

MINUTES OF MEETING

HARMONY COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Harmony Community Development District was held Thursday, April 24, 2014, at 6:00 p.m. at 7251 Five Oaks Drive, Harmony, Florida.

Present and constituting a quorum were:

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

Also present were:

Brenda Burgess (<i>by phone</i>)	Assistant Manager: Moyer Mgmt Group
Tim Qualls (<i>by phone</i>)	Attorney: Young, vanAssenderp, P.A.
Mark Catanese	Jungle Lasers
Brock Nicholas	Harmony Development Company
Residents and Members of the Public	

FIRST ORDER OF BUSINESS

Roll Call

Mr. Berube called the meeting to order at 6:00 p.m.

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

SECOND ORDER OF BUSINESS

Approval of the Minutes of the March 27, 2014, Meeting

Mr. Berube reviewed the minutes of the March 27, 2014, regular meeting, and requested any additions, corrections, notations, or deletions.

Ms. Kassel stated page 3, top of the page should read "Dan Miller" not "Jan." Page 7, first paragraph, Anthony Pressley said "months" not "years." Page 31, first paragraph, "resident" should be "residents." Page 38, fourth paragraph, the neighborhood is "D-1" not "B-1."

Mr. Walls stated page 23, "availability in the evening" should be "availability in the morning," and "8:30 p.m." should be "8:30 a.m." throughout that section. Page 37, bottom of the page, I referred to roads in general and not Harmony roads. The word "roads" should be replaced with "seal coat." The statement "they thought it would give us a couple of years" should be "they thought it would give them a couple of years."

Mr. Berube stated page 2, third paragraph, “The buildings you see here are not managed by the Harmony CDD.” I am referencing buildings besides the Swim Club and Ashley Park, which we clearly own.

On MOTION by Ms. Kassel, seconded by Mr. LeMenager, with all in favor, unanimous approval was given to the minutes of the March 27, 2014, meeting, as amended.

THIRD ORDER OF BUSINESS

Audience Comments

Mr. Josh Lofland stated I live at 3201 Dark Sky. Over in the new area, there are not many dog stations. Are there any plans to install more?

Mr. Berube responded we have not planned for any, but we can certainly make the property manager aware of that.

Mr. Nicholas stated we will count them and find out if it is necessary to install more.

Ms. Cecille Diez stated my husband and I are residents of the townhomes. We live at 7110 Five Oaks Drive. This is for informational purposes only. I wanted to make the Board aware I am starting to pursue a complaint through Titan Management Company and other entities associated with Harmony, regarding lack of maintenance and care of landscaping. If you have an opportunity, take a closer look and drive by the townhomes on Five Oaks to see the lack of care. We began looking at homes for sale in the townhome area in January of 2013. We moved in during June of 2013. In January of 2013, we noted there were dead and dying plants and no mulch. In my opinion, that is a basic level of maintenance. We have now been there for 10 months and still have no mulch. More plants have died. I believe Titan Management Company is responsible. I am starting to make contact with various people and wanted to make you aware of this. At some point, I may have to make you aware of the results or lack thereof.

Mr. Berube stated I sympathize with you and neither agree nor disagree. This Board really does not have a lot of direct input into what is going on.

Ms. Diez stated I understand.

Mr. Berube stated we appreciate you coming out and telling us what is going on because we control other aspects of where you live. Certainly if there is anything we can do to help, let us know, but officially we cannot. However, if you stay on Titan Management Company, you will get some responses sooner or later.

Ms. Diez stated I will let you know.

FOURTH ORDER OF BUSINESS

Subcontractor Reports

A. Aquatic Plant Maintenance – Bio-Tech Consulting

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

B. Landscaping

i. Davey Tree Monthly Highlight Report

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

Mr. Berube stated we received a few proposals, which we were going to discuss.

Ms. Kassel stated I did a walk around with Davey Tree staff. There are two large oak trees in the town square, which are sick and may not be recoverable.

Mr. Berube asked did Davey Tree send samples to the University of Florida?

Ms. Kassel responded yes. They believe it is canker. I do not know how expensive those trees are, but I know we definitely want to replace them. I am waiting for one more estimate and want to hear the Board's inclination regarding how much we are looking to spend based on the budget.

Mr. Berube stated this money would have to come out of Miscellaneous Services, where there is \$12,500. If we wanted to replace all of the trees, we would have to take money from reserves. I do not know if that item can come out Renewal and Replacement. What does the Board want to do?

Mr. Walls responded in my opinion, this is a maintenance item.

Ms. Kassel stated Renewal and Replacement is more for the replacement of infrastructure.

Mr. Berube stated we have \$12,500 available. I do not know if we want to spend it all now. I think everything on the capital items list is worth doing. I am somewhat concerned with giving them a huge project all at once.

Mr. Farnsworth asked is this something Ms. Kassel is going to oversee?

Ms. Kassel responded I am not actually overseeing it, but I am watching. In other words, I met with Davey Tree staff about the areas and we discussed them. There is one area I am waiting for a proposal on. At the Board's discretion, I will tell them what we have decided or they can read it from the minutes. Once the project is completed, I will follow up to make sure it is completed. I guess you can call it overseeing.

Mr. Berube stated we have close to \$13,000 available. I suggest allocating 50% or \$6,500 towards that expenditure. It will take Davey Tree three to four months to complete the project. Then we can look at it again towards the end of the budget year.

Mr. LeMenager stated my concern with making any commitments is obviously the \$160,000 albatross we discovered with respect to lights. I do not want to spend a lot of money until we have gone through what this means budget wise in the long run. That is a great deal of money.

Mr. Berube stated I agree, but we decided to take funds out of the operating fund to cover the \$160,000. They always manipulate money around. Although the \$160,000 is still an outstanding obligation, we already figured out where the money is coming from.

Mr. LeMenager stated I want to see next year's budget, but I am favor of spending half. There are three proposals: Cat Brier turnabout, Schoolhouse Road turnabout, and Five Oaks Drive.

