

# MINUTES OF WORKSHOP

## HARMONY COMMUNITY DEVELOPMENT DISTRICT

The budget workshop of the Board of Supervisors of the Harmony Community Development District was held Thursday, June 30, 2016, at 4:00 p.m. at Harmony Golf Preserve Clubhouse, 7251 Five Oaks Drive, Harmony, Florida.

Present from the Board were:

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

Also present were:

Gary Moyer	Manager: Moyer Management Group
Tim Qualls	Attorney: Young, van Assenderp & Qualls, P.A.
Peter Brill	Severn Trent Services, Accounting Manager
Elizabeth Moore	Severn Trent Services, Assessments
Gerhard van der Snel	District Staff
Residents and members of the public	

### FIRST ORDER OF BUSINESS

#### Call to Order

Mr. Berube called the workshop to order at 4:00 p.m.

### SECOND ORDER OF BUSINESS

#### Roll Call

Mr. Berube called the roll.

### THIRD ORDER OF BUSINESS

#### Discussion of Fiscal Year 2017 Budget

Mr. Moyer introduced the staff from Severn Trent and suggested the Board discuss assessments as part of the budget discussion.

Mr. Moyer stated the issue I need to deal with, on your behalf, is if we change the methodology or the assessments, that pushes the process back at least 20 days but more realistically 30 days because I have to send out letters that notify all the residents of what the new assessment will be or what the changes will be to the methodology. That is the reason I requested Mr. Brill and Ms. Moore attend this meeting to discuss with you. They will advise you that they have retained the services of an assessment expert to go back through every assessment document that we have, much in the way of a forensic audit. He is available to meet the Board if he finds anything that would require a meeting on July 19 or 20, in preparation for the July 28 public hearing. I am trying to at least get us

positioned so that if there are issues and things need to be changed, that we do not run out of time in order for us to get our assessments on the tax bill.

Mr. Berube stated we have had discussions on the methodology, and I will listen to what they have to say. I did not sense that we wanted to make a change to assessments that will affect this budget year.

Mr. Walls stated the only way I would entertain that is if the consultant found anything that needed to be changed. Other than that, I am happy where we have them.

Ms. Kassel stated at this point, we would probably be too late for that anyway, even if he found something. Tomorrow is July 1, so it is probably too late to entertain a change for fiscal year 2017.

Mr. Moyer stated I am not advocating that, but I wanted to present as much information before the Board as I can. I am concerned that if we have to send out letters to every single property owner in this community, there will be a lot of questions. I do not want to set this Board up to be in a meeting where you are getting a lot of questions without any answers.

Mr. Berube stated we appreciate that. As I understand it, Severn Trent has retained someone to look back at what we have done from the beginning up through now to make sure that everything is in line.

Ms. Moore stated yes.

Mr. Berube stated it goes back to the question that we have always done fair and equitable assessments across the board, and some outside expert is looking at that now and verifying it.

Ms. Moore stated yes.

Mr. Berube stated I think we will let that report come forward and make some decisions based on that, but I am confident that we are in good shape. How long does Ms. Moore need for her presentation?

Ms. Moore stated we were brought here to answer any questions you have. I understand some concerns were raised about the combining of parcels F and H-2, and also with I, J, K, L, and O.

Ms. Kassel stated no, I think it was just H-1 and F with A-2 and M and not with I, J, K, L, and O.

Ms. Moore stated I, J, K, L, and O are in a different bond series, the Series 2015 bonds. F and H-2 are presently on the tax roll, and A-2 and M are currently unplatted. We wanted to make sure if there were any questions pertaining to the allocation that we were here to answer those. We want this transition to be as easy as possible for all of our residents.

Mr. LeMenager stated we received an email late today. Was that a change to the previous budget?

Mr. Moyer stated there was a change in the budget to allocate fund balance surplus. In prior years, we had \$250,000 for our working capital reserve to get us through the first three months and \$105,000 in street light reserves. The budget that was authored previously increased the working capital to \$388,000, which would be one-quarter of our fiscal year expenditures and did away altogether with the street light reserve. I told them to put it back the way it was. That is the only change to the budget that I am aware of except for a few minor descriptions that were changed that I received comments on. The numbers have not changed.

Mr. Farnsworth stated it did affect the bottom-line number for the reserve.

Mr. Moyer stated yes.

