyer stated Ms. Kassel requested this item to be on the agenda some time ago, and this was the meeting that we had Mr. Wallander scheduled to attend.

Mr. Wallander stated I am with EcoCity Partners. We are a firm that works with Cities and Counties. I will say up front that we do not work with special Districts, but we work with Cities and Counties to create a mechanism that allows property owners to voluntarily finance energy-saving, water-saving improvements. Essentially, it is like a retroactive CDD. We let property owners opt into a special District that is typically City-wide or County-wide. We are able to finance energy-saving improvements through their property tax bill through a program called PACE, Property-Assessed Clean Energy. It was authorized by legislation and passed unanimously in Florida in 2010. I believe Ms. Kassel is one of many people who have seen this opportunity for PACE financing come up, asking why it is not authorized for independent special Districts and what opportunities there might be for the Harmony community to explore this on a going-forward basis. My response was that I would be happy to share information about PACE and our program, but really the opportunity would present itself if Osceola County decides this is something they would like to see here in the community. Since 2010, we have secured grant funds to design our program. We have spoken with quite a few banks, and we designed a program that gets banks interested and involved in financing these improvements. We call it an open market program. There are a number of other programs throughout the State, including one that was developed by the City of Kissimmee with Flagler County. There is another in Miami-Dade County, and each location uses different approaches. What sets our program and our approach apart is that we work with banks. As you might imagine, if you are facilitating a property retrofit, you are using new money to fund an energy-saving improvement, and the financing is paid through the property tax bill. It comes ahead of the mortgage, which tends to not make an existing lender very happy. Rather than proceeding with that project the way some other programs do, we first go to the bank. We get their permission and their consent to finance an improvement. We expect that if the property retrofit project makes sense, they will provide the capital for that project. I think there may be interest in the community and in Osceola County for new ways to find liquidity for projects that make sense to make the community and the infrastructure stronger, more sustainable, more energy efficient, and more water efficient, and I think that was the reason for the invitation to speak here today.

Mr. Evans stated you made the statement that you do not provide these services for special Districts, such as CDDs.

Mr. Wallander stated that is not our preference. It is a nuance in the Florida Statutes.

Mr. Evans stated but you provide them for other municipalities, be they Counties or Cities.

Mr. Wallander stated that is correct.

Mr. Evans stated you would fund certain capital improvements and then you would be able to collect or assess those benefited properties through the tax roll.

Mr. Wallander stated that is correct.

Mr. Evans stated it is very similar to the way the District currently does its water-sewer, paving, drainage and other facilities that it has for the benefited parcels.

Mr. Wallander stated that is correct.

Mr. Evans stated these improvements that you suggested, a lot of your infrastructure is basically a delivery system of facilities, be they water, sewer, storm drainage or roadway systems. It is a delivery system going to those homes. Many of them are already Energy Star or Water Star, and they implement a lot of these types of mechanisms to encourage and facilitate energy savings. What type of physical improvements are you referring to for homes, over and above what is already prescribed for Energy Star and Water Star that would be beneficial?

Ms. Kassel stated they do commercial only.

Mr. Wallander stated the reason we do not work with independent special Districts is not because we do not want to; we would love to. It is because when the Florida PACE Statute—Section 163.08, Florida Statutes—was being debated, very conspicuously, the definition of local government included Cities, Counties and dependent special Districts. It specifically did not include independent special Districts. I cannot speak to the wisdom behind that, but there was a reason for it. In terms of the types of improvements that we finance, it is not community infrastructure insofar as roads, underground utility lines or infrastructure of that sort. We finance improvements to private property. We do not finance new appliances for a new home or commercial business, but we do finance a fixture or something that becomes a part of the property—lighting, heating, ventilation, air conditioning, solar panels, water efficiency improvements—anything that is a part of the building and makes it more valuable as well as more energy efficient. Under the Statute, we can also finance wind resistance improvements, windows, roof bracing and support. We can also finance technologies such as natural gas infrastructure or electric

vehicle car-charging stations. This was basically created in California. It was initially focused on the residential market place because that was where the opportunity was. But because of the nature of the financing that comes ahead of the mortgage, Fannie Mae and Freddie Mac took issue with that lien priming function; they view a PACE assessment as more of a loan because it is voluntary. As a result, they have taken issue with PACE financing, which has put residential programs on hold in California, Florida, New York, Colorado and many other States where PACE was initially pioneered. Here in Florida, Leon County is in lawsuit with FHFA. The ability to create programs that are funded by non-ad valorem special assessments is a municipal power that goes back to the days of Benjamin Franklin, who created the first one, but because of the uncertainty in that space, residential programs have been placed on hold, and our program focuses exclusively now on non-residential, which is anything besides a single-family home or condominium and might include commercial and industrial as well as churches, non-profits, schools, multi-family housing. That is what we are focused on, and it is any capital improvement to a commercial or non-residential building that makes it more energy efficient or wind resistant.

Mr. Berube stated to be clear, there is nothing we can do about this today, sitting as this body.

Ms. Kassel stated that is not true. One of the reasons Mr. Wallander came was because we wanted to discuss what kind of influence we might be able to exert on the County to implement this program.

Mr. Berube stated that is what I meant and what the second half of my question was going to be. I gather Mr. Wallander is here to generate interest from this Board and have us go to our County leaders to try to get them involved in bringing this PACE program and make it available in Osceola County.

Mr. Wallander stated that is correct.

Mr. Evans asked what were Ms. Kassel's thoughts relative to commercial? This District has no authority over the design criteria over any commercial projects within the CDD.

