

MINUTES OF WORKSHOP HARMONY COMMUNITY DEVELOPMENT DISTRICT

A budget workshop of the Board of Supervisors of the Harmony Community Development District was held Thursday, June 27, 2013, at 5:00 p.m. at 7251 Five Oaks Drive, Harmony, Florida.

Present were:

Steve Berube	Chairman
Ray Walls	Vice Chairman
David Farnsworth	Supervisor
Kerul Kassel	Supervisor
Mark LeMenager	Supervisor

Also present were:

Gary L. Moyer	Manager: Moyer Management Group
Tim Qualls	Attorney: Young vanAssenderp, P.A.
Steve Boyd	Boyd Civil Engineering
Greg Golgowski	Harmony Development Company
Todd Haskett	Harmony Development Company
Residents and members of the public	

FIRST ORDER OF BUSINESS

Roll Call

Mr. Berube called the meeting to order at 5:00 p.m.

Mr. Berube called the roll.

SECOND ORDER OF BUSINESS

**Comments and Questions on the Proposed
Budget for Fiscal Year 2014**

Mr. Berube introduced the budget for fiscal year 2014 and noted several significant impacts to the overall budget.

Mr. Berube stated the development company is looking into street lights, and there are a couple reasons for that. One is that more street lights will be coming online with the next group of lots. It turns out that street lights are directly related to how money is spent. There is a direct correlation. Currently we have 779 platted lots, and we have 731 street lights. Our revenue has been fairly steady over the last several years. Many of the expenditures have gone up. As the developer told us last month, the income you have is pretty much the income you are going to have. Everything is done. The only way that revenues can increase is through additional assessments. The expenditures are increasing and we are hoping that as the development company gets into talks with OUC that we can gather the economies of scale, which we should be getting from OUC because our street light use has grown but so far, there has been no economy of scale. The bottom line is

that the number of street lights will increase about 5% in quantity over the next year, and probably realistically, we will have about six months for those additional street light expenses and the associated expenses. Our anticipation is that the street lighting cost should go up about half of 5%, or 2.5%.

Mr. LeMenager stated I thought it was by contract how much it goes up.

Mr. Berube stated it is, but we are going to add more lights, so the contract gets changed and we will have a new contract for street lighting. That is why there are nine contracts. As each neighborhood comes online, we get a new contract.

Mr. LeMenager stated that is how we used to do the landscape contract.

Mr. Berube stated that is correct. If you read all those contracts, they are all different in what the monthly cost is per light. Every time one got added, something changed. Sometimes it got more expensive, and sometimes it got cheaper. We have an amortization schedule, and currently we are paying about 10.5% interest on those street lights. It is weighted very heavily in favor of OUC as I see it. The bottom line is, we cannot get away from street lights. They are going to do some work to minimize how many more street lights we have. We will talk to OUC about trying to gain some back. We do not know what is going to happen with street lights, but we have to anticipate that. Sitting here, it is very easy to make assumptions about what we need to do today and maybe for the upcoming year, but I think it is also important to look forward to the future and consider that right now we are paying almost \$390,000 annually for street lighting, forever. We need to fix that. We are looking at a 2.5% increase in street light costs probably by the end of this fiscal year. Two, we pay a pretty hefty amount to the tax collector to collect our assessments. We have fixed income right now, but as lots get sold, revenue will come from CDD-collected assessments and go to tax collector-collected assessments. We will still have the same amount of revenue, but because of the fee that we pay to the tax collector, we will lose some of that revenue to pay the tax collector. That is something to consider. The developer is selling many lots. You may have seen the announcement from Mr. Nicholas that a significant number of lots have closed this year. The shift goes to tax collector-collected assessments, where we pay that 2% fee.

Mr. Nicholas stated all platted lots are collected by the tax collector, including those we own. There is not a change in who collects those assessments.

Mr. Berube asked what does CDD-collected mean?

Mr. Nicholas stated that is for unplatted lots. Any lot that is already platted is already being collected by the tax collector and it already included in the current budget.

Mr. Berube asked so the cost of collection does not change?

Mr. Nicholas stated no.

Mr. Berube stated then never mind.

Mr. Walls stated the fees that the tax collector is charging us are based on what they collect. When their lots move over and become part of the tax collector-collected assessments, then we will be charged a higher fee.

Mr. Berube stated that is correct.

Mr. Nicholas stated there are still 160 platted lots that we own that are on the tax roll.

Mr. Berube stated the tax collector cost of collecting our assessments will increase as lots shift from the development company to a third party. The cost of using the tax collector goes up.

Mr. Nicholas stated not as the lots shift from us to owners but as lots shift from raw land to developed platted lots.

Mr. Berube stated that shift will continue as time goes on. We need to consider the cost of that. We can debate how we are going to do this. We had some preliminary discussion last week, and we can argue infinitum as to what we need to do. The public input that I have seen includes the Facebook page that Mr. Walls has. I looked at the responses, which were not many. I did not see many people who said no to assessment increases. I posted the same question on the Harmony Families page. Ninety people looked at it and about 18 responded. There was not a single nay to a 2% increase. Several people said they like the way the place looks and it is all fine and they have no problem paying that increase. I explained what 2% meant. As an aside, I also posted several other things about facilities, such as canopies versus trees for shade. The overwhelming majority of people prefer canopies. I asked about additional playground equipment. Residents like these facilities, and they are willing to pay for them. We sit in a vacuum here all the time and wonder what the populace in the community thinks about what is going on here. What people are saying is, they want these things and they are willing to pay for them. There were no naysayers. I even asked about converting the kiddie pool to a splash pad, and people overwhelmingly supported a splash pad and said to make it a nice splash pad.

Ms. Kassel stated my husband has not seen your post.

Mr. Berube stated I sent an invitation to join so he can read it. I think the backlash that we anticipate from the populace may materialize, but I do not see it. I will go back to my thought about the requested 2% increase to fund the fiscal year 2014 budget. The development company has indicated that we will have some additional costs coming online. They are the biggest payer here. I have not seen Mr. Nicholas shaking his head. I am sure he would like the assessments to stay flat, but I think he realizes what we are looking at. He prepared an analysis that I have reviewed, and I agree with it. The analysis is on the street lights versus platted lots and other expenses.

Mr. Nicholas stated I was just trying to get a sense of how the expenses grew over the last couple years when lots did come online.

Ms. Kassel asked what did you learn from the exercise?

Mr. Nicholas stated they are fairly correlated. The number for 2013 will drop a little but I think we are receiving more benefit as time goes on. We are learning the property better. The landscapers are learning the property more, and those kinds of things. As you can see from the OUC agreements, there is a fee per light for energy, R&M and capital.