Mr. Berube asked what is the new proposed amount for the Cat Brier turnabout? It was \$240.

Mr. LeMenager responded it is still \$240.

Mr. Berube asked what is the amount for Schoolhouse Road?

Mr. LeMenager responded Five Oaks Drive is \$1,888.

Mr. Berube stated it was \$1,572.08.

Mr. LeMenager stated the one for Schoolhouse Road is \$3,584.

Ms. Kassel stated we will probably end up doing first the roundabout at Five Oaks Drive and Schoolhouse Road because they are visible from the entrance.

<p>Ms. Kassel made a MOTION to approve the proposals from Davey Tree for landscape refurbishments at the Cat Brier turnabout, Schoolhouse Road turnabout, and Five Oaks Drive in an amount not to exceed \$6,500.</p>

<p>Mr. LeMenager seconded the motion.</p>

Mr. Berube stated they need to be detailed. Mr. Qualls requested we have a standard addendum contract. When you get the final estimate from Davey Tree, they will provide it to Mr. Qualls, who will write up the contract and provide it to Davey Tree for signature. This will only take a couple of days.

Upon VOICE VOTE, with all in favor, unanimous approval was given to the proposals from Davey Tree for landscape refurbishment at the Cat Brier turnabout, Schoolhouse Road turnabout, and Five Oaks Drive in an amount not to exceed \$6,500.

C. Field Manager

i. Dock and Maintenance Activities Report

The monthly dock and maintenance activities report is contained in the agenda package and is available for public review in the District Office during normal business hours.

ii. Buck Lake Boat Use Report

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

Mr. Nicholas stated we discussed utilization capacity, and 62 trips taken by 26 people in the last 30 days is typical. The assessment spread is 615 units.

Mr. Berube stated on a per-trip basis, those boats are fairly expensive to run.

Mr. Nicholas stated on a per-person basis, they would be even higher.

Mr. Berube stated I am not arguing. This is just the way it plays out.

Mr. Nicholas stated maybe some time in the future, you might look at a different way to measure the expense out there rather than spreading it evenly among everybody, if it is 26 people taking 62 trips. I have not seen a summer where we have not studied a year of this.

Mr. Berube stated it is fairly consistent.

Mr. Nicholas stated if it is pretty consistent, you may want to look at a different way of operating, but that is just a suggestion.

Mr. Berube stated the reality is, the boats cost about \$22,000 per year, not counting field technician labor to release the boats and bring them back. When you look at it, it is a fairly large amount of money, but it is an amenity, which has been here since day one.

Mr. Nicholas stated it is an awesome place.

Mr. Berube stated I never hear comments from owners saying the boats are too expensive. It is what it is.

Ms. Kassel stated I believe many people do not know about it.

Mr. Berube stated I agree.

Ms. Kassel stated many people do not know about the reservation system, even if they do know about the boats. I think we have not promoted it and people forget they are there.

Mr. Berube stated I suspect some people do not like all of the hassle in taking out a boat and paying a deposit. Maybe we need to address this to get more usage out of the boats. Maybe this means having a survey.

Mr. LeMenager stated that was what I was just thinking about.

Ms. Kassel stated we do not need to do it now. It is just a thought.

iii. Consideration of Proposal from Jungle Lasers for Use of National Geomatica's Geo3.0 Software

Mr. Nicholas stated a copy of their proposal was provided to the Board. This is interesting. There are two options. A very generous resident came forward and provided you a service at no charge. That individual is here tonight. I think this gentleman probably deserves some compensation. One option is to look at a software solution where you can pay one time. Clearly there are limitations, but there will not be an ongoing subscription fee. The other option would be to get the ongoing subscription commitment, which you would be locked into. However, you can begin to customize and change and make it your own. If in the event you ever became dissatisfied with this vendor or wanted to make a change, you would have to consider switching the costs at that point as well as the ongoing commitment of approximately \$300 per month. There are tradeoffs to either idea. With option one, you have some limitations, but you get it done at a lesser cost. With the other option, you would probably get a higher level of service, but you also are committed in a number of ways. This is our neutral analysis and depends on which direction the Board wants to go.

Mr. Berube stated the boat system so far has been met with happiness from all involved, from what I can tell. The level of success of National Geomatica to this point has been great. In looking at the proposal, I think it is great, but we have to remember we have a limited number of people here. We just discussed the cost per trip for boat usage, and when we look at the system being proposed, the cost per usage may be equally as high as those boat trips. I do not think we do a huge number of facility reservations in any given month. The facilities are part Swim Club pool and Lakeshore Park pavilion area. I presume the work order module means staff work assignments for the current

level of paper getting shuffled around or getting handled. It sounds great, but the cost per use may be fairly expensive. We are talking about \$3,900 per year or \$325 per month.

Ms. Kassel asked where did the impetus for this come from? Did Mr. Todd Haskett want to get something with this additional functionality?

Mr. Berube responded no. Actually, Mr. Catanese contacted me two to three months ago and asked me what I thought about expending money for this. I said my day-to-day usage of this facility is fairly limited, but Mr. Haskett was the person to speak to. Mr. Catanese and Mr. Haskett had several meetings to discuss the layout, and the end result is what you see here on paper. Without direct input from Mr. Haskett, I do not know how much use he has for it. It may be better to table this matter until next month.

Mr. Farnsworth stated this is not a pick and choose on the modules developed. It is all inclusive.

Mr. Nicholas stated we are not going to advocate for either option. Mr. Haskett and I talked at length about this and have experience with different options and software. It is actually robust and a high level of service. It depends on your observations on how it is going currently and how it should go. Somewhere in there is the balance. You have someone volunteering to come forward and provide you with a service, and I believe everyone's efforts need to be compensated.

Mr. Berube stated I said in the beginning that at some point, we are going to get to where we need to pay for it. This probably fits with what we need now. But I do not know if we have the ultimate volume to say we have a need to spend \$4,000 per year to do it. That is just my opinion.