Ms. Kassel stated that was not where I was coming from. It was to first alert you to the fact that there is a program available, it can be done through assessments, and there are financing tools available for retrofit. We are just beginning the commercial

development, and there are some commercial buildings that are owned by the developer. The idea is to promote energy efficiency and practices. As the residential program gets closer to resolution, the County can implement this program so that it can be available for both commercial properties and residential properties. It is forward thinking, and I wanted to familiarize you with it, as well as perhaps exert some pressure on the County to offer this program to Osceola County.

Mr. Evans asked in order to do that, would there have to be a revision of the Florida Statutes?

Mr. Wallander stated no. The Statute is fine. Our program is live now in various municipalities, including Palm Beach County. We have been speaking with Lee County on the west coast, as well as municipalities and Counties north to Jacksonville, west to Pensacola, and south to Key West.

Ms. Kassel asked does that also include Kissimmee?

Mr. Wallander stated no, Kissimmee has a different program. We think the approach they are taking is not as prudent as ours. Our focus now is entirely commercial, but we have also been working very closely with members of Congress to try to get a resolution to the issue with Fannie Mae and Freddie Mac. When that happens, no revision to the Statute would be necessary in Florida. Authorizing a residential program is almost like flipping a switch to be able to offer this to residential properties.

Mr. Moyer stated tell me more about the financing: the term of the financing, the tax-exempt financing, the rate, who sets the rate.

Mr. Wallander stated in all programs, it has never been tax exempt. These are taxable micro bonds. You can think of them as a bond, but they look a lot like a loan. In our program, we are merely a conduit to the financing. We have multiple banks involved. The idea is that we let banks compete to provide the most attractive financing. This is a very new program, but in the programs that that are active, we have seen the target interest rate around 7%. We think that rate will come down. It is still pretty attractive compared to the alternatives, but we think the reason that it is high is because it is a new product. The banks and capital providers that are most interested in this want to see the opportunity to securitize these loans and to market them as a municipal bond-like product. There is some securitization and arbitrage risk that I believe they built into the rate. Ultimately, long term the financing is very attractive. It is typically tied to the useful

life of the equipment. If it is an HVAC that has a useful life of 10 years, it will be tied to the 10-year Treasury rate. If it is something like solar that has a 25-year useful life, it will be 20-year financing. Harvard Business Review has called this the most exciting innovation in municipal financing in 30 or 40 years. What is innovative is that as the property is sold, the financing goes to the new buyer automatically.

Ms. Kassel stated the CDD has no liability or responsibility.

Mr. Wallander stated that is correct, and neither does the municipality or the County. The sole source of the repayment is tied to the financing itself.

Mr. Walls asked does your company make its money off commissions or agent fees?

Mr. Wallander stated yes. Some of the other programs will charge a yield spread premium on the financing. We limit our fee to 2.5% project origination fee. We are an extension of the government. For the most part, we are looking just to cover our costs. We very much believe in this, and we think it is a way to help facilitate retrofits throughout the State to make homes and commercial businesses more energy efficient.

Ms. Kassel stated I am excited about it.

Mr. Qualls stated the way I read the Statute, in order for this to work here, the County would have to adopt an ordinance to allow it. Then private owners would opt into the plan.

Mr. Wallander stated that is correct.

Ms. Kassel asked what does Mr. Wallander suggest to the CDD Board? We have not discussed whether or not we agree on this, but if we did, how do you imagine us influencing the County Commissioners to approve this?

Mr. Wallander stated I can offer suggestions, but that is for the Board to decide. We have some precedent in terms of letters showing support for the concept of PACE. Generally speaking, I have not really found anyone besides Fannie Mae and Freddy Mac that are not supportive of PACE. This legislation passed unanimously in 2010. The most that can be done is to demonstrate this is something that is worth them investing a little time to educate themselves on what this might mean for Osceola County. I am happy to support any research or whatever needs to be done in order to make that case. I am happy to work on drafting a letter. But it is really up to the Board to decide.

Mr. LeMenager asked have you already approached the County Commission?

Mr. Wallander stated no. For the most part, there are quite a few Cities and Counties that have reached out to us. We have not been aggressively marketing this to other Cities and Counties unless we are invited.

Mr. Berube stated to be clear, at this point, residential is not available until the question of priority of liens is resolved.

Mr. Wallander stated that is correct. I would estimate that is a process that will take about a year. It will certainly not happen in advance of the election, but we think there is sufficient support in Congress to get this done early to mid 2013.

Mr. Berube asked if the County approves this program, will it apply to commercial buildings immediately, upon their approval?

Mr. Wallander stated yes.

Mr. LeMenager stated it sounds like what you want us to do is introduce you to Commissioner Fred Hawkins, who is the Commissioner for our District. There are five Commissioners for Osceola County, and it sounds like you would like an introduction to one of them to actually explain it to him, if he does not already know about it.

Mr. Wallander stated I would welcome an introduction, but my purpose in coming here this morning is to simply spread the word about PACE.

Ms. Kassel stated aside from an introduction is if we agree that this is a good program that we would like to support, then we can accept Mr. Wallander's offer to draft something showing that support to the County Commissioners, not just Commissioner Hawkins but to all of them.

Mr. Walls stated if Supervisors are inclined to do that, my suggestion is they do that personally as private citizens. I would rather this Board not take any action to approve or disapprove of supporting this program.

Mr. LeMenager stated I would have a question for the attorney as to whether or not this is within our arena to actually issue such a letter.