Mr. Berube stated we have been very frugal with our money. We have made many adjustments. Landscaping decreased. We have watched every dime and nickel. You can squeeze only so much water out of a dishrag, and I think we have done a lot of squeezing. There are a couple of unknown factors. Mr. Boyd will make a presentation about the reserves. The place is aging. Clearly, our cost of repairing and improving everything is likely to rise. We are at that point. We have held the line or dropped the assessments every year for the past six years. The management company is telling us we need to increase the assessments a little to make this work. Another thing we have not discussed yet is using reserves. We have been loath to use the reserves, and rightly so. The initial concept is that we are close to \$1 million in reserves or fund balance. The reality is that we have made some decisions regarding the allocation of that fund, well-thought-out decisions that we are going to keep a certain amount in the checking account and a certain amount for insurance liability deductible. So our "free" cash is not really \$1 million, but it is \$262,000, which is much different. We have several things coming up to decide, including a dock. Do we want to take it out of fund balance or do we want to fund it out of our operating money? That is a decision we need to make. There are other things

coming online. If we are going to renegotiate the OUC street light agreement, that might require us to inject some. There is another swimming pool coming online within the next couple years.

Mr. LeMenager stated we are making assumptions there.

Mr. Berube stated I understand.

Mr. LeMenager stated you make a statement of fact, and I would like to make the point that there is a potential swimming pool.

Mr. Berube stated that is correct, but I think it will come online. The point is, if this building goes in a few years, we should make this into some sort of community building or meeting room and get out of this building and have our own meeting center. At some point, we will need to get the staff out of the storage trailers and add something to that building when it goes up. That will cost some money, probably a significant amount of money if we can bring it to fruition. Even if we overshoot with a potential increase, the excess, as it always has, goes into fund balance. There are things here that will require us to spend some money. Clearly, I am advocating for a 2% increase.

Mr. Walls stated I suggest that we go through each line in the budget as we have done in the past, and that we listen to staff, based on our experiences, and decide on the dollars for each line item and then see where it falls out, before we decide what our increase is going to be. Let us first see what our budget needs to be and then decide what the assessment should be to cover it, including what we should allocate to reserves and to fund balance. We need to go through that exercise, because that will tell us what our assessments will look like and if there is an increase and what that will look like. That exercise will get us where we need to be. We can discuss a lot of things for the future and all that is good, but we have our budget and we need to decide what goes into each line item. Then we can figure out how to fund it.

Mr. Berube stated no argument. Mr. Walls and I have both reviewed this budget. If we decrease some items, we do not come out a lot different from the proposed budget, and I am not sure cutting dollars is the way to go.

Mr. LeMenager stated I agree with Mr. Walls. We want to look at what is a reasonable budget for this year. I came to this meeting to listen to Mr. Nicholas. He made statements at the last meeting with respect to various things and indicated that our costs would be going up as the community develops more and more. I would like to explore

that more because I do think we have a good opportunity, as Mr. Nicholas pointed out last month, to build a nice, solid financial future. I appreciated the information we received this afternoon. It made me feel a little better about our reserves for replacements. Let us see if we cannot quantify it. Mr. Berube mentioned a pool, and that will be huge. I know there is a big picture of a pool on the table, but my vote right now would be no. Let us make sure we understand what the costs of these things are. Mr. Berube is making a lot of statements that would be fine for Celebration, but we are not like Celebration and will not be for a very long time.

Ms. Kassel stated I reviewed the proposal from Mr. Walls. I agreed with some things and not with others. I would be very happy to hear what Mr. Nicholas has to say, as well.

Mr. Walls stated this is not necessarily a proposal. I was putting together a status-quo budget, and it does not include things that will change or come online.

Mr. Nicholas stated the prudent thing to do is to go through the budget, line by line. I think the idea is that the budget will be what it will be, once you establish the level of service and who gets what in terms of the allocated resources. I wanted to make sure we looked at the correlation between developed property and the related expense. We have done that, and they are correlated. As Mr. Berube indicated, we have engaged with OUC and are looking at the same things this Board is reviewing. The 10.5% capital return rate is not something OUC negotiates contract by contract. It is a State or Federal regulated minimum interest rate that they have to charge for all of their contracts. There is not a chance to take advantage of any lower interest rates with them. That means a portion of the aggregated capital that is left on the street lights in the neighborhoods has a payoff number. One option is for us to go to outside OUC and get that financed elsewhere at a more competitive rate. I think the CDD would be considered with investment-worthy credit at this point. We are likely to save 500 basis points. I think it is worth looking at. I have not received their feedback to tell you what all our options are, but we hope to have that in about two weeks. We are hoping we can step that down as more lights come online. With respect to the two items I mentioned, we should count the platted lots and street lights and see if there is a correlation between the expense line items and those two factors, per platted lot and per street light. We need to know what our utility expenses and landscaping expenses are, which are the two categories that move a lot. Your administrative burden should not change a whole lot. There are no additional fees for

management or printing or postage. Most all that will stay the same as new lots come online. Electricity as well as water will be variable as we add lots and street lights. It appears that the landscape has been hovering somewhere around \$650 per platted lot and per street light. One is up a little and one is down a little, but if you look at the trend over time, as the property normalized, it has been about \$650. For utilities, you are in about the same area of \$650 per platted lot and per street light. The total of those two is \$1,300 per platted lot and per street light.

Ms. Kassel stated Professional Services-Field staff has increased.

Mr. Nicholas stated the way the contract was done was to go with an absolute maximum of staff as a not-to-exceed number. The adding of positions will still be ad hoc as the Board decides. We are not adding staff. There are three people here.

Ms. Kassel stated there was one. Mr. Thomas Belieff was our staff person. As we have expanded, we have also added more staff.

Mr. Nicholas stated from fiscal year 2012, you do not have any change in labor. You have three people.

Mr. LeMenager stated plus a half-time person.

Mr. Berube stated you added a little for compensation, and I know what you are saying. The line item for field service staff has increased. Something that is hard to measure is how much money have they saved us by not having to pay outside contractors. Almost certainly, it would be more expensive to pay an outside contractor and their markup.

Ms. Kassel stated the only point I am trying to make is that as you are going through that, our field services have increased as we have added more neighborhoods.

Mr. Nicholas stated in fairness to that, instead of budgeting for the absolute maximum of the contract, we can recalculate salaries for three staff people, and that rate will come down. The budget includes the contracted maximum, which I do not see any way that you will use that amount. That is not correlated with neighborhoods coming online. That will happen over time as we add services and as we take things in-house.

Mr. Berube stated that budget line item is too new to use anything but the contract for the budget.

Ms. Kassel stated they are correlated, even if they are not as directly correlated as adding street lights and landscaped areas. I think they are pretty correlated.