Mr. Nicholas stated I believe holding off is the best option because I would like to talk to Mr. Haskett more about this to see what would help the process. We just received the proposal a few days ago and read it, but I need to understand where everyone is at.

Mr. Berube stated we would have to plug it into the budget anyway. We are getting into budget season. I suggest tabling this matter until next month to hear Mr. Haskett's feelings, and we will be able to make a better decision. If he indicates we should move forward, then we will make the final decision and include it in the budget.

Mr. Walls stated I am not going to advocate for one position or another. I just want to understand the needs.

Mr. Nicholas stated his general sense was there was a lot more risk with going with a concept like this because of the propensity to make changes and ask for different things. Once you make an investment like this and get all of the customization into this tool and you like it or do not like it, if you want to make a switch six months or eight years from now, you have this option. It is not like you bought this and now you own it.

Mr. Berube stated that is a risk with any software you purchase and any vendor you take on. The experience, value and relationship all go away when you change sometimes. Your first statement was about the risk of going.

Mr. Nicholas stated that is correct. I meant the utility, where the dollars are going versus the utility. This is a phenomenal solution.

Mr. Berube stated I am not arguing with that. Six to eight months ago, we had nothing and then a resident came to us saying they have a deal for us. It is great. I have no argument with it. I just want to be on firmer ground to where the person who brought this forward has some reasonable expectations to be able to use it on an economical basis. If I get this from him, I am okay with it because what we have so far has been good.

Mr. Nicholas stated I think your problems are part of what Ms. Kassel identified and what you identified. Part is somewhat operational, clumsy and not so easy to use the boats, which is affecting usage, and part of it is apathy, education and access.

Mr. Berube stated we will bring this up again next month.

iv. Consideration of Quotation from Southern Park and Play Systems for Picnic Tables and Trash Cans

Mr. Nicholas stated there is a quote in your agenda package for the picnic tables and trash cans. Our general outlook is the benches in all of your public locations currently were purchased in 2004. They are just as hearty and well put together 10 years later. We like that construction. The ones that were beat up were removed. It does not look economical for us to have a wood shop make these. We like that material. The ones you have held up very well. They are low maintenance and very sturdy.

Ms. Kassel stated this is not American Recycled Plastic. This is a different company.

Mr. Nicholas stated Southern Park and Play System is a regional distributor who carries many different brands.

Mr. Berube stated American Recycled Plastic was based out of Palm Bay, and we purchased the pool furniture from them. I think Mr. Haskett's intent was to get the same equipment as our existing equipment. They look like the picnic tables we have now.

Ms. Kassel asked what do we have in the budget for the replacement of equipment?

Mr. Berube responded some of these items can be paid for out of the Renewal and Replacment Fund, but others are additional. Some picnic tables and at least one bench disappeared.

Ms. Kassel asked are we going to use our capital fund to pay for some of this equipment?

Mr. LeMenager responded yes.

Mr. Berube stated the capital fund was already used up.

Mr. Walls stated somehow there is still \$3,600 remaining.

Mr. LeMenager stated when we did the docks, we under spent.

Mr. Berube stated the capital fund was going to be used to pay for the dock pedestals.

Mr. Walls stated there is \$15,000 under equipment, and we only spent \$7,700.

Ms. Kassel stated this proposal is for \$6,633. Why does the freight cost \$1,460?

Mr. Berube responded the freight is 28% of the cost. That was also my concern. I went looking for similar items. You can purchase a similar picnic table on Amazon for \$1,295 delivered. The freight was only \$530. The trash can was \$417 versus \$309 on Amazon. I did not like the freight charge either, but we have paid ridiculous freight charges in the past.

Mr. Nicholas stated I agree. When we ordered the shade posts, they came on an enclosed flatbed and cost us \$1,000 to ship.

Mr. Berube stated I looked at the benches and they are 300 pounds. The tables are 400 pounds each. I did not like it either, but from doing relative comparisons, when you add it all up, it comes within a few dollars when you buy something different.

Ms. Kassel stated that is why I would like to have Mr. Haskett here. I would like to ask him about these questions since this uses the balance of our equipment budget. I would like to know if any other equipment items need to be replaced before the budget year is over. Do you have any idea?

Mr. Nicholas responded we may eventually replace the wood on the boardwalks. Mr. Haskett is the one proposing this. The budget year is going to be over before you know it.

Mr. Berube stated if we go over budget under Operations and Maintenance, there are still contingency funds.

Mr. Walls stated overall, we are significantly under budget.

Mr. Berube stated line item-by-line item, there are certain things that always go over budget and others that come in under. People need benches and picnic tables. They use the picnic tables a lot, which is why we brought it up.

On MOTION by Ms. Kassel, seconded by Mr. Walls, with all in favor, unanimous approval was given to the proposal from Southern Park and Play Systems for \$6,600 for picnic tables and trash cans.

Mr. Berube stated Mr. Qualls is very big on getting standard boilerplate contracts. Please have Mr. Haskett comply with Mr. Qualls's request.

Mr. Nicholas stated this is just a proposal, but I will make sure he has one for the oak trees.

Mr. LeMenager stated I noticed our staff in front of the new neighborhood working on the sprinkler systems. Does this have to do with the damage caused by putting in the new streets?

Mr. Nicholas responded yes. The original phased infrastructure had two opening cuts on Five Oaks Drive. Those opening right-of-way cuts used to have the radiuses of where a road would eventually start, so they did not have your normal landscape fill in there. We removed those because they were traffic issues and moved them to the middle. Two trees were there, which are now being transplanted in each of the spots we closed in. Then we are purchasing two additional trees to fill in this work. There were CDD lines running at each of those radiuses, which had to be removed and now reconnected. The big step is easy; the contractor rolls it out, but this is more surgical because they are reconnecting infrastructure already in place.

Mr. LeMenager asked who is paying for it?