#### **A. Revenues**

1. Interest—Investments: *No change on this line item.*
  2. Soccer Fees: *No change on this line item.*
  3. Interest—Tax Collector: *No change on this line item.*
  4. Special Assessments—Tax Collector: *No change on this line item.*
  5. Special Assessments—CDD Collected: *No change on this line item.*
  6. Special Assessments—Discounts: *No change on this line item.*
  7. Sale of Surplus Equipment: *No change on this line item.*
  8. Settlements: *No change on this line item.*
  9. Other Miscellaneous Revenues: *No change on this line item.*
  10. Access Cards: *No change on this line item.*
  11. Facility Revenue: *No change on this line item.*
- Mr. Farnsworth asked if there was any guarantee of this revenue since it has not existed in the budget previously. Mr. Walls indicated this is the amount that people are paying to use the facilities. Ms. Kassel pointed out the reason it had not

existed in previous budgets is because the District never charged for use of the facilities until this fiscal year. The projected revenues are believed to be \$4,000. Mr. Berube agreed that if the trend continues, the District will collect \$4,000 in the next fiscal year.

12. Facility Membership Fee: *This line item will be deleted.*

- Mr. Berube indicated that someone paid the membership fee this year, but we have no idea if someone will pay it next fiscal year. Mr. LeMenager agreed that this line item should be removed.

## **B. Administrative Expenditures**

1. Payroll—Board of Supervisors: *No change on this line item.*

- Mr. Farnsworth asked why the assumption was made that one Supervisor would be missing at every meeting. Ms. Kassel indicated that she does not accept payment for serving in this role, and never has.

2. FICA Taxes: *No change on this line item.*

3. Professional Services—Arbitrage Rebate: *No change on this line item.*

4. Professional Services—Dissemination Agent: *No change on this line item.*

5. Professional Services—Engineering: *No change on this line item.*

6. Professional Services—Legal Services: *Increased to \$40,000.*

- Ms. Kassel pointed out that the projected expense for this year is \$45,000, and actuals for fiscal year 2015 were over \$47,000, so the budget should be \$45,000 for fiscal year 2017. Mr. Farnsworth agreed with Ms. Kassel that legal fees have consistently been more than \$35,000. Mr. Walls indicated the big issue was the assessments for new neighborhoods that the developer reimbursed the District. If that amount is deducted, we are back at \$35,000. The amount the developer reimbursed the District is shown in revenues for settlements. Ms. Kassel would still like the budget amount to be \$40,000, anticipating there may be more push back on assessments.

7. Professional Services—Management Consulting Services: *No change on this line item.*

8. Professional Services—Property Appraiser: *No change on this line item.*

9. Professional Services—Special Assessments: *No change on this line item.*

10. Professional Services—Trustee: *No change on this line item.*

11. Auditing Services: *Increase to \$5,100 as provided in the engagement letter to increase \$200 every fiscal year.*
12. Postage and Freight: *No change on this line item.*
13. Rental—Meeting Room: *Reduce this amount to zero.*
- Mr. Berube indicated use of the meeting room will continue to be free as a *quid pro quo* for golf course maintenance, so this can be reduced to zero.
14. Record Storage: *No change on this line item.*
15. Insurance—General Liability: *No change on this line item.*
16. Printing and Binding: *No change to this line item.*
- Mr. Berube and Ms. Kassel indicated this amount seems excessive. The Board members are using tablets to keep the printing costs down. Ms. Kassel asked why this amount is so high. Mr. Berube pointed out the details are shown on each monthly invoice, at about 500 copies per month. Every piece of information, including utility bills and all invoices, that is scanned is a printed copy first, which goes into the monthly bill. Mr. Moyer will research the information. Mr. Berube agreed it is a lot of money for pushing paperwork. Mr. LeMenager confirmed in the narrative that it includes copies made for agenda packages as well as required mailings. The agenda is sent electronically, but it is still put together on paper first. Counting the pages in the agenda plus the invoices, that is 400 pages a month. The District has only spent \$1,200 in seven months and is projected to spend \$1,800 by the end of the fiscal year, so it could be lowered. Mr. Moyer pointed out the projected amount is driven by a proration formula, and it is what we expect to spend for the balance of the fiscal year if we keep doing what we are doing today. Mr. LeMenager suggested reducing this to \$2,000, and Ms. Kassel indicated \$500 is not a big deal.
17. Legal Advertising: *No change on this line item.*
18. Miscellaneous—Records Storage: *No change on this line item.*
19. Miscellaneous—Assessment Collection Cost: *No change on this line item.*
20. Miscellaneous—Contingency: *No change on this line item.*
21. Office Supplies: *No change on this line item.*
22. Annual District Filing Fee: *No change on this line item.*