Mr. Nicholas stated fair enough. The bottom line is, we are anticipating adding about 90 lots that will come online in March or April. There are about 2,600 linear feet of roads, which should be no more than 30 street lights. If we blended that, we would be at a factor of 50, times \$1,300, which is about what you can expect on a full-year basis if these averages hold. As Mr. Berube said, they are coming online later in the fiscal year so we will not have them for the full fiscal year, nor will the platted lots and street lights have come online at the beginning of the fiscal year for any of the analyses. It is a rough per-street light and platted lot analysis, but \$650 per platted lot is about what this Board has averaged for the last couple years.

Mr. Berube stated if you consider how many houses are built versus the street light cost, it is about \$500 or \$600 per year per house just to keep the street lights on. It is a stunning number when you think about it, just to keep the street lights on. It costs as much for the street lights as it does to manage all the landscaping.

Mr. Nicholas stated I am not going to provide the answer for an overall number, but if you use 50 times \$1,300 as a general guide for making a decision on expenditures, based on the experience and the service level that would need to remain as you add in more horizontal development, that should be close.

Mr. Berube stated that is \$65,000.

Mr. Nicholas stated that is over 12 months.

Mr. Berube stated divide the \$65,000 by 2 is \$32,500. A 1% increase in the budget is worth \$42,350.

Mr. LeMenager stated let us also be clear. I have always hated the game of trying to lump this in. Two-thirds of this is just your mortgage payment. I like to focus on the operations and maintenance where we are talking about a 2.5% increase versus a 5% increase in terms of how much more we want. Also remember last year, we lowered it, which both Mr. Berube and I opposed. To me, clearly there will be some inflation in costs. A lot of what we are talking about is that we would like to avoid several years in the future having to tell the residents that we need 15% more. Maybe we are better off saying that we understand everyone realizes costs go up 1% or 2% or whatever per year. When was the last time our HOA fees stayed constant from one year to the next? We have done a great job holding costs down, but we are probably at a point now where, if we do not actually start increasing, then we are just going to eat into our reserve money.

We have played games with the reserves. Probably the weakest number here is the \$50,000 self-insurance. If we have a hurricane, that is not nearly enough.

Ms. Kassel stated that is our deductible.

Mr. LeMenager stated if we have a huge hurricane and we have to replace a lot of trees, that is really what it is for. There is no deductible, as such, in there. I am not sure we were sold that correctly.

Mr. Moyer stated you cannot insure landscaping. The deductible truly is to raise our deductible on our liability insurance to save money.

Mr. Berube stated to Mr. LeMenager's point, I do not want to be five years in the future and have to levy a 15% increase. Do not forget that if you raise the assessments 2% this year and the next year and so on, it is 2% *ad infinitum*. If we look five years in the future, we have gained 10% from where we are today, if we increase 2% each year.

Ms. Kassel stated it will be more than that because it is compounded.

Mr. Berube stated that is correct. I hear what everyone is saying, and I think Mr. LeMenager is in favor of a little bit of an increase, too.

Mr. LeMenager stated yes, but I wanted to hear what Mr. Nicholas had to say. Could we come up with a budget that did not need another increase? Yes, we could. I do not disagree. I was a resident who first challenged the CDD Board long before there were any residents elected to the Board. I remember sitting in the flag room and we had a few interesting meetings. I have attended the meetings where the budget was discussed line by line. Can we make something work so we do not have to raise assessments by even a nickel? Sure, but we have now looked at our insurance and reserve for replacement, which have been static for two or three years. That does not strike me as prudent. That is my concern, and it was my concern last year when we went backwards \$40,000. It is all about being prudent and what we are going to do in the future. We have been incredibly lucky and have not had a hurricane since 2004. But we will have one.

Mr. Berube stated I do not disagree. I am trying to find a bottom line.

Mr. LeMenager stated we should review this and establish a budget. But to me, the issue of what should we then be assessing is determined by the budget, plus whatever we think is a reasonable increase for reserves. To me, that is the issue we are discussing.

Mr. Berube stated I think I know what is going to happen. We will review the budget line by line and when we have completed that exercise, it will come out remarkably close

to needing a 2% increase. You can move some numbers around. Mr. Walls has done the exercise, also, and he came up with about a 1% increase.

Mr. LeMenager stated I appreciate Mr. Walls's work, but he wants to take \$15,000 out of fund balance. I tend to disagree with that. I have a question for Mr. Boyd. We are talking about replacing the dock. Mr. Boyd's reserve analysis actually says we are going to replace the dock and the boats this year for \$100,000.

Mr. Boyd stated no, that is not what I intended to show.

Mr. LeMenager stated it says boats, completed or last renovated 2013.

Mr. Boyd stated that is saying that you recently performed a lot of boat repairs and the boats are in pretty good shape as of today. The dock is being renovated or repaired now.

Mr. LeMenager stated no it is not. We have not budgeted anything.

Mr. Boyd stated this is assuming the dock has been replaced.

Mr. Berube stated so ground zero is going to be 2013.

Mr. Boyd stated that is correct.

Mr. LeMenager stated this says that the boats are in new condition today, and I tend to disagree with that.

Mr. Berube stated they are not even close.

Mr. Boyd stated that gets back to the overall analysis.

Mr. LeMenager stated that jumped out at me and I noticed that this shows everything starting at zero.

Mr. Berube stated we can nitpick every item, but the bottom line is that we need \$50,000 to go into reserves.

Ms. Kassel stated this includes only two roundabouts, and there are four with pavers.

Mr. Boyd stated that is correct; I will make that change.

Mr. Berube stated we can discuss the life span of individual items, but we still will need to put \$50,000 into reserves every year.

Mr. LeMenager stated that is what I liked about this one and it made me feel a lot better. This is really where Mr. Boyd is saying how much we need to put in each year as well as the fund balance we will end up with.

Mr. Boyd stated if you do the work based on the accompanying schedule.

Mr. Berube asked does Mr. Moyer have any thoughts on this?

Mr. Moyer stated no, not at the present time. Looking at what the build-out scenario is for the District and what the resulting assessments will be at that point in time is the right approach. Then you know exactly where you need to be, depending on the absorption of houses within the community.

Mr. Berube stated my review of the proposed budget shows that, with a couple exceptions, we pretty much follow the graph that has been established for the past five or six years. The projections are all following along. There are a couple things that stand out. I think the way the budget was prepared was to simply follow the graph and plug in some numbers at the end to come up with the bottom-line number that is needed.

Mr. Moyer stated that is correct. We have talked about the street light electricity, and if you look at the proposed increase, that number is pretty much right on. We increased it \$22,000 in this budget, and that looks like it might be pretty close.

Mr. Berube stated what the Board wants to do, I will do.