Mr. Nicholas responded they are working your hours. If you would like a reduction, let me know and we will do the same thing we did with the Dark Sky Festival.

Mr. Berube stated the more direct question is, if this neighborhood had not been in place and we backed up six months, our staff would not be doing any work to the sprinkler system.

Mr. Nicholas stated just like when new things are installed, if we were installing a new pool, we would intentionally put the staff in position to learn about the pumps in the

ground, piping, and where the valves go. This benefits everybody once it is installed and turned over to the permanent user. There is interaction here. We consulted with them on how we design the park and where they wanted the reuse connection. We considered it to be a value add. I think it is a very short-sighted approach to pull six hours out attributable to that work. We can do that, but we have not put CDD staff on a construction job. We are interacting for the benefit of the finished product.

Mr. Berube stated I was over there yesterday and today, and I noticed what was going on. It was detailed work and does take some time. The benefit is, now they know what is in the ground and have some familiarity with maintaining it. I do not know how many hours went into it. We had this conversation before. The CDD staff members are always going to do some work, which is going to be chargeable somewhere else, and Harmony development staff people are frequently going to do some work for us. I understand there is a tradeoff there, and I think you treat us fairly. When one looks at it, maybe this work would not have to be done if it was not being developed or things did not get damaged.

Mr. LeMenager stated my concern is, I have driven by there for several days, and they have been out there for several days. If it was a small job, I am in total agreement with you, but if it was for six hours, it is a big deal. If they are going to be out there all week, it will add up to big money.

Mr. Berube stated I had a similar situation with the Dark Sky Festival, and I contacted Mr. Nicholas and told him my concerns. As a result, you saw a reduction in the labor on this month's bill. I will ask you to treat us fairly. Did you look at the entire picture?

Mr. Nicholas responded yes. Is the CDD the entity that does the operation and maintenance for storm drainage?

Mr. Berube responded yes.

Mr. Nicholas stated so all of the storm drainage inlets in the entire community require maintenance. Is that fair enough?

Mr. Berube responded yes.

Mr. Nicholas stated we engaged a contractor, but we do the cleanouts, rake up all the leaves, and so forth. We do this for thousands of dollars, but no one sees it. However, this is a CDD operation and maintenance responsibility. We do it because we like it to look nice and want the storm system to operate correctly. We would have to go through several levels of Board meetings to set the expectations. We just did it. There are things

that come about where we take the most neutral, honest approach on where the hours should go. This is why the Dark Sky Festival ended up the way it did. We had discussions about it, but we already had the hours quarantined over here prior to you asking the question. We could treat it however you want. I do not want to get into “I have a ledger/you have a ledger.” We can do this, but I can tell you we are going to be sending a lot more your way than you will be sending our way.

Mr. Berube stated it goes back to what I just said a minute ago. We interact all the time. All I am asking is that you treat us fairly. It does not even have to be an adjustment.

Mr. Nicholas stated I will look at it, and if it looks like everything was totally dedicated there, then we will make an adjustment.

Mr. Berube stated you gave back more than I expected for the Dark Sky Festival. I know you went over and above. We always have the interaction, and there is always the possibility of people looking at it and wanting to know what is going on over there. I think we win most of the time.

Mr. LeMenager stated my concern would be if we spent thousands of dollars in equipment or materials to do this work.

Mr. Nicholas stated you see every invoice. That is not what is going on here. There is tremendous value. I know because I have someone on my team who knows where every valve is buried in the ground. I would not exclude him from installs because I have his time somewhere else. I know how valuable it is for him to know where the shutoffs and the flow meters are. You want your people to have that value, too. We involve them in the projects.

Mr. Berube stated I have no argument there.

Ms. Kassel asked does the County have any responsibility to maintain them since the roads are the County's?

Mr. Nicholas responded no. The storm drains are yours. The County gets from back-of-curb to back-of-curb. You have the landscape median, right-of-way, and sidewalk on either side, and the storm network. The CDD is the operation and maintenance entity, and you have responsibility for all of the storm piping and outfall structures. That is the big reason you have Bio-Tech spraying and cleaning out the storm drains.

Ms. Kassel stated I did not realize the CDD was responsible for cleaning out the storm drains on the street.

Mr. Nicholas stated this is actually the major value infrastructure in all of Harmony. In order for these folks to have good draining lots and for the storm drainage to work correctly, the stormwater management system needs to be maintained.

Mr. Berube asked was it last month or the month before where we discussed the alley refurbishment? Mr. Boyd was supposed to get us a proposal.

Mr. LeMenager responded last month.

Mr. Berube stated there were three alleys where the potholes were supposed to be patched, especially the drainage grate on the Beargrass Road alley. These were pictures 49, 60 and 61. I thought we asked Mr. Haskett to have our staff do this work. That was my recollection.

Mr. Nicholas stated I recall Mr. Boyd saying they would pour the concrete into the structure.

Mr. Berube stated as well as fill in two potholes.

Mr. Nicholas stated I do not know about the potholes. This is more of a cold-patch asphalt, which I believe has not been done.

Mr. Berube asked do you want me to take this up with Mr. Haskett?

Mr. Nicholas responded I can make a note of it.

Mr. Berube stated those were recommended to be patched immediately and why we thought our staff could do it. I think Mr. Haskett indicated this could be done.

FIFTH ORDER OF BUSINESS

Developer's Report

Mr. Nicholas asked is the Board happy with the Buck Lake boardwalk project?

Ms. Kassel responded I could not be happier.

Mr. LeMenager stated it is awesome.

Mr. Nicholas asked was everyone happy with what was done?

Mr. Berube responded yes.

Mr. Nicholas stated we like it as well. We are potentially looking at expanding this program. I cannot show you and public pictures or put anything into the public record because we do not have a final plan. I want to know if we were to make some more investments at the end of the project, the CDD would accept those with the understanding

we build them to the same specification and permitted level the existing infrastructure was built to.

Mr. Berube asked are you saying you will make the entire investment?