Mr. Qualls stated the single purpose of the District is to manage infrastructure. I think this has been positive information, but at this time, I would want to look more into the way in which the Board or individual Supervisors would work to do that. The worst-case scenario is that other interest groups would come to you requesting letters of support. I think that is outside the realm of the District, although what PACE is doing very much fits in line with the Harmony community. There is certainly a lot of synergy, but the

single purpose of this Board is to maintain and manage the infrastructure at a high level of quality.

Mr. Evans stated I think Mr. Walls raises a very good point about letters of recommendation. There is no direct benefit to the District for this program because the District does not have the authority to try to implement or require the utilization of this funding mechanism on any of the commercial property because we do not own any commercial interests. We have some existing facilities, such as swimming pools. There is no direct benefit available to the District through PACE. I think it has a lot of potential and a lot of avenues, but there is no advantage to the District relative to this. I think it is very informative and cutting edge. It is different than any other financing tool, such as the bonds that we currently have for the improvement of our infrastructure. I wish you the best of success, but I just do not know that there is an advantage to the District for it.

Mr. Wallander stated I do not disagree with that. As I mentioned, I am merely here to share the information. I am happy to leave my business card. Perhaps a year from now, things will be different. I would not disagree with the approach you have decided to take right now.

Mr. LeMenager stated I am sure we can get you an introduction with the Commissioners.

FIFTH ORDER OF BUSINESS

Subcontractor Reports

A. Aquatic Plant Maintenance – Bio-Tech Consulting

i. Monthly Highlight Report

Mr. Medlin reviewed the monthly aquatic plant maintenance report as contained in the agenda package and is available for public review in the District Office during normal business hours.

Mr. Medlin stated last month, we discussed making sure the outfall structures were all cleaned out and sprayed, which we did. Today we will go back to make sure we got them all and make sure they do not need any hand removal. I noticed something else that you might see in the next few weeks. In the buffer areas, there is a lot of broomsedge just about to bloom. It has been here for years and is a good plant, but there seems to be quite a bit of it this year. It is native and is a tall grass, and it circles the ponds. We will look for any other problems today. There are a couple cattail and algae spots to address today.

Mr. Berube asked when you refer to outfalls, do you refer to the concrete structures with the metal grates on top that excess water spills out of?

Mr. Medlin stated that is correct. They are outside the ponds, inside the wetlands.

Mr. Berube stated not every pond has these.

Mr. Golgowski stated every pond discharge has one. Some of the ponds are connected to each other.

Mr. Berube stated we have 34 ponds, but there are not necessarily 34 different outfall structures.

Mr. Golgowski stated that is correct.

Mr. Berube stated there are probably 12 outfalls from what I have noticed.

Mr. Medlin stated I think we located about 20.

ii. Grass Carp

Mr. Medlin stated the Board approved the proposal that I presented last month, but it was not signed, so I was hoping I could get that signed today so that I can proceed.

Mr. Moyer stated please forward a copy to my office when it has been signed by Bio-Tech.

Mr. Evans asked what is the status of the fish stocking?

Mr. Medlin stated I talked with the supplier. He is really busy this week, but he thinks he can schedule us in two or three weeks. He will call me every week to provide an update. We have another project we are installing grass carp, so we are trying to do them all at one time.

iii. Revised Contract

Mr. Evans asked is the revised contract ready?

Mr. Qualls stated yes, and it is complete and ready to be signed for quarterly maintenance for some of the ponds and continued monthly maintenance for the remaining ponds.

Mr. Berube stated I want to thank Mr. Medlin and the management at Bio-Tech. They are always cooperative and work with us. I feel confident when we work with this company.

Mr. Medlin stated thank you for those comments.

B. Landscaping – Luke Brothers

Mr. Haskett reviewed the monthly landscape maintenance report as contained in the agenda package and is available for public review in the District Office during normal business hours.

Mr. Haskett stated I have been in contact with Mr. Moyer and Mr. Qualls regarding the performance of Luke Brothers since the last meeting. I am not happy at all with it. I think the property is going downhill. The weeds are out of control. They did not reach their full cycle this month or last month for weeding. I posed the question to Mr. Moyer about bringing Davey in early and terminating Luke Brothers. I tried to communicate two or three times a week with Luke Brothers and their representative, but I get the same response: sorry, we did not see that and we will correct it. This just happened with mowing, and that pattern has not corrected itself. They are now down to seven staff members, who are not capable of performing the work of the 13 or 14 we used to have during the heavy growing season. Now is not the time to let the property get out of control. Their equipment is failing constantly. They normally have three to five mowers, and now they have two, so they are not keeping up with their equipment. Today, I found out that they do not even have an edger that is working properly to do any of the work. I get nothing in response from them as to how they are going to correct it. I will pose the question to the Board if you would be agreeable to terminate Luke Brothers and engage Davey early.

Mr. Evans asked based on Mr. Qualls's review and understanding of the contract, Luke Brothers has actually effectuated a breach of contract by failure to perform, which allows us to take the necessary steps for immediate termination?

Mr. Qualls stated yes. My advice would be to send them a letter, which I have already drafted, to put them on notice that they are in material breach of the contract and that they either need to cease operations in seven days, or we will have to look at pursuing a breach of contract claim, in which case the District would not only be entitled to damages but would be entitled to cost, including the prevailing attorney's fees if they were to fight it for any reason. They would lose because there is a long, lasting record of breaches with this agreement, and the Board has been more than patient from what I can tell. My advice is to put them on a seven-day notice for material breach.

Mr. Evans asked are we providing them an opportunity for a right to cure?