Ms. Kassel stated we should go through the budget line by line.

Mr. Walls stated I think that is a prudent process. Then we can talk about some things in more detail if we need to.

A. Revenues

1. Interest—Investments: *Nothing changed on this line item.*
2. Interest—Tax Collector: *Nothing changed on this line item.*
3. Special Assessments—Tax Collector: *Nothing changed on this line item.*
4. Special Assessments—CDD Collected: *Nothing changed on this line item.*
5. Special Assessments—Discounts: *Nothing changed on this line item.*
6. Other Miscellaneous Revenues: *Nothing changed on this line item.*

Mr. Berube stated we cannot change much about our revenues. On Special Assessments—Discounts, from the projected budget for fiscal year 2013 to fiscal year 2014, it doubles.

Mr. LeMenager stated that is because they project the worst-case scenario.

Ms. Kassel stated they project that everyone will take the discount.

Mr. Moyer stated that is correct.

Mr. Berube stated but history does not show that to be the case.

Mr. LeMenager stated we also had a recession.

Mr. Nicholas stated that is their model.

Mr. Walls stated we budget the same way at the County.

Mr. Moyer stated that is a built-in reserve.

Mr. LeMenager stated it is getting less and less because as the economy recovers, people pay their taxes.

Mr. Berube stated the only reason I mentioned it was because we are discussing these line by line, and that was a giant change from what was there.

Ms. Kassel stated look at the 2013 budget, and it is pretty close.

Mr. Berube stated the budgeted amounts are close, but the actuals are about half of what we budget.

Mr. Nicholas stated that is because of the developer. Everyone who has a mortgage pays theirs early. We will always pay ours in March, so you can budget for that.

Mr. Moyer stated you can take a maximum of a 4% discount if you pay your tax bill in November, then it ratchets down each month to zero. If you pay on March 31, you do not get any discount.

Mr. Berube asked does Mr. Walls wish to suggest any changes, based on his proposed version?

Mr. Walls stated no. I was nitpicky on interest, but we are getting more interest than budgeted, but it is minor and does not matter.

B. 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: *Nothing changed on this item.*

Mr. Berube stated the history for engineering is that it has been going down.

Ms. Kassel stated I still think we should budget \$5,000.

Mr. Berube stated I was going to suggest \$3,500, but we will leave it at \$5,000.

6. Professional Services—Legal Services: *This item was increased to \$30,000.*

Mr. LeMenager stated we keep asking Mr. Qualls to provide more services.

Mr. Berube stated we go over budget consistently for legal services year by year. We have \$25,000 budgeted, and I would suggest increasing that to \$30,000.

Ms. Kassel stated \$30,000 is fine with me.

Mr. LeMenager stated I agree.

Mr. Walls stated that is fine.

Mr. Nicholas asked what is the breakdown in billing? How much of this is for time spent at meetings versus specialty contract issues?

Mr. Qualls stated I can provide that analysis.

Mr. Nicholas asked what percentage of the \$25,000 is ongoing versus special, one-time projects.

Mr. LeMenager stated we keep having one-time projects.

Ms. Kassel stated we may have to deal with OUC as a one-time project, for instance, which will be substantial.

Mr. LeMenager stated if we want to redo the nine contracts, Mr. Qualls will need to review them.

Mr. Berube stated he already has them, and I asked him to provide a cursory review and go no further. I directed him not to spend a lot of time on this because it is going to change.

7. Professional Services—Management Consulting Services: *Nothing changed on this item.*
8. Professional Services—Property Appraiser: *Nothing changed on this item.*
9. Professional Services—Special Assessments: *Nothing changed on this item.*
10. Professional Services—Trustee: *Nothing changed on this item.*
11. Auditing Services: *Nothing changed on this item.*

Mr. Berube stated Mr. Walls suggested reducing this line item in his budget version.

Ms. Kassel stated I agree with Mr. Walls to reduce it to \$5,000 because we have a new engagement.

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

Ms. Kassel stated we renegotiated our telephone costs.

Mr. Berube stated this line item is not for the cell phones. This is telephone service through Severn Trent, because we spend a lot more than that for cell phones.

Ms. Kassel stated that is true.

13. Postage and Freight: *This item was reduced to \$750.*

Mr. Walls stated the budget is \$1,200, which is the same as for this current year, but we stopped mailing agenda packages to the Board and staff.

Ms. Kassel stated I agree with reducing it to \$750, as Mr. Walls suggested.

Mr. LeMenager stated the whole purpose of buying our tablets was to reduce items, including postage.

Mr. Walls stated we will spend about \$700 this year.

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

Mr. Berube stated this increases due to market costs. On a \$30,000 insurance policy, do we want to shop this? What is the practicality of shopping this number?

Mr. Moyer stated it is shopped. Brown & Brown shops this for us every year.

Mr. Berube stated then there is no reason to go with something else.

Mr. Moyer stated we should know that number with certainty by the time we have our public hearing.

Mr. Berube stated the reality is that it is increasing a noticeable amount every year.

Mr. Moyer stated that is correct.

Mr. LeMenager stated when we get to the public hearing, we will just insert the real number.

Mr. Moyer stated that is correct.

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

Mr. Berube stated this is budgeted for \$5,000.

Ms. Kassel stated I agree with Mr. Walls to reduce this to \$3,500 since we have our tablets.

Mr. LeMenager asked should it be even less? We are not printing much anymore.

Mr. Walls stated this year we had an RFP and other things, so I suggested \$3,500 in case we have to bid another contract.

Mr. LeMenager stated I am fine with \$3,500.

16. Legal Advertising: *Nothing changed on this item.*

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

18. Miscellaneous—Contingency: *Nothing changed on this item.*

19. Office Supplies: *Nothing changed on this item.*

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

C. Field Expenditures

1. Professional Services—Field Management: *Discussion under item G will reduce this line item to \$190,000.*

Ms. Kassel stated I am comfortable leaving this at the proposed amount of \$205,000.

Mr. LeMenager stated that was Mr. Nicholas's point earlier about this being the maximum amount, even though we might not be fully staffed for the entire year. This is for next year, though, so why would we not be fully staffed?

Mr. Walls stated there are more factors going into this.

Mr. Berube stated the fudge factor is 3% for overtime, which is \$6,000. We also have a part-time person included for 20 hours per week at \$10 per hour, which is \$10,000.

Ms. Kassel asked do we have a third employee? I thought I saw someone new.

Mr. Berube stated yes, his name is Mr. Don Caron. If we want to reduce this item, the fudge factor is overtime, which is hard to calculate, and the cost of a part-time person at \$10,000, plus the taxes and the benefits and so forth. If you add 30% for benefits, we could take \$13,000 out of this line item unless we decide to fund that position, which is there for a reason.