Mr. Nicholas responded we made an investment and continued to expand the utility of that park and its access to the lake. Would the Board continue to accept those improvements as we complete them?

Ms. Kassel responded remember, instead of just saying “Yes,” we will have to add numbers to our Reserve and Replacement Fund to cover the cost of replacing those when the time comes.

Mr. Berube stated considering the usage the boardwalk gets, an expansion seems like a no brainer. The lifespan is 20 years, so the hit to reserves is going to be minimal. Mr. Boyd will have to calculate it, but he just did a re-calculation, and things did not change much. We are funding reserves adequately.

Ms. Kassel asked is that a \$130,000 investment?

Mr. Nicholas responded yes. The first go around, we spent \$120,000 and the CDD contributed in half. In terms of value for the dollar, 60% of the community is using the boardwalk, so there is high utility.

Mr. Berube asked in general, are you talking about more concrete from the last leg of the pond?

Mr. Nicholas responded that is what I am talking about conceptually. We are not there yet as there are agency discussions, which have to take place. When it is appropriate, we will start talking about it. I do not want to build anyone’s hopes up.

Mr. LeMenager stated I do not have any problem. I think it is probably the best thing we have done in the time I have been on the Board. I would like to sit down and talk about the concept with you at some point. I like the natural look. I know you have done some clearing around Buck Lake, and I want to make sure it avoids any of the clear cutting down the lake.

Mr. Nicholas stated you would not be able to do much since this is an agency matter. They like what we are doing and like the habitat management part of it. They were highly supportive in all of those efforts. Frankly, the rules govern what we can and cannot do in that area, so you are well covered. I will tell you, in the buffer, there are areas that have been open for 50 years. Once you thin them out a little, it may look like a

lot of clearing, but you did not have a big tree standing in this area. Those are the only places where it would look more open. What has been done so far has been as severe as it will get.

Mr. Berube stated I think you are seeing nods of assent towards absorbing whatever goes in there because we would like to see the plans as we go forward and see some of the values. I do not see it as a big deal. The hit to the reserves is going to be minor.

Ms. Kassel stated I heard there may be a par course, or exercise equipment stations.

Mr. Nichols stated that is an interesting idea. The relationship between the Board and the developer helps our cause to get money approved and investments freed up. For whatever it is worth, there is value.

Mr. Berube stated we are intimately tied together whether you like it or not, and there is no reason to go at each other. Basically what you do is generally good for the community, and hopefully what we do is good for the community. People who live here seem to approve of what is going on so far, based on all of the building taking place. It looks like it is going full tilt. It has not been this way in a long time, and this is a positive note. The maintenance charge on street lights was scheduled to drop from \$2,000 a month to \$1,180 as a result of the buyout.

Mr. Nicholas stated they said this was based upon the contract signing. OUC is a large company with a lot of attorneys, and they are slow. In fact, as of yesterday, the plat had not yet been recorded, so your tracts are not your tracts yet. The attorney needed a letter about the relationship among Birchwood, the CDD, and the County and how the plat dedication works. We just provided the letter to them yesterday.

Mr. Berube stated the bottom line is, until money changes hands, nothing will change.

Mr. Nicholas stated that is correct. I would say until they come for the install, you will not see anything there. However, I could be wrong. They said they just needed to ratify the signing, which is taking the longest.

Mr. Berube stated I figured it had not happened yet, but a couple of months ago, there was certain urgency on your part to get all of this done.

Mr. Nicholas stated there was a light order lead time. They wanted a commitment so they could order the fixtures so 16 weeks later we can deliver the product. This was the urgency.

A. March 31, 2014 Financial Statements

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

Ms. Burgess stated there is nothing out of the ordinary to report. We are currently 71% collected on our non-ad valorem assessments. At this point, they only send our collections to us once a month. Therefore, we do not have the number at the end of March, but we will have it at the next meeting. We do not expect anything out of line. You are halfway through your fiscal year, and there are some overages and underages in various categories. However, on a whole, we are not overspending.

B. Invoice Approval #168 and Check Run Summary

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

On MOTION by Ms. Kassel, seconded by Mr. LeMenager, with all in favor, unanimous approval was given to the invoices.
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C. Acceptance of the Fiscal Year 2013 Audit

Ms. Burgess stated we received a clean audit opinion, which is always good news. The first page of their letter to us in the third paragraph says, “In our opinion, the financial statements referred to above, present fairly in all materials respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2013, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.” The auditor is required to report on internal control over financial reporting and also on compliance, and in both cases, they noted there were no significant deficiencies or anything that needed to be reported on what they consider to be a material weakness. The next page is the management letter, which is their opportunity to bring anything to you that is not material but would make things easier and better for the financial reporting aspect. They had nothing to suggest. There are some things they are required to opine on, and there is a list included in the audit. The one item Mr. Gary Moyer typically points out is that we are not in a state of financial emergency.

Mr. LeMenager stated that was the one I was going to ask about.

Mr. Berube stated instead of saying we are in good shape, they state we are not in a state of financial emergency.

Ms. Burgess stated if you defaulted on your bonds or met other conditions, you would be in a state of financial emergency. The good news is, we did not meet any of those conditions, and we are not in a state of financial emergency. I will ask the Board to accept the audit and authorize staff to file it with the appropriate State agencies.

On MOTION by Mr. LeMenager, seconded by Mr. Walls, with all in favor, unanimous approval was given to accept the audited financial statements for fiscal year 2013 and to authorize staff to file it with the appropriate State agencies.

D. Public Comments/Communication Log

The complaint log is contained in the agenda package and is available for public review in the District Office during normal business hours.

E. Website Statistics

The website statistics are contained in the agenda package and are available for public review in the District Office during normal business hours.

SEVENTH ORDER OF BUSINESS

Staff Reports

A. Attorney

Mr. Qualls stated I just wanted to see if everyone received the latest version of the rules. I appreciated everyone's hard work. These rules will be posted online shortly. One minor tweak needs to be made to the version I provided to the Board, but otherwise they are good to go. Do not hesitate to ask any questions.