Mr. Qualls stated no.

Mr. Evans asked is it a termination notice based on a breach?

Mr. Qualls stated that is correct.

Mr. Evans stated in other words, no matter what they do, we expect them to fulfill their contract for the balance of the term, to a date certain. We are accelerating the termination date of their agreement.

Mr. Qualls stated that is correct. The contract says that the Board can terminate a contract with 60 days' notice for any reason. The reason we included 60 days is because that is how long it takes to go through the RFP process. Under the common law and the Florida Statutes, when there is a material breach, you can put a party on notice that there is that breach. If they were to refuse for some reason to pull out of the community, then you would have the option to sue for a breach. Looking at it from the perspective of Luke Brothers, if they were going to fight that for some reason, not only would they be subject to damages, but also to costs and the prevailing party's attorney fees.

Mr. Evans asked when you notified Luke Brothers of a material breach and provided a termination notice effective for a date certain, then has Davey been informed of the situation to step in and accelerate the commencement of their contract?

Mr. Qualls stated the District Manager has been in contact with Davey, and it is my understanding that Davey is prepared to be mobilized earlier than originally intended. I do not recall the exact date, but I heard August 1 being considered. I would advise giving Davey seven days from when we put Luke Brothers on notice, which would be seven days from today.

Mr. Evans stated if Luke Brothers continues through the end of this month, we have not paid them yet, and we still have an obligation to pay them for services rendered during that timeframe. Is it the recommendation and suggestion that we withhold partial payment for this breach? If we do, how do we prove the magnitude of that breach? Or do we go ahead and pay them for July and accept the consequences for the work performed and move on?

Mr. Qualls stated by and large, that is a policy question that the Board can determine. I believe the Board is entitled to damages if you can somehow determine what Luke Brothers failed to perform and what that cost the District. Legally, you can withhold a portion of the payment. In doing that, I think you are subjecting yourself and opening yourself up to arguments, whereas if you paid them through the end of July, that is also a policy decision you can make. Then you do not need to get into any sort of debate about however the Board would determine the damages.

Mr. LeMenager stated I am not sure you would need to argue it in that fashion. The contract spells out costs for doing certain things. It is quite simple. You list the things they completed, so we are happy to pay them. For the things they did not perform, they have not actually earned that money.

Mr. Evans stated the challenge we may run into is that this is our opinion. They may have a different opinion. For us to withhold funds, they could very easily file a claim, and we will spend more money in legal fees fighting that claim to determine whether or not there was some level of performance in each of these categories. I agree with Mr. LeMenager that there is an allocation for specific performance of certain line items. However, to validate that breach, it may cost you more than the actual payment. That is what I would like to understand a little more, the economic magnitude of a perceived breach. If we owe them a certain dollar amount per month, is it a \$5,000 deduction or a \$10,000 deduction? Or did they just make us mad and it is a matter of having Davey step up, they start performing services, such as mowing or edging, and the problem is corrected.

Mr. Berube stated this started last month. We did not go downhill from last week to this week. I noticed there was no invoice for July, and we pay them a month in advance. The June bill was included in this month's agenda package for consideration. There are actually two bills we probably ought to think about adjusting. It is not unprecedented that we have adjusted their invoices downward for this exact problem.

Mr. Evans stated it has been by mutual agreement when we do that. The Board does not have the unilateral authority to just not pay them because we run the risk of being challenged. It is an economic risk. Do we calculate the true damages versus what it will take to correct them? They can just very easily file a claim, and then the legal process starts.

Mr. Berube stated that rolls into what we consider when we bring in Davey. When Luke Brothers replaced REW, there was a final walk-through. Luke Brothers said it was all fine, but we had a final adjustment with REW. Ten days later, Luke Brothers started saying that certain areas were deficient when they accepted it and there were a lot of dead areas throughout the community, pointing their fingers back at REW. I hope that Davey has a chance to go through the community and review the service areas that they are taking over, and tell us what areas are deficient and what it will cost to fix it. We are at

that stage. We have enough damage here now with things that are undone, weeding that needs to be done, and dead grass that I think there will be a significant amount of money being discussed to bring it back up to standard. I think Mr. Haskett would agree with that theory.

Mr. Haskett stated to a certain point. I think it is something that can be easily controlled once Davey gets onsite and they get the maintenance back up to the level where it should be. What they determine that cost to be can be considered during the walk-through of the property early next week. Damage wise to the property, I think it is minimal at this point. There is some chinch bug damage and things of that nature, but it is not an astronomical figure. I would estimate all of the issues are less than \$5,000, if I had to estimate a number without going into great detail. I think we are at a point where we can minimize any damage by moving forward with Davey. I think if we wait until October 1, then we would be looking at a significant dollar figure.

Mr. Walls stated I am disappointed. I was hoping that Luke Brothers would have stepped up and finished out their term and done the best job possible. I would be in favor of withholding money if there were significant damages to plant material and things we had to replace, tens of thousands of dollars. We are at the point now where I am leaning toward just paying them for the month and get Davey mobilized. As Davey starts maintenance activities, and if that is all it takes to get things close to 100%, then we should just cut our ties with Luke Brothers, pay them, and say goodbye.

Mr. Moyer stated since the July bill is not being paid yet, we will know by the time we receive the bill how big the problem is. Then we can have this discussion at the August meeting.

Mr. LeMenager stated I was going to make that same comment. We have not received an invoice yet, so until they actually bill us for the month of July, it is too early to discuss.

Mr. Berube stated we have received the invoice for July, but it has not been included in the agenda package yet.