Mr. LeMenager stated our history is to keep adding more staff. In the regular meeting, I am going to bring up at least one maintenance issue as to why the staff is not doing it. I think the answer is because we have not had enough staff.

Mr. Berube stated we will have enough now. Do we want to change this number?

Ms. Kassel stated leave it at \$205,000.

Mr. Walls asked what does the developer think? At some point next year, we might ramp up fully on staff. Will we spend \$205,000? Probably not.

Mr. Berube stated the budget number was carefully calculated to get to those numbers.

Mr. Nicholas asked how many employees did we estimate? Four?

Mr. Berube stated it was 3.5; three full-time and one part-time.

Ms. Kassel stated I thought there was an additional part-time person.

D. Landscape Expenditures

1. Contracts—Grounds Maintenance: *Nothing changed on this line item.*
2. Repair and Maintenance—Irrigation: *Nothing changed on this line item.*

Mr. Berube stated this is a rather unknown factor. I presume this is for irrigation supplies and maintenance, not for irrigation water.

Ms. Kassel stated I am fine keeping it at \$20,000, only because so much of our system is older and in need of replacements.

Mr. Berube stated consider that Mr. Rick Druckenmiller just went through most of the system and replaced literally hundreds of sprinkler heads and did other maintenance and things that have been lacking. We just completed a major project at Lakeshore Park, which is all brand new.

Ms. Kassel asked what about all the piping?

Mr. Walls stated that stuff is cheap, especially when we are not paying separately for labor.

Mr. Berube stated the labor is already built into the \$205,000 for field management.

Mr. Walls stated unless you are replacing some major electronic components, we should not spend that much.

Mr. LeMenager stated basically this is just for material since there are no separate labor costs.

Ms. Kassel stated there are no components for the irrigation system that are more expensive, like controllers.

Mr. Berube stated the Maxicom weather stations would be the big costs, and we will discuss more about weather stations later in the meeting. Presuming that Maxicom continues to operate as it has, which has been reasonably reliable, if you take what we spent this year and doubled it, we would be at \$9,500. We are trying to be austere, and I am comfortable reducing the \$20,000 to \$10,000, unless Mr. Haskett has something planned that I do not know about.

Mr. Haskett stated I would not recommend reducing it to \$10,000. When Severn Trent asked me to provide them with numbers, I put in \$20,000. Mr. LeMenager already mentioned that we had limited staff, so a lot of the major things that needed to be done for irrigation were pushed to the side and patched to keep the system running.

Mr. Berube stated that is fine; I understand. Mr. Haskett has the final input since he knows what is going on in the field.

3. Contracts—Tree Canopy Trimming: *This item was increased to \$30,000.*

Mr. LeMenager stated this is money we saved from this year. They did not bill us yet, did they?

Ms. Kassel stated no, they have not.

Mr. Berube stated the next line item is the contracted tree trimming for \$19,889.

Mr. Walls stated that is correct.

Ms. Kassel stated one is above 10 feet and one is below 10 feet.

Mr. Walls stated this line item for \$15,000 is what we contracted separately.

Mr. Berube stated we will probably contract for it again next year.

Ms. Kassel stated we will probably have \$30,000 worth of work because we have this year's work plus next year's work.

Mr. LeMenager stated we have not spent this money this year. They have not billed us yet.

Mr. Berube stated they are not going to bill us. There will be no bill for the work they did.

Mr. LeMenager asked is that because they were so late?

Mr. Berube stated yes.

Mr. Walls stated we want to stay on cycle.

Ms. Kassel stated we deferred this contract.

Mr. Berube stated if you want to stay on cycle and do all of the trees, then that number needs to increase to \$30,000.

Mr. LeMenager stated they will not need to redo the trees they trimmed this year.

Mr. Berube stated they will have to trim them again; that is the unspoken word. They will have to trim them all again to make them look uniform. We basically received half a trimming for free this year, which is what it comes down to.

Mr. Haskett stated they have gone back through the major roads and did what they needed to do to make them right. I think next fiscal year, we need to concentrate on East Five Oaks Drive and cleaning those up a little better and cleaning up Town Square and back through the Estates.

Mr. LeMenager stated they were a little more expensive. I suggest increasing this line item to \$20,000.

Mr. Berube stated I think there is a concern that we do not want to get off our cycle. That means this coming year, we need to trim all the trees.

Mr. LeMenager stated their proposal this year was to do them all for \$18,000.

Mr. Berube stated that is correct.

Mr. LeMenager asked was that for everything?

Mr. Berube stated no, the outer streets.

Mr. Haskett stated it was just for one of the cycles.

Mr. Berube stated it has always classically been about the same amount for the inner trees as for the outer trees, for whatever reason. That is the way it works out. If we are going to do inner and outer next year to stay on the cycle, we will be one year late on one cycle and this number needs to increase to \$30,000.

Mr. Haskett stated they are getting to the age in the first neighborhoods where we do not need to trim them every other year. When they are 10 to 12 years old, they should be trimmed every four to six years. The tree trimmers have been in the training process to keep all the limbs up, so this coming year, we probably want to try to get as many done as we can. Then the following year, you can skip it.

Ms. Kassel stated we are discussing the fiscal year 2014 budget. Will we be spending \$15,000 or \$30,000 or \$20,000? Are we going to have to pay for the trees under the deferred contract plus the other cycle?

Mr. Berube stated yes.

Ms. Kassel stated then we should budget this at \$30,000.

Mr. Berube stated I agree. If we want to stay on cycle, we need to consider cutting all the trees. The year after that, they will not need to be trimmed.

Mr. LeMenager stated then we will alternate with \$30,000 one fiscal year and zero the next, and so on.

Mr. Berube stated we can also do fewer trees or trim them as needed.

Mr. Walls stated as Mr. Haskett said, as they get older, they do not need to be trimmed as often.

Mr. LeMenager stated that is true. It will end at some point.

Mr. Berube stated plus Davey will have trimmed all the trees at least once by that point, and hopefully the trees will be to their standards. The benefit of having the Davey Tree Expert company will become noticeable.

4. Contracts—Trees and Trimming: *Nothing changed on this line item.*
5. Contracts—Turf Care: *Nothing changed on this line item.*

6. Contracts—Shrub Care: *Nothing changed on this line item.*

7. Miscellaneous Services: *This item was reduced to \$20,000.*

Ms. Kassel stated I prefer to keep this at \$23,000. We have a lot of refurbishments to do.

Mr. LeMenager stated we just added \$15,000 to tree trimming, so I am fine leaving this at \$23,000.

Mr. Berube stated I was going to suggest reducing it to \$15,000.

Mr. Walls stated we spent \$18,000 last year.