B. Engineer

There not being any, the next order of business followed.

EIGHTH ORDER OF BUSINESS

Supervisor Requests

Ms. Kassel stated I would like to thank Ms. Burgess and Mr. Qualls for reminding me we still do not have a piece of conferencing equipment.

Mr. LeMenager stated I thought one was purchased.

Ms. Kassel stated one was purchased, but it malfunctioned.

Mr. Berube stated it was supposed to work on an analog system, but we have a digital system. Mr. Haskett then purchased an analog-to-digital adaptor and was supposed to have that working for the last conference call we had, but something went wrong. I know

he was highly frustrated. I forgot to ask him further about it. There is something about the digital system in this room or building, which is not compatible.

Mr. LeMenager stated there is a good Wi-Fi signal. Maybe there is no voice connection.

Mr. Berube stated I believe Mr. Haskett can probably get it to work eventually. However, every time he has tried it was immediately before the meeting. I hear what you are saying, and I have contacted Mr. Haskett several times. I will put on my notes to have him either get it working or get something else.

Ms. Kassel stated for the next meeting, please.

Mr. Berube stated there is an invoice this month from Insight Irrigation for the Maxicom System where we are spending \$3,700. Every year, we have some large invoice for Maxicom. Most of what it is used for is to manage water and hopefully conserve water. A \$3,700 outlay to conserve water is irritating at best and will get worse as time goes on because the system is old and outdated, and parts are expensive to maintain it. In addition, the people who can repair the system are few and far between. I am not saying we should make any moves, but we should watch it.

Ms. Kassel stated we should ask Mr. Haskett to look into what its useful life is and what options we have once the useful life is over.

Mr. LeMenager stated I would like to know the costs to extricate it. Is it a serious capital outlay?

Mr. Nicholas responded I think you can dial into it from anywhere and use any number of systems. Speaking as an operator, I would say the CDD has always had a firewall between the irrigation control and the landscape contract. I think that was meant to help protect overwatering and offset other weaknesses. I still do not know why any landscape contractor has ever taken on a job where they did not have control over the irrigation, since 80% of the success or failure rate is going to depend on the DT rates, moisture level, and so forth. If you are thinking about the big picture, you may want to look at what it would mean to remove the system from our office. We have a conservation director, and that is the genesis behind how we operate it. If you want to eventually have other landscape contractors bid on the landscaping in future years, the landscape contractor has to control the irrigation. We can ask Mr. Greg Golgowski and Mr. Haskett to weigh in other options for the controllers.

Mr. Berube stated we have a contract renewal coming up with Davey Tree. Maybe we should ask them about doing it now.

Mr. Nicholas stated my staff would not appreciate what I just said. However, if I am Davey Tree, there is a significant amount of risk involved in not having control.

Mr. Berube stated we have had those conflicts before when the plantings get dry.

Ms. Kassel stated everyone is blaming everyone else.

Mr. Berube stated that is one of the reasons, when you look at water usage, there is no flat line. It is up, down and all around because we do not have those flow meters we discussed with Maxicom. Maxicom does not know what is going on, and people are manually adjusting sprinkler heads in reaction to seeing everything dry. Someone goes into Maxicom and pushes the button to run more water, and then it runs and runs until there is dollar weed everywhere. That is what is going on.

Ms. Kassel stated there is no guarantee the landscaper would do anything.

Mr. Berube stated I understand.

Mr. LeMenager stated I am arguing the other side. I remember when we first made these changes back in 2008. Our water bill plummeted. I do not know exactly what we did, but that is why we installed the Maxicom system originally.

Mr. Berube stated we brought it in-house into Mr. Haskett's office.

Mr. LeMenager stated we saved at least \$30,000 a year. It was a substantial amount of money. I am of the "If it ain't broke, don't fix it" school on this one.

Ms. Kassel stated we have one employee who is dedicated to irrigation.

Mr. Berube stated but he does not run the Maxicom system.

Mr. LeMenager stated I do not know that we need Maxicom since we have our own employees doing the irrigation.

Ms. Kassel stated I suggest giving the irrigation back to them.

Mr. Nicholas stated it is something to consider. You just need to make sure that is what you want forever and not just right now.

Mr. Berube stated Maxicom does what we need it to do. It is a big complex. Not everything is controlled by Maxicom. Approximately 30% to 40% of the land being irrigated is not on the Maxicom system. We still have some manual irrigation. My only concern with this is, every year we spend several thousand dollars maintaining Maxicom. Is that a worthwhile investment? I am just making sure everyone is on that page.

Mr. Nicholas stated with a system like that, you are right. The irrigation performs better with flow meters and soil moisture indicators. However, with all of those new devices, you get a higher level of maintenance.

Mr. Berube stated there was someone who came before the Board four to five months ago offering to place soil moisture sensors around Harmony.

Mr. Nicholas stated I do not recall.

Ms. Kassel stated you will have to ask Mr. Haskett.

Mr. Berube stated the last item I have is, as we come into budget season, I keep talking about the buy down of street lights. I already ran this by Mr. Nicholas to make sure my plan is doable since he has time to review the spreadsheets for these contracts. The bottom line is that we have more than a \$2 million obligation going forward for this investment in street lights. We do not monitor it. There will be no change to the budget. Right now, our utilities line item for electricity and street lighting is \$400,555. My proposal is to break this out and put the electricity portion of the street lighting on a separate line. It is about \$100,000 a year for the maintenance cost, which has decreased from \$2,000 to \$1,180 and the various rental fees on the lights. That is a fixed cost. The investment charge is what we are trying to monitor and/or manage. Right now, that cost is \$300,000 a year. There are more than nine years left. When you run this out, the total is \$2.7 million. My suggestion is to take \$100,000 out of the Unassigned Fund Balance and put this into a line item called Buy-Down Investment Charge. Then we invest that \$100,000 into buying out certain contracts, which we already discussed in the past. It does not matter which ones, but you can maximize that investment and we will save that 10.25% interest.