Mr. Haskett stated I received their invoice July 1, but I never submit it for payment until after the end of the month when the work has actually been done.

Mr. Evans stated in any dispute, we have an obligation to mitigate damages or put forth an effort to mitigate damages. By doing this exercise, we are mitigating our damages to actually reduce them. At least that works in our favor.

Mr. Qualls stated another thing I would point out is that, if upon receipt of the seven-day notice, Luke Brothers cooperates and moves on, I think that would factor into the Board's decision as to what to pay and in what amount. If they file a claim and want to take us to court, then all bets are off. That would be my advice. Then we can really focus on damages and costs and how to make the Board whole for what I would call a material breach of contract.

Mr. Evans stated the issue before the Board right now is, do we authorize the District's legal counsel to send Luke Brothers a seven-day termination notice with an effective date due to a breach. That is the question for us to decide.

On MOTION by Mr. Walls, seconded by Mr. LeMenager, with all in favor, unanimous approval was given to authorize the District's legal counsel to send Luke Brothers a seven-day termination notice with an effective date due to a material breach of contract.

Mr. LeMenager asked is Davey in a position to start within a week to 10 days?

Mr. Rinard stated we received the question earlier this week and have been giving it consideration and thinking things through. We have already set that possibility in motion, as preliminary preparations, pending the Board's direction this morning. We are prepared for August 1 or the following Monday, August 6, to be able to be on property and initiate maintenance services.

Mr. LeMenager and Mr. Walls stated thank you.

Mr. Berube stated we are glad to have you on board.

Mr. Rinard stated we appreciate the opportunity.

Mr. Evans stated Mr. Rinard has already reviewed the contract. We are simply changing the date from October 1, 2012, which we originally intended, and we are accelerating that date.

Mr. Qualls stated the contract has been approved, and I think all we need to do now, based on today's discussion, is to modify the starting date and get it executed.

Mr. Evans asked what about the term? Will this first term be 14 months?

Mr. Qualls stated we can work on that. I would advise keeping it on the same cycle that it currently ends, September 30. You will still have the one-year options to renew.

Mr. Evans asked is that acceptable to Davey?

Mr. Rinard stated we are fine with that.

Mr. Moyer asked will Mr. Rinard be the person who will attend these meetings?

Mr. Rinard stated yes, in the beginning.

Mr. Evans asked are we going to move forward with the finalization of that contract today?

Mr. Qualls stated yes. I had it prepared for signatures, and I will ask that it be executed, subject to the change of starting date, which will depend in large part on how things go with Luke Brothers.

Mr. Berube stated the starting date will be variable.

Mr. Qualls stated that is correct.

C. Dockmaster/Field Manager

i. Maintenance and Field Activities Report

Mr. Haskett reviewed the monthly field activities report as contained in the agenda package and is available for public review in the District Office during normal business hours.

Mr. Haskett stated some of the storms that have come through the past few weeks have caused a problem with the irrigation system. We have had three mainline breaks along Cat Brier, and three solenoids have gone out also along Cat Brier. It appears lightning struck a pine tree and traveled through the roots, right down the mainline. Our irrigation technician has been correcting all those issues. The water feature had a catastrophic event. It sprang a leak in the main seal on the pump, and in doing so, the sump pump finally gave up and quit pumping the water out of the vault that is in the ground, which in turn flooded the vault and took out all the components of the water feature. We have since replaced the feature motor, the feature pump and motor, and some contacts. WESCO Fountains came out and have determined that the variable speed drive and the computer itself need to be replaced. We are waiting on those to find out how soon they can get those installed. The parts had to be ordered because the current unit is no longer made, so they need to come up with another one. We are about \$3,000 into the repairs, and I will estimate another \$3,000 to replace the electronics in it.

Mr. LeMenager stated it sounds as though part of the problem was just the design of how it was made since the electronics got flooded. Can we address design so that the electronics will not be situated in a spot that will get flooded if we have something similar happen in the future?

Mr. Haskett stated I asked that same question. Unfortunately, the way the system is designed with water features is that the vault has to be in the ground, and that is where the electronics are. They do not make a separate unit. It would need to be another structure to house those components. However, what I came up with is similar to homes up north that have basements. They have a secondary sump pump running off of metered water, so we are installing one of those. If there is a power failure with water in there or the sump pump gives up again, this secondary sump pump is set just a few inches higher so if the water level comes up, it is run off of tap water that siphons it out.

Mr. LeMenager stated that is true, we do not have a lot of experience with basements in Florida.

Mr. Haskett stated we are also installing an alarm system so it will sense the water level and set off an audible alarm.

Mr. Berube stated when you say it is run off of tap water, what you mean is that it is run off of a non-electric sump pump. It requires water pressure to drive it.

Mr. Haskett stated that is correct.

Mr. Berube stated there must be some sort of switch to turn on the water that drives this sump pump.

Mr. Haskett stated it is a flow sensor and it is mounted just a few inches higher than the other one so it will only be used as a backup. It will be another couple weeks before we can get the parts in to have it operational again.

Mr. Walls asked what is the possibility of having a manual “on” switch for residents? I am speaking as a dad of two little kids in the situation if we just got over there and it switched off.

Mr. Haskett stated prior to it breaking and failing, we had it set so that it would run throughout the day. I found that it is not that much more expensive to not give it those 15-minute breaks because the motor itself runs on low voltage due to the variable drives. We will just set it and leave it on, so we will not run into that issue.

Mr. Walls stated that would be great.