Mr. LeMenager stated then let us put this at \$20,000.

E. Utilities Expenditures

1. Electricity—General: *Nothing changed on this line item.*

Mr. Berube stated this looks like a 5% to 8% increase.

Mr. LeMenager stated I thought that was fixed by contract at 3%.

Mr. Berube stated no, not for the electricity. The street lighting is, but not the other electricity.

Mr. LeMenager stated I understand.

Mr. Berube stated we do not know what OUC will do for street lighting, which is the next line item.

Ms. Kassel stated I am fine leaving this at \$31,000.

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

Mr. Berube stated if this goes up 3%, that will bring us to about \$390,000 instead of \$400,555.

Mr. LeMenager stated we will be adding more street lights.

Mr. Berube stated that is correct. We estimated about \$7,000 for those additional lights, which brings us to \$397,000, and \$400,555 is not far off.

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

F. Operation and Maintenance Expenditures

1. Contracts—Lake and Wetland: *This item was reduced to \$20,000.*

Ms. Kassel stated I suggest we reduce this to \$20,000.

Mr. Berube asked is there a reason it was budgeted at \$25,000? Are you anticipating something?

Mr. Moyer stated no.

Mr. Walls stated unless we are contemplating doing some additional plantings, which I am not, we can pull that out of there, which is how I got to \$16,000.

Mr. Berube stated I was not thinking about additional work either, and as a matter of fact, I was thinking about potentially cutting back service on some of the pond maintenance to save more money.

Mr. LeMenager stated we will need to do Lakeshore Park. I am not sure if that will be done this year. All the places where we had the channels along the sidewalks, the plan has been to let it grow back and see how it looks. At some point, we will need to have vegetation on the sides.

Mr. Berube stated this is just for plants in the ponds.

Mr. Walls stated the \$16,000 will cover all that.

Mr. Berube stated this is basically the Bio-Tech Consulting contract.

Mr. LeMenager asked how much is that every month?

Mr. Berube stated we will spend \$16,000 this year, which is about \$1,500 or \$1,800 per month. The budget is proposed at \$25,000. Mr. Walls is suggesting \$16,000.

Mr. LeMenager stated for years, Mr. Berube has argued every year for more plants, and now you are saying we do not need any more,

Mr. Berube stated we have to let what we have installed time to grow in.

Mr. LeMenager asked why do the ponds in Celebration look so much prettier than ours?

Mr. Berube stated they are more years ahead of us.

Mr. Boyd stated your ponds will look like that one day.

Mr. LeMenager asked will ours look like that?

Mr. Boyd stated yes.

Mr. Berube stated now that the water level is up, Davey can specially fertilize them, too.

Mr. Walls stated ours are starting to flower.

Mr. LeMenager stated I was in Celebration on Water Street, and it looks awfully nice.

Mr. Boyd stated there are some different aquatic plants in Celebration that you do not necessarily have here.

Mr. LeMenager asked will we eventually have flowers on ours?

Mr. Berube stated we have some, the yellow cannas and the purple flowers. Ms. Kassel recommended \$20,000 for this line item.

Mr. LeMenager stated that is fine.

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

Mr. Berube stated we do not know when our WSCA contract will be put into effect. The total impact will be \$1,200 over the year, maybe more.

Mr. LeMenager stated I like \$5,000, as Mr. Walls suggested.

Ms. Kassel stated that is fine with me.

Mr. Berube stated \$5,000 gets us in line with the WSCA amounts.

Mr. Walls stated it might be well below that amount, but we will see.

Mr. Berube stated the contract has not been approved yet. It has to go through WSCA and then AT&T.

3. Utility—Refuse Removal: *This item was increased to \$2,500.*

Ms. Kassel stated I am fine going with \$2,500 as Mr. Walls suggested. We will have more garbage cans.

Mr. Farnsworth stated that is more in line with the projected amount for this year.

Ms. Kassel stated that is correct.

Mr. Berube stated I was going to suggest \$3,000. Are we bouncing the capacity of the dumpster? Will we need to get a bigger one?

Mr. Haskett stated no, we will be fine with it.

4. Repair and Maintenance—Common Area: *This item increased to \$20,000.*

Mr. Berube stated the proposed budget amount is \$18,800 and the projected amount is \$26,618 that we will spend this year. I am wondering why the budget is lower than actuals.

Mr. Walls stated I do not know how they arrived at that number.

Mr. Berube stated we spent \$15,000 through May and they are projecting we will spend that amount from June through September. That is the projection.

Ms. Kassel stated I am fine with \$20,000.

Mr. Walls stated I agree.

Mr. LeMenager stated I agree.

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

Mr. LeMenager asked what new equipment are we buying?

Ms. Kassel stated benches.

Mr. Berube stated typically this category is for boats.

Ms. Kassel asked what is the story on the benches by the new swings and the other picnic table?

Mr. Berube stated that should be Parks and Facilities.

Ms. Kassel stated I am asking in terms of if we are going to be replacing them.

Mr. Haskett stated they are being refurbished.

Ms. Kassel stated then that is not a new purchase. We may have new purchases for the new neighborhoods coming online.

Mr. Berube stated this category is for boats. The previous line item is for the benches. The boats are aging. Battery use is getting heavier and heavier with weekend use. We have not bought any new chargers. I think the proposed amount for this year of \$15,000 will probably be a pretty good number.

Ms. Kassel stated that is fine.

6. Repair and Maintenance—Pools: *Nothing changed on this line item.*

Mr. Berube stated there are several things coming up, including a heater and various other maintenance. I think the proposed budget of \$57,000 is fine. Mr. Walls suggested \$52,000 in his budget version.

Mr. Walls stated I thought \$30,000 was built into the projected amount for the rest of the fiscal year for the heater. Is the estimate for the heater \$16,000?

Mr. Haskett stated yes.

Mr. Berube stated the number I heard for the heater was \$17,000.

Mr. Haskett stated it is \$16,550.

Mr. Walls stated this budget contemplates spending \$30,000 for that item.

Ms. Kassel asked is that true?

Mr. Haskett stated I left it in there.

Mr. Berube stated through May, we have spent \$49,000. We bought a heater last year.

Mr. Walls stated it was \$20,000 contemplated for the heater.

Mr. Berube stated there is \$10,000 for unscheduled maintenance. We just realized another \$4,000 for the actual price of the heater.

Ms. Kassel stated it is a little less if the heater is \$16,550; it is \$3,500. I think we should leave it at \$57,000.

Mr. Farnsworth stated I am fine leaving it at \$57,000.

Mr. LeMenager stated I agree.

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

Mr. Berube stated this is somewhat of an unknown, and \$5,000 does not seem bad because we have some potholes to be fixed.