### **C. Field Expenditures**

1. Professional Services—Field Management: *Increased to \$230,000.*
- Mr. Berube suggested the budget amount be increased to \$230,000 because Mr. van der Snel has requested a fifth employee be added next fiscal year, the major driver being for irrigation. Mr. Jeff Borieo is out at least once a week digging up a big hole due to a mainline break or a lateral line break, which are time and labor intensive. Mr. Borieo has a hard time getting all the normal irrigation maintenance done because of time spend on broken lines. We also added various other things since starting this contract with four employees: additional pool duties, pond maintenance, and irrigation. Mr. van der Snel is counting on hiring a younger bull work type of person to mainly help with the digging and the manual labor, as well as filling in with the rest of the staff.
  - Mr. van der Snel confirmed two employees are on property every day to provide the most coverage as possible seven days a week from 7:00 a.m. to 7:00 p.m. Irrigation is getting very labor intensive because Harmony is getting older. Unfortunately, all the mainlines are located under trees, which we found out on Cat Brier, Five Oaks, and the main roads. If we have a mainline break, it takes Mr. Borieo about two days just to recover the line because there are so many roots, and we do not want to kill the tree. So staff has to work around it, sometimes making a u-shape just to save the tree. That is one example of how labor intensive it could be. They are on a monthly rotating schedule on all the clocks. We have 20 clocks, and we try to check at least one clock every month. If we check clock 1 and it is the end of the month, then the rotation circles back to clock 1. If clock 1 has a problem, then the fourth or fifth day after that, he has to come back and fix it so the whole cycle stagnates. If he has to repair a mainline break, then he is off that schedule for at least two days. We are also dealing with construction on east Five Oaks, which is very intensive for irrigation. Things like that add up a lot.
  - Mr. Berube pointed out that in addition to construction and the mainline breaks, the area where we are managing the irrigation is expanding in a big way, all the way down Five Oaks. As each new neighborhood opens, we are taking on more and more irrigation. Neighborhood I is on board now. We have not taken it over

- yet, but it will be coming on board in the next three months, and O will be next. All those areas are irrigated. This is a lot to ask one person to do and keep it up.
- Mr. Walls asked if it would be a full-time employee, and Mr. van der Snel confirmed it would. Due to the quality of water coming from Toho Water Authority, all the sprinkler heads are getting clogged. For instance at the little park on Buck Lane, we have to open the sprinkler heads every two days because they get clogged with fine grit, rocks, and debris like sesame seeds. We are also on a rotor replacement cycle because all the rotors that are there now are 10 to 12 years old.
  - Ms. Kassel asked if we are using reclaimed water or potable water for irrigation. Mr. Berube replied it is reclaimed water. Ms. Kassel pointed out that we were on potable for many years. Mr. LeMenager commented that it is neither, that we are using untreated. Mr. Boyd clarified that it is a combination of raw water and wastewater effluent. It is not potable water. The raw water wells charge the irrigation system. Mr. Berube indicated the water that comes out of the ground has a high level of total dissolved solids in it, along with other stuff, which is part of the problem. There are snails in some of the heads. That is the reason for the request. With the fifth employee, we will not need a fifth vehicle this year because two golf carts are still operating. One is getting to be a parts cart, so the new employee does not need a vehicle assigned to him. The golf cart is available, so the real added expense for the fifth employee is simply the salary portion of it. Mr. Walls is fine with that.
  - Ms. Kassel asked if other CDDs are having the same kind of problems with irrigation and what are they doing about it. Mr. Moyer responded that in terms of clogged heads, Celebration CDD uses Toho Water Authority reuse water, and that is a problem. Ms. Kassel asked if Celebration CDD had to hire an additional employee, and Mr. Moyer indicated Celebration CDD is pretty well staffed with far more people. Mr. Berube reminded the Board that one person is assigned to irrigation, with others who can back him up, but everyone else has a primary job, as well. It can certainly be handled by one person, but staying ahead of this is key so that it does not become a major problem. Irrigation keeps the community looking green. Ms. Kassel indicated she was not disputing that but just inquiring

of the expertise of Mr. Moyer, who replied that irrigation is expensive to maintain. Mr. Berube confirmed that labor is the primary expense because the parts are rather inexpensive if you look at the invoices from North South Supply. The District gets a great deal on all the supplies, but the labor and time involved are the main expense.

- Ms. Kassel asked about the longevity of the u-shaped sections, understanding staff is trying to avoid dealing with the tree. Mr. van der Snel indicated staff has only done one, but it was very labor intensive because the pressure pushes it out and staff had to create a “u” to save the tree. If a large root is in the way, you cannot cut it but you can the smaller roots. That was a big live oak, and you do not want to damage it too much. The roots are centered under the tree. Mr. Berube indicated everyone puts everything in the same canal: trees, electricity, and water.
- Mr. LeMenager asked if that is still being done in new neighborhoods, understanding we cannot do anything about the existing neighborhoods, but if a new neighborhood comes online and has the same design, then in 10 years, it is really our fault. Mr. Walls indicated we can tell where the easement is and where they are putting the trees, which are in the middle of the easement. There is nowhere else to put it. Mr. Berube indicated it is mainly a problem on Cat Brier because of the way the houses are on one side of the street and open space is on the other side. The trees have a different offset, and the easements come closer to the road where the pipes are. Cat Brier is a unique situation, which is proving itself since we do not see this elsewhere. Five Oaks has a similar problem with houses on one side of the street and open space on the other, as does Schoolhouse Road. Mr. van der Snel confirmed that we have had no issues there yet. Mr. Berube indicated the live oaks are not too root-intensive and are starting to show that. The other thing being considered is that small digging machines are available that would save some time and labor of digging. We have not gotten to that point yet, but the first step is hiring an additional person.