Mr. Farnsworth asked can you buy out sections?

Mr. Berube responded I believe we have 11 individual contracts, and they all have a definite buy-out figure. They are all different, but you have to buy one contract at a time.

Mr. Farnsworth stated all I was alluding to was whether \$100,000 buys out any of the contracts.

Mr. Berube stated yes. The bottom line is, if we buy out \$100,000 worth, the second year that investment charge for budgeting purposes will drop. It depends on what we buy out, but that will continue to decrease. In effect, we are re-mortgaging our house, taking it down from 10.25% to 0%, every time we do this. All the money we save goes right

back into fund balance, so the payback is there. I cannot tell you when ground zero is because there are too many variables. It depends on which contract you buy out, how much life it has left, how much you spend, and what time of the year you do it.

Mr. Farnsworth asked who is going to make that choice?

Mr. Berube responded first, we would have to decide if we want to do this. Then the most likely thing is, Mr. Nicholas has a spreadsheet that shows this. The first year, you would look at the one that gives you the most bang for the buck, which is probably one of the first two that ends soon and get rid of those because those are the biggies. I do not know exactly what the buy-down number is. This is all speculative. What I am looking for is, when they prepare the budget to break out street lighting electricity and investment charge into separate line items. You have to measure it to manage it. That is the first step. Second, once we are measuring it, we need to decide whether or not to proceed with the buy-down and pay ourselves back. Otherwise, we are going to pay \$2.7 million. Depending on how we do it, you can invest \$1 million or slightly more than \$1 million to save \$2.7 million. It just makes sense. Right now, we are paying OUC 10.25%. The money is sitting in the Unassigned Fund Balance getting 0.1% interest.

Mr. LeMenager stated I have to admit; obviously, I am in real estate and look up things on CDDs around the area. It is amazing how many have street lighting. Talk about the giant hidden game. OUC is making a small killing. This actually brings up a good point. It has not occurred to me in the past that we have a giant hole in our renewal and replacement calculations. One of the downsides of financing things off balance sheet is deciding what to do when street lights need to be replaced. We are not budgeting for that, and it is not part of our calculation longer term.

Mr. Berube stated it is not our problem.

Mr. Nicholas stated they are part of the distribution network that stays with OUC forever. They keep replacing the bulbs every time one burns out.

Mr. LeMenager asked do the fixtures stay forever? If the fixture needs replacing, is that included?

Mr. Nicholas responded yes.

Mr. LeMenager stated we are paying a fee every month.

Mr. Nicholas stated if a car hits one or a storm brings one down, they replace it. It is part of their distribution network.

Mr. Berube asked do you see these maintenance charges?

Mr. LeMenager responded yes.

Mr. Berube stated that is in perpetuity.

Mr. Nicholas stated it is an aggregate fixture.

Mr. LeMenager stated they are going to last forever.

Mr. Berube stated what I am looking for is the Board's opinion and/or agreement to at least break the budget into two line items, when Mr. Moyer prepares the budget, which is next month.

Mr. Walls asked where are investment costs shown on the invoices?

Mr. Berube responded they are on the bill. It is a separate item called Investment Charge. Each month it is about \$25,000. It is very easy for Severn Trent to break out exactly what that is because it varies based on how many days are in the month.

Mr. Walls stated if it shows it, I am in agreement.

Mr. Berube stated all we are doing is separating two line items.

Ms. Kassel stated we discussed this last month.

Mr. Walls stated this is crucial.

Mr. Berube stated I just want to show everyone how this works. Are we generally in agreement to do a buy-down?

Ms. Kassel responded let me go back to the first point because we discussed the second one. When we discussed it last month, I remember Mr. Walls saying we may not need to do that in the budget, but we would leave it to Mr. Moyer to make sure there were some notes showing what we were saving and accumulating through the buy-down. I do not know if this is something that he wants to do, but I suggest leaving it with him and showing this spreadsheet to him.

Mr. Berube stated he already has a copy.

Mr. LeMenager stated I totally favor your financial accounts and using them for management purposes; 20% of everything we spend on operation and maintenance is for this.

Mr. Walls stated it is more than that. Our budget is about \$1.3 million. This is \$400,000.

Mr. LeMenager stated I was talking about the investment charge.

Mr. Berube stated we have to manage it.

Mr. LeMenager stated everyone in the community does not realize how much they pay for those wonderful dark sky lights. It costs a small fortune.

Mr. Berube stated as you mentioned before, it is clearly is off balance sheet. It is a huge liability. There is nothing wrong with that, but it is not clear.

Mr. LeMenager stated I want to make it much more transparent so in a few years when we are all gone and somebody else is here, they do not find out about it like we did, unintentionally.

Mr. Nicholas stated in fairness, you all were elected, but nothing has changed since you were elected.

Mr. LeMenager stated I realize that.

Mr. Berube stated what past Boards did to get us here, there were good reasons for doing it. It worked at that time. Back then when they took these on, there were paybacks for putting in the infrastructure. It made financial sense then and interest rates were higher. The bottom line is, when I look at a budget, I look at the top lines. Street lighting at \$400,000 per year has always been a thorn in my side, and I always wanted to do something about it. In regard to Ms. Kassel's comment about how you can follow the savings, when you do a buy-down, that investment charge comes on the monthly bill.

Ms. Kassel stated I am saying leave it up to the CDD manager to figure out a way to keep us clear about what we are doing with this, whether it is directly in our expense statement or a note in our financials. That is what we discussed last month.

Mr. Berube stated I agree.

Ms. Kassel stated I am not against this, but I want to leave it up to the manager to manage it properly.

Mr. Berube stated what I am saying is that the tracking will show up immediately. This line will continue to cross. If the yearly budget for investment is \$300,000, which is where you would start, then you would buy one out. That investment charge will go down on the monthly bill so you will be able to track as the year goes along and you will come in under budget. The amount under budget will be the savings you had by buying it down.