Ms. Kassel asked does that include overnight? Or will there be a timer to turn it off during the overnight hours?

Mr. Haskett stated it will cycle once during the night so that the chlorine does not build up in the tank. That is the recommendation of the health department. It will run once for about 15 minutes and then it shuts back off again and then will run during the normal daylight hours.

Ms. Kassel stated it sounds like it is a \$6,000 repair that we had not contemplated in our budget. Is it too late to submit this to the insurance company? is it even eligible because it is lightning related?

Mr. Berube asked do we not have a \$50,000 deductible?

Mr. Moyer stated that is for liability. Mr. Haskett can submit the invoices to me and we will forward them to the insurance person who handles these matters for the District to see if she can get something back for us. That is a good suggestion.

ii. Buck Lake Boat Use Report

Mr. Haskett reviewed the monthly boat report as contained in the agenda package and is available for public review in the District Office during normal business hours.

iii. Lakeshore Park Proposal

Mr. Haskett stated I distributed a proposal for the landscaping where we removed the fence around the playground equipment. This was provided by a Harmony resident who owns the Triple Palm Landscape Company. The development company has used this firm on multiple projects, and we are happy with his service and his pricing. This proposal includes adding a hedge along the back of the play area that would complete the viburnum that is missing where the fence was, and it will prevent kids from running out into the wetland. It also factors in multiple trees around the play equipment to provide more shade, as well as a few accents where the gate used to be to dress it up. The total is \$3,208.50.

Mr. Berube stated I am fine with this.

Mr. LeMenager stated it sounds great with six nice trees, a decent size to get started. It sounds like a wonderful idea.

Mr. Evans asked is this part of the overall enhancement program that was presented to us previously?

Mr. Tome stated no, this is separate.

Mr. Berube stated this occurred because we removed the fence that was around the playground, and now we have breaks in the landscaping where kids can escape. This landscaping replaces the fences, in a manner of speaking, to keep the kids inside the playground as well as to enhance the park.

Ms. Kassel asked how will that impact our budget?

Mr. Moyer stated currently, we are under budget on expenditures by \$27,000, and it will be very close this year. As you are aware, under State law, we are permitted to come back and amend the budget within 60 days at the end of our fiscal year. So to the degree that these monies exceed what we currently have budgeted, we will make an allocation out of fund balance to cover those expenses.

Mr. LeMenager stated at this point in time, we are projected to have an overage of \$82,000, and it will probably be even higher than that.

Mr. Berube asked was Ms. Kassel's question related to the line item we would use, or to the overall budget?

Ms. Kassel stated both.

Mr. LeMenager stated in terms of the overall budget, we are \$82,000 ahead right now, and that is with the conservative projections that the accountants would normally make. I am guessing we are probably more than \$100,000 ahead for the year. In terms of our overall impact, there would be no hardship on us for this enhancement. As far as what line item we use, that is a good question.

Mr. Berube stated the pool line item will be fine once we receive \$6,000 for the water feature. This item should probably come from parks and facilities, and contingency.

Mr. LeMenager stated I am fine with it all coming from parks and facilities.

Mr. Moyer stated that is appropriate.

Mr. Berube stated we can move money around between those two line items, so that it does not break our budget.

Mr. LeMenager stated we always do.

Mr. Moyer stated we have a surplus of \$4,600 in that line item that has not been spent on a pro rata basis, so I think we are fine using that line item.

Mr. LeMenager stated we are actually within budget on that line item.

Mr. Moyer stated that is correct.

On MOTION by Mr. Berube, seconded by Mr. Walls, with all in favor, unanimous approval was given to the proposal from Triple Palm Landscape for landscaping improvements to Lakeshore Park, as described, in the amount of \$3,208.50, to be applied to R&M—Parks and Facilities.

iv. Miscellaneous

Mr. Berube stated I have a question that is related to invoices and one of our three staff members. In this month's AT&T bill, there were ring tones purchased for their phones. It is only \$20, but I do not know that anyone authorized that. Why would we have the fanciest phone available for our staff? I am not saying we need to do anything about this, but they need to be told if they want to purchase ring tones, then they need to pay for them.

Mr. Haskett stated we already corrected that. It was more than \$20, and it appeared on the last two bills, if not longer. It was on Mr. Rick Druckenmiller's phone, and he did not download ring tones. We have been in contact with AT&T, and there should be a credit on next month's bill. I am not sure how it got on there, but it was definitely not downloaded, and AT&T recognized that.

SIXTH ORDER OF BUSINESS

Developer's Report

Mr. Haskett stated I have an update on the park in neighborhood G. The playground equipment is going to be delivered next Monday, and we started site work preparations yesterday. We are hopeful that everything will be installed and operational within the next couple weeks. That includes the play structure and a small swing. We will provide some landscape enhancements around that area. This park is located at Blazing Star Lane and Sundrop Street.

SEVENTH ORDER OF BUSINESS

District Manager's Report

A. Financial Statements

Mr. Moyer reviewed the financial statements, which are included in the agenda package and available for public review in the District Office during normal business hours.

Mr. Moyer stated we have collected all of our non-ad valorem assessments. As I indicated previously, through June 30, 2012, we are about \$28,000 under budget on expenditures.

B. Invoice Approval #147 and Check Run Summary

Mr. Moyer reviewed the invoices and check summary, which are included in the agenda package and available for public review in the District Office during normal business hours, and requested approval.

Mr. Berube stated there are two invoices from FedEx that are noted for Harmony West and Harmony Central. One has a comment that it should be billed to those two Districts, and the other one has no comment at all. They are \$16.38 each. I presume we should not be paying those invoices.