Mr. LeMenager stated if there are potholes in the alleys, those are ours to fix.

Ms. Kassel stated that is correct.

Mr. Berube stated it does not take long to go through \$5,000 if we have to do a few of them.

Mr. LeMenager stated that is what I wondered. Has anyone walked them recently and figured out what kind of condition they are in? The only ones I pay attention to are the ones behind my house.

Mr. Berube stated they are not terrible. They are not at the level of needing repairs like the sidewalks.

Mr. Haskett stated we have made a few repairs recently.

Ms. Kassel asked is there anything that looks like it is coming online?

Mr. Nicholas stated we make the repairs as they occur.

Ms. Kassel stated this number should be good.

8. Repair and Maintenance—Sidewalks: *This item was increased to \$7,000.*

Mr. Berube stated we know what is going on with sidewalks. We have a full staff now, and they will be addressing the sidewalks. I expect we will pass the \$4,000, but it is a little early to make that judgment yet. We have to get the staff involved in it once we get a plan. I suggest we leave the \$4,000 alone.

Mr. LeMenager stated I think the cost will go up.

Mr. Walls stated I suggested \$10,000. There are quite a few areas that need to be repaired.

Mr. Berube stated that is correct.

Mr. LeMenager stated there are panels that will need to be replaced because some locations you cannot grind anymore.

Mr. Berube stated grinding is not effective.

Ms. Kassel stated we do not have to pay for labor for grinding.

Mr. LeMenager stated that is true, this is only for materials. I suggest increasing this to \$7,000 and split the difference.

Mr. Berube stated we will need to lease some equipment.

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

Mr. Berube stated we have more parks and more areas to maintain.

Ms. Kassel stated I am fine leaving it at the proposed budget number.

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

Mr. Berube stated there is more stuff to clean, including sidewalks and fences, and \$5,000 seems fine to me.

Ms. Kassel stated Mr. Walls recommended \$3,500 in his version.

Mr. Walls stated I am fine leaving it at \$5,000.

11. Miscellaneous—Contingency: *This item was increased to \$9,000.*

Mr. Berube stated we appear to have a definite number for park improvements a few lines down. I did not read the notes, but how did we get \$4,610 for improvements to the park and why is that not in contingency?

Ms. Kassel stated it is to improve bridges, boardwalks and structures, benches, trash cans and furnishing.

Mr. Berube stated it seemed like a very specific number at \$4,610.

Ms. Kassel stated it is probably a plug number to make the budget work.

Mr. Moyer stated since we are not balancing the budget without raising assessments, there really should not be plug numbers, because that is what we usually do.

Mr. Berube stated it is a real number.

Ms. Kassel stated then we should have information here.

Mr. Moyer stated it is a general category to provide those services.

Ms. Kassel stated then the number should be a little rounder.

Mr. Berube stated rather than adding a line item for park improvements, for simplification purposes, we should take that out and put it into one of the previous line items.

Mr. LeMenager stated I did not understand where that came from. It just appeared.

Mr. Berube stated I thought it had some specific purpose, but it does not. Should we delete this item?

Mr. Walls stated move that amount to Parks and Facilities.

Mr. Berube stated if we move that \$4,610 suggested budget number and include it in contingency, that brings us remarkably close to what we are projected to spend in contingencies this year.

Mr. LeMenager stated I am fine with that.

Mr. Berube asked do we want to change this from \$4,000 to \$9,000?

Mr. LeMenager stated yes, and delete the park improvement line item.

Mr. Walls asked you do not want to move it to Parks and Facilities?

Mr. Berube stated let us put it in Contingency.

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

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

Mr. Berube stated it looks like we will spend close to \$12,000 this year.

Mr. LeMenager asked where is our \$60,000 dock?

Ms. Kassel asked is that in a capital account?

Mr. Moyer stated it will be paid through reserves for renewal and replacement.

Mr. LeMenager stated no, it will not come out of reserves. That is not how reserves work.

Mr. Berube stated it needs to come out of fund balance.

Mr. LeMenager stated it will be reflected in this document.

Mr. Berube stated we will find some money for it.

Mr. Walls stated we need to get some good estimates for it. We have an amount in reserves to cover it that is more than sufficient. We will pull it out of reserves to pay for it.

Mr. LeMenager stated you take however much you have that you are starting with, then take how much you are going to spend, and how much you want leftover. What is missing is the assessment number. Whatever we spend on the dock will appear in this document.

Mr. Moyer stated yes, ultimately we will do a budget amendment to transfer that money from reserves to an operating line item.

Mr. Berube stated the reality is, if you want to pay for it out of that fund.

Mr. Walls stated we can do that this year.

Mr. Berube stated if you do not want to pay for it out of that fund, then we need to add a line item in this budget for \$50,000 because they always cost more than anticipated.

Mr. LeMenager asked do we want to lower the amount of the \$185,000 that we have in reserves right now?

Mr. Walls stated we will do that when we know the cost.

Ms. Kassel stated I say leave it out for now. We know that we are going to reflect it later.

Mr. Boyd stated the study I prepared assumed you were starting with zero, and you have plenty of issues to use that \$185,000.

14. Improvements—Park: *This line item is to be deleted and the dollars moved to Contingency.*

G. Next Steps

Mr. Moyer stated we identified \$10,200 in savings and we added \$24,700 for a net increase of \$14,500 over the proposed budget.

Ms. Kassel stated that is an increase of 2.3%.

Mr. Berube stated it is a little more, almost 3%.

Mr. Walls stated we have not yet finalized the number for Field Management.

Mr. Nicholas stated the range for this Field Management is \$165,000 to \$205,000, and the variables are (1) which medical program they selected, and (2) do we add the extra part-time person.

Ms. Kassel stated we may have money leftover that is unspent from this year.

Mr. Moyer stated that gets into the discussion of how much of your fund balance to use, because any excess goes into fund balance. One of the big additions was \$15,000 for tree trimming that we are not doing this year, so that amount will definitely fall to the bottom line that we can transfer over.

Mr. Berube stated our suggested increase was 2.16% with the proposed budget that we just discussed and changed. Surprisingly, the budget came out a little higher. If everyone is fine with these calculations, I would like to settle the budget issue now so that we do not need more workshops. What will happen every time we have a workshop is we will discuss this more and more.

Mr. Farnsworth stated let us first make sure that the Field Management number is settled at \$205,000 maximum rather than \$180,000 that was suggested.

Mr. Berube stated the range as mentioned by Mr. Nicholas is somewhere between \$165,000 and \$205,000. The variables are in that range. If you go in the middle, it is \$185,000.

Ms. Kassel stated we could make Field Management \$190,000, that will absorb the net increase of \$14,500.