Ms. Kassel stated I understand the whole concept. I am just questioning how we are going to put it on paper. We discussed last month that we would leave it up to the manager.

Mr. Berube stated I assume Ms. Burgess heard this discussion and Ms. Kassel's request for details and modifying the budget I sent to you today.

Ms. Burgess stated yes.

Ms. Kassel stated we never discussed the second point, which was if we are willing to pull from reserves to pay down these investment charges. I know we discussed in the past that we were willing to only go so far because we did not want to leave ourselves too exposed.

Mr. Walls stated I am 100% in favor of doing some type of buy-down. However, the question is, how much and how do we get there? I would feel a lot better about that in a month or two when we put together the budget for next year so we can see where we stand, what the fund balance looks like and the estimates of the fund balance. It is not just taking money out of reserves. There is the potential of getting a lower interest rate loan so at least you save some money and do not pay it all down. It all comes down to how much we need to spend on repaving, additional landscaping or for other maintenance activities.

Mr. Berube stated the reason I suggested the Unassigned Fund Balance is because the money is sitting there.

Mr. Walls stated we may have to assign that money so we do not have a large repaving bill.

Mr. Berube stated the answers to this come from the spreadsheets showing where we are at. If Mr. Nicholas can bring those next month, we can get a better idea of the buy-down.

Mr. Nicholas stated it depends on how you look at it. You can look at it as a present value if you discount the future cashflows by some amount. If you look at it like you said, that is called whole dollars. If we go for 10 more years, that is the whole dollar equivalent of those payments. I think of all the contracts, there was between a 7% and 15% return depending on a pure investment return. To your point, you are trading an opportunity cost of a 0.025% interest rate on that money. As a result, the investment return is being measured at zero. You could just decide how much is available and pick the highest return.

Mr. Berube stated with the spreadsheet, if we spent \$100,000 on any particular contract, we could determine what our payback period is to get our \$100,000 returned, which is exactly what it comes down to.

Mr. Walls stated that is fine, but we have to run a cashflow analysis. I do not want to encounter a big assessment increase.

Mr. Berube stated I do not want one, either. That is why I did this. I cannot understand borrowing and paying interest to save some interest when the money is sitting here doing nothing. The bottom line is, last year we raised assessments by 2%, which gave us \$80,000. We will also get \$80,000 this year with this increase. We can spend this money on the street light buyout. I do not want any more increases, either. We are going to get there in some years, but I think we are done with that.

Mr. Nicholas stated I received confirmation from OUC that once the new contract is executed on their side, they will make the monthly change to the billing.

Mr. Gili Remy stated I would like to know if there was an update on what is going on with the water in the community. I know it has been treated.

Mr. Berube stated this has to do with the Toho Water Authority (“Toho”).

Mr. Nicholas stated I can invite Toho to one of your meetings to give everyone the update. The CDD does not run the water treatment plant. Toho does, and you receive your bills from KUA. Toho found two quality issues on the water. One was carbon and the other was a trace element from the chlorination that kept bouncing out of tolerance. This was not because the plant was bad, but because the EPA had reduced where the tolerance levels should be over time. They had a number of different options. The Toho Board approved a \$1.8 million investment last year, half of which will come back through Harmony system users through their billings over time and rates. They installed a new MIEX system, which charges the water before it gets to the next phase. My understanding from Toho in an update letter is the new system is installed and up and running. We spoke to Toho and asked them what the scientific meaning of this was. They said the MIEX system did what it was supposed to do. It reduced the trace element the way it needed to be reduced, but there was still some carbon, or vice versa, so they went back to the chlorine treatment. They are currently working with the MIEX vendor and supplier to see if there is some performance recovery with the entire install. The Executive Director of Toho was happy with the science of what is coming out the other

end, although one element was unresolved. It solved one issue 100% and the other issue 60%. It would be helpful to bring them before the Board. Mr. Brian Wheeler is the Executive Director for Toho, and he is very smart and transparent on all these issues.

Ms. Kassel asked is the problem with the trihalomethane (TTHM) or haloacetic acid (HA)?

Mr. Berube responded I believe the TTHMs are still unresolved, and they are going to switch back to chlorine.

Mr. Nicholas stated there are two things to solve. The MIEX system worked, but it used all of its energy fighting the first problem and did not have any energy left to fight 100% of the second problem.

Mr. Berube stated they wanted to come to a meeting, and I said it would be more appropriate to attend the HROA meeting. Either way, they are not against coming to a meeting. We may have more residents attending the HROA meeting. The water is technically fine. It is better than it used to be. It used to be yellow.

Mr. Nicholas stated the dead ends of the system design are part of the issue, which is why you see the open flows. As we bring on new neighborhoods, this problem will naturally solve itself.

The resident asked will Butterfly Drive be developed in the future?

Mr. Nicholas responded yes.

Mr. Berube stated keep in mind, the system across the street is designed for 2,000 to 3,000 houses, and we currently have 600 homes. There are a lot of pipes in the ground where water does not go anywhere and stagnates, which is not good. As Mr. Nicholas mentioned, you see fire hydrants that are running water to keep it from stagnating in the pipes.

Ms. Kassel stated the TTHM is a disinfection byproduct. When the water sits in the pipes, it increases it.

Mr. Berube stated interestingly enough, the water as it comes out of the ground is reasonably good for drinking, but DEP forces them to add disinfectants. However, it does not have what they are fighting. When they put the chlorine in, the chlorine reaction creates these two problems that they now have to manage. They are still working on it and Toho is very responsible. There is no doubt that there are still problems with the water.

NINTH ORDER OF BUSINESS

Adjournment

The next regular meeting is scheduled for Thursday, May 29, 2014, at 6:00 p.m.

The meeting adjourned at 7:30 p.m.

Gary L. Moyer, Secretary

Steve Berube, Chairman