Mr. Moyer stated that is correct.

Mr. Berube stated the invoice from Severn Trent has a line item for copies. How much do we pay for copies?

Mr. Moyer stated I believe it is \$0.25.

Mr. Berube stated this month's copy bill is \$1,047, which indicates more than 4,000 copies. That is out of line. I checked eight months' worth of Severn Trent invoices, and they all vary between \$380 and \$440 each month. Most months, it is \$399.

Mr. LeMenager asked did they charge us for including all the invoices for two months when they said they would not?

Mr. Berube stated I do not know, but this month shows a charge of \$1,047 for copying charges.

Mr. Moyer stated I will provide an answer for you. It may very well be for the copies we made on the landscaping RFP.

Mr. LeMenager stated that would be a fair answer, but please look into it and give us an answer, one way or the other.

Mr. Berube stated virtually all of our OUC accounts have a new line item that shows a deposit on account, most of them for \$200. There is at least one that is \$550 and they all total \$3,950. It has never been on an OUC bill before. Do we really have \$3,950 on deposit with OUC? If so, why, when we pay them \$400,000 annually, year after year? If it is a mistake, can we then trust their accounts?

Mr. Moyer stated I will look into this. We are not showing that in our fund balance, so it is not in any of our financial statements.

Mr. Berube stated it just came up. It is not unusual to have a deposit of \$200 with a utility company, but normally you get them back after a year. I do not know what happened.

Mr. LeMenager stated there is an invoice to Rental World of St. Cloud for \$40. All the piece of paper says is “miscellaneous debit.” That is not a lot of detail.

Mr. Walls stated I believe the next page says it is for an ATV tire.

Mr. Haskett stated typically, a \$40 charge is a repair.

Mr. Berube stated I think the second page explained the reason.

Mr. LeMenager stated then that is fine. There is an invoice for a swing for \$1,300.

Mr. Berube stated the development company will reimburse us for that. There is a note that they bought a swing through the CDD to save the sales tax.

Mr. LeMenager stated that is fine.

Mr. Haskett stated the \$40 charge from Rental World was for dismounting and mounting the tires for the mule.

On MOTION by Mr. LeMenager, seconded by Mr. Berube, with all in favor, unanimous approval was given to the invoices, as discussed, deleting the FedEx invoices for Harmony West CDD and Harmony Central CDD.
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C. Public Comments/Communication Log

Mr. Moyer reviewed the complaint log as contained in the agenda package and available for public review in the District Office during normal business hours.

D. Website Statistics

Mr. Moyer reviewed the website statistics as contained in the agenda package and available for public review in the District Office during normal business hours.

E. Legal Fee Reimbursements

Mr. Berube asked have the legal fee reimbursements started to show up on our invoices?

Mr. Moyer stated that is addressed in the notes to the financial statements.

Mr. Berube stated I see that the regular reimbursement is ongoing but there are two separate reimbursements.

Mr. Walls stated I noticed the schedule for reimbursements was included, also. I appreciate having that information.

F. Special Assessment Process

Mr. Moyer stated Mr. Walls made a request to me that was not included in your agenda packages. This is a document that Severn Trent has that explains the special assessment process. It is one of their training manuals. A good bit of this material was put together and paid for by Severn Trent, but was prepared by Mr. Kenza vanAssenderp and

Mr. Qualls. This is the right way to do it, but that does not mean that the people we train understand all of it and do it correctly all the time. As a guideline, this is the right way to levy special assessments. The one thing I will point out, when you read through this, is there is a section titled “benefit and maintenance special assessments.” We do not have those kinds of assessments. They go back to Water Management Districts on how you charge or finance water management projects. We did not do it that way; we did it under Chapter 170, Florida Statutes, and not under Chapter 190, Florida Statutes, although it is provided there as well as Chapter 298, Florida Statutes, going back many years. Do not be too concerned about the discussion on benefit and maintenance special assessments because they do not apply to us.

Mr. LeMenager asked does this change anything in the way we have been conducting business for the past eight years?

Mr. Moyer stated no, it does not. There is a discussion related to developer funding agreements, and that applies to the discussion we had on the 2005 assessments, whether they were covered under a developer funding agreement or whether they were an assessment. All of that is provided in this document in terms of how you are supposed to properly handle a developer funding agreement.

Mr. Walls stated the reason I asked Mr. Moyer for this information is because earlier this year, we approved this as our policy for collecting assessments. I wanted to make sure that since this is our policy that we voted on and approved, that we are following everything that is in this document. I am not saying we were not following it, but I wanted to make sure everyone was aware this is what we approved and the policy by which we are operating. We have essentially two assessment rolls. One is sent to the tax collector. One is collected in-house by Severn Trent. We certify and send the roll for platted properties to the tax collector. The other one that is done in-house, who certifies that roll? Should the Board review that roll and approve it? Where is that roll? I do not think we have ever seen it.

Mr. Moyer stated you probably have not seen that roll.

Mr. Walls stated had a process been in place in 2005 where that roll was made available and part of the public record, you may have caught some of those issues that slipped through. What this policy says the way I read it, the roll should be certified by the Board.

Mr. Moyer stated that is correct.

Mr. Walls stated any delinquent or non-payments on that roll, once they become delinquent, are then reported to the Board. Then the Board gives authority to the manager and the attorney to take action to collect those delinquent payments. I want to be sure we are following that section, because it would have helped with the 2005 assessment issue. I know it was a long time ago and there were a different set of issues. But if we can do that going forward, we can prevent those types of issues later.