Mr. LeMenager stated that is what I am thinking, too. Let us make it \$190,000.

Mr. Nicholas asked did the budget you just review have this line item at \$205,000?

Mr. Moyer stated yes.

Mr. Nicholas stated so you will be reducing this by \$15,000.

Mr. LeMenager stated that is correct, because we raised other items by \$15,000. So we are right back with Ms. Fazeela Khan's budget number. Tell her this was a job well done.

Mr. Berube stated the assessment increase of 2.16% works at this point.

Mr. Walls stated the other things we need to consider are, (1) how much do we put in reserves, (2) how much do we expect to have in fund balance from this year, and (3) how much, if any of that, do we want to use to move forward. As Mr. Moyer said, we are not spending \$15,000 on tree trimming this year, so that will fall to the unassigned fund balance and roll into next year. Do we charge that out as an assessment, or do we keep it in fund balance?

Mr. LeMenager stated that is a great point.

Mr. Walls stated it depends on what those levels are. I think what needs to happen is, they need to go back and put these numbers into their system to generate the new numbers and show what fund balance is going to be now. We need to tell them what we want the reserves to be. At that point, we can look at the budget and then determine the assessments and fund balance.

Mr. Berube stated practically we have taken whatever the excess from the budget and normally we plug that into fund balance, except for the end-of-year spending projects that we set aside money to do.

Mr. Moyer stated we sort of did that when we projected the total. In this case, it would add to fund balance a little.

Mr. Walls stated I would like to see all this again in the standard format. Next month, maybe we can decide how everything is going to fall out as far as assessments and fund balance.

Mr. LeMenager stated Mr. Moyer will prepare the next draft based on what we just discussed. It will be remarkably similar to our last draft. We will vote at the July meeting for what will be published in the newspaper.

Mr. Berube stated we will have our hearing in August.

Mr. Walls stated next month, we have one more time to look at the assessments and where we want them to be.

Mr. Moyer stated the one thing we need to be careful of, and I will look at the meeting dates for July and August, if we are going to increase assessments, we need to send out letters to every property owner in the District, advising them that we are going to increase those assessments. It is either 20 days or 30 days for that letter.

Mr. Walls stated we have until September to adopt the budget.

Mr. Moyer stated we have to adopt it by the end of August. The Statute allows until September 15, but we have to certify it to the property appraiser by the end of August.

Mr. LeMenager stated if we need to have a special meeting, that will cost more money.

Mr. Berube stated we can have the hearing in August to finalize it.

Mr. Moyer stated that is correct. If we put this off until July and I do not have the 30 days that I need to notice the home owners, then we will have a problem.

Mr. Berube stated the bottom line is, right now, based on projections, we are going to stay remarkably similar to the suggested assessment number that was provided, which was 2.16%.

Mr. LeMenager stated August has five weeks. The July meeting is the 25th and the August meeting is the 29th, so we catch a break.

Mr. Moyer stated that is correct.

Mr. LeMenager asked will that give you enough time to mail the letters? We are giving you a week before they have to be in the mail.

Mr. Moyer stated yes, that will work. I will have the letter ready, and all I need to do is insert the numbers.

Mr. Nicholas stated that is if it requires 30 days.

Mr. Moyer stated that is correct. If it is only 20 days, we have a lot of time. So the Board can make that decision in July.

Mr. Berube stated the total revenue number will not change much. What Mr. Walls is referring to is the allocation of how much will go into reserves and how much we will devote to fund balance.

Mr. Walls stated that is correct.

Mr. Berube stated the numbers that we settled tonight pretty much sets what that increase will be. We just need to allocate the excess numbers.

Mr. LeMenager stated if we are talking about funding the dock out of reserves, then I do not want to see them go any lower.

Mr. Walls stated I need time to digest what Mr. Boyd provided for his reserve analysis.

Mr. LeMenager stated I thought this reserve analysis was the key thing, and Mr. Boyd's point about starting from zero and knowing we have enough money to do other things made me feel more comfortable.

Mr. Berube stated Mr. Moyer will provide a revised budget with the numbers we discussed.

Ms. Kassel asked are we reducing Field Management to \$190,000?

Mr. Berube stated yes. That makes it balance. There will be some minor adjustments to stay at the 2.16% assessment increase. Our final decision will be made next month when we have had another month of actual use, and we will see what the excess will be. We will decide how much we are going to put into fund balance and how much we will put into reserves.

THIRD ORDER OF BUSINESS

Resident Comments and Questions

A Resident asked how much is the percentage increase and what will that apply to?

Mr. Berube stated the increase that is being contemplated is just a little over 2.16%. To the average home owner, that is about \$60 per year, or \$5 per month. Some will pay more depending on your total CDD assessment. The average CDD assessment is about \$3,000 per year, so if you figure 2%, that is about \$60.

The Resident asked when was the last increase?

Mr. Berube stated there has not been one in the past six years.

The Resident asked you are sitting on a surplus now?

Mr. LeMenager stated no, we are sitting on reserves.

Mr. Berube stated the reserve money is allocated to various things, and you do not want to operate with no money.

The Resident asked what is the ratio of reserves to what you are trying to raise? How much of that is for reserves?

Mr. Berube stated in total cash for restricted and fairly unrestricted, there is about \$900,000. About \$700,000 of that is allocated into categories such as insurance deductible and first-quarter operating expenses. We keep a minimum amount in the checking account, and since we rely on receiving our assessments, we operate the first few months of the fiscal year without any revenue. We have to fund for replacing swimming pools, swimming pool buildings, bridges, sidewalks, docks and boats. In reality, if we had to put our hands on our available money, we could come up with \$200,000 to \$250,000. To bring that to zero is running this in the wrong way. If something bad happens tomorrow and we use all that money, and then another bad thing happens the following week, we need to come to the residents for a special increased assessment. We are loath to do that. You would not want a bank to operate without reserves, and we are your bank in this case.

The Resident stated that is fine as long as there is a justifiable reason. You say you are sitting on \$1 million in “contingent” money and yet you are asking for an increase.

Mr. Berube stated part of the increase is to fund anticipated expenditures, which we just discussed line by line. Anything that we over budget and do not spend always goes into that fund balance for reserves, insurance deductible, and those kinds of things. It is not just sitting there doing nothing.

Ms. Kassel stated the engineer just provided a reserve analysis of our estimated reserve need. It is a rolling estimate of what we need to have on hand.

FOURTH ORDER OF BUSINESS

Adjournment

The next meeting will be Thursday, July 25, 2013, at 9:00 a.m.

On motion by Mr. Berube, seconded by Ms. Kassel, with all in favor, the workshop adjourned at 6:20 p.m.

Gary L. Moyer, Secretary

Steve Berube, Chairman