Mr. Moyer stated understood. When I bring the final budget to the public hearing in August, I will provide a roll for those lots, which will identify the lots and the debt service associated with those lots. We do monitor that on a monthly basis in the financials under the line item for special assessments, CDD collected. There is always something for this Board to track, even though it is not provided lot-by-lot.

Mr. Walls stated I know it will be a lot of tedious information to include parcel IDs and so forth, but the way I read this policy, the Board is supposed to review that roll and approve it.

Mr. Berube stated it allows more people to review it, in addition to staff.

Mr. Walls stated that is my interpretation of the policy. Perhaps the attorney has a different interpretation.

Mr. Qualls stated I agree. I noted a couple things in reviewing this policy. It is a process that the District Manager and the Board goes through. What you do on the roll that is certified to the tax collector, you should do for the District-collected roll. I think the most important reason you do that review is to have it on the record and you show that you have done that. It is a great suggestion, and I appreciate that someone reads through all these legal documents and ensures that they are implemented. I know the District Manager does a good job with that, as well.

EIGHTH ORDER OF BUSINESS

Staff Reports

A. Attorney

Mr. Qualls stated I want to comment on three agreements, two of which we have already discussed. The pond maintenance agreement is finalized and I have it ready for execution today. The biggest change is the quarterly treatments, which results in a savings. On the RFP for landscape maintenance services, there was no bid protest. In this economy, I think that signals how well the Board members did their job of evaluating the

proposals in a thorough, fair and logical manner. Kudos to all involved in the RFP in making it clear and for the review work the Board provided in directing the changes. In this environment, to survive a bid protest is a testament to a job well done. We had 14 days to negotiate the contract with Davey, and that has been done. They have been very easy to work with, so I do not anticipate any further issues with the contract. We just need to change the date and get it executed. The final agreement is the Lakeshore Park acquisition agreement, which I distributed to everyone. As we discussed last month and the Board approved, the developer will construct some boardwalks and docks and other improvements. The developer will construct that, making sure it is constructed using both the materials and the construction practices that the District would approve of, because when the Board acquires these facilities, the Board will maintain these facilities. As the Board discussed, we need to make sure they are constructed in a way that would meet the District's specifications. The acquisition agreement says that the developer will construct the improvements, and the District will acquire the improvements. For those improvements that are constructed on developer property, the District will maintain those upon receiving a perpetual easement that will allow the public to utilize those facilities. The District's single purpose is managing infrastructure, which includes acquiring infrastructure and includes acquiring parks and recreation facilities. This is squarely in line with what the District is designed to do. The agreement says that the developer will construct and build the facilities in a way that meets District specifications. Then the District will acquire those improvements and will do its job to maintain the infrastructure with the focused, pin-pointed management over the long term. The developer has been very easy to work with. They made a few minor changes to that draft, which all add more clarification to the agreement. My recommendation is to execute the finalized agreement.

Mr. Berube asked are you seeking approval from the Board on this agreement?

Mr. Qualls stated I think the Board already granted the approval in the motion that was approved last month. As you review this agreement and have any comments, let me know. I do not think we had a motion to expressly approve the acquisition agreement since the motion was to acquire those improvements once they have been constructed. I think a motion to approve this agreement would be in order and would provide clarity.

On MOTION by Mr. LeMenager, seconded by Mr. Berube, with all in favor, unanimous approval was given to the Lakeshore Park acquisition agreement between the District and the Harmony Development Company, as presented, subject to final review by legal counsel, and to authorize its execution.

B. Engineer

There being nothing to report, the next order of business followed.

NINTH ORDER OF BUSINESS

Supervisor Requests

Mr. Berube stated a couple years ago, we discontinued coffee and water at these meetings to save a little money. It has come to my attention that we have hot water available in both pool bathrooms, which means we are running water heaters to provide that hot water. I do not know if there is a law that requires us to have hot water, but from what I read on various websites, it costs between \$250 and \$400 annually to have a water heater, and we have two of them. I do not know if there is any benefit. if there is no benefit and no law, I am not saying we take them out, but we can simply turn off the circuit breaker and potentially save several hundred dollars a year.

Mr. Haskett stated we put them on a timer so they go off at night because the pool areas are closed.

Mr. LeMenager asked is this just for having hot water at the sink to wash your hands?

Mr. Berube stated yes.

Mr. Haskett stated I will check to see if that is a requirement of the health department because of the pools. If it is not, we can discuss it further.

Mr. Berube stated I agree about having the timer, but we are still going to spend some money. The point of shutting them off is to save some money. If there is no legal requirement, I do not see that there is a benefit. We have a bathroom at Lakeshore Park that does not have hot water available in it. I do not see any reason to have it at the pools, purely from the standpoint of saving money. I cannot figure out any benefit of having hot water. The water is usually warm during most of the year anyway. When it is cold in the winter, people are not using the pool.

Ms. Kassel asked are there showers in those bathrooms?

Mr. Berube stated no. They are just toilets and sinks. The only place it is available is the sink where people are washing their hands. It is just about the money. It is not cheap to run water heaters on standby.

Mr. Haskett stated we can certainly do that at the direction of the Board.

Mr. LeMenager stated this is something I think we should ask of people who use those facilities before we just turn off the hot water. I would be interested if there is any demand for it.

TENTH ORDER OF BUSINESS

Adjournment

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

The meeting adjourned at 10:15 a.m.

Gary L. Moyer, Secretary

Robert D. Evans, Chairman