2. Capital Outlay—Other: *No change on this line item.*

#### **D. Landscape Expenditures**

1. Contracts—Trees and Trimming: *No change on this line item.*
2. Contracts—Shrub Care: *No change on this line item.*



3. Contracts—Ground: *No change on this line item.*
4. Contracts—Turf Care: *Increased to \$290,000.*
- Mr. Walls indicated the proposed budget has the projected dollar amount, and Mr. Berube pointed out that it cannot stay the same. Turf care has to increase about \$25,000 in Mr. Berube's estimation because of neighborhood I coming online soon, and neighborhood O will follow. Including \$25,000 in the fiscal year 2017 budget should be a good number considering that neither neighborhood will be online at the beginning of the fiscal year. Ms. Kassel pointed out it equals about 10% of the total. Mr. Berube confirmed that we added about \$25,000 for neighborhoods F and H-2, or \$2,200 per month. Without knowing where I and O will come in, the acreage is similar. Whatever the case, something needs to be plugged in for turf care, and \$25,000 has been suggested. Some of that may spread into the other line items based on trees and groundcover. Mr. Berube suggesting increasing this line item from \$264,063 to \$290,000. Mr. Farnsworth asked if that was based on some calculation, and Mr. Berube responded it was not because we do not know what the proposal will be yet or when it will start.
5. Repair and Maintenance—Irrigation: *Reduced to \$10,000.*
- Mr. Walls noted that we have spent only \$4,000 this year and asked if we anticipate spending a lot. Even if the amount was doubled, we would be at \$8,000. Ms. Kassel pointed out that actuals in fiscal year 2015 were almost \$8,600. Mr. Berube suggested reducing this line item to \$10,000, with agreement from Mr. Walls and Ms. Kassel. Mr. Berube indicated we will be putting a control board in the Maxicom computer, which will be \$2,500 and will happen this year. Mr. Walls indicated if we continue on the current pace, it should be fine at the reduced amount. Mr. Berube pointed out that the big issue with irrigation will be if something goes wrong with Maxicom.
6. Repair and Maintenance—Tree Trimming Services (Canopy): *Increased to \$20,000.*
- Mr. Berube pointed out we go over this line item every year, and he anticipates doing another tree trimming this year. Mr. Berube and Ms. Kassel suggested this line item be \$20,000.
7. Miscellaneous Services: *No change on this line item.*

- Mr. Berube indicated this line item includes landscaping and asked if Mr. van der Snel had anything open that will be billed. Davey's billing has been a little slow lately for some of their services. Mr. van der Snel indicated the bills should not have any surprises. Nothing has been started but is on hold. The Board tabled the Town Square project, which was fluffed up and came out pretty well.
- Ms. Kassel pointed out many areas need to be refurbished. Mr. Berube agreed and anticipates spending \$25,000 in total in fiscal year 2016 for miscellaneous projects, some of which may still be to come.

#### **E. Utilities Expenditures**

1. Electricity—General: *No change on this line item.*
  2. Electricity—Street Lighting: *No change on this line item.*
  3. Utility—Water and Sewer: *No change on this line item.*
  4. Lease—Street Lights: *No change on this line item.*
- Mr. Berube indicated the budget amount includes paying off phase 2 and A-1 next month, which saves \$4,400 monthly and \$52,800 annually. The ultimate spending will be about \$160,000 for the street light contracts that have not been bought out. Mr. Walls suggested reducing it somewhat since we know it will be below \$200,000. Mr. Berube suggested waiting to discuss other line items before deciding on any changes.
  - Ms. Kassel asked if the increase was because street lights are being put in various neighborhoods, and Mr. Berube and Mr. LeMenager confirmed that was the case. We have already signed the contracts for neighborhoods I and O. Mr. LeMenager indicated it also includes neighborhood F, which is not included in the \$48,000 for the first eight months of the fiscal year.
5. Capital Outlay—Street Lights: *Reduce by \$26,287 to \$182,180.*
- Mr. Farnsworth asked what the buyout is going to be for this year that has been negotiated with OUC because it is not the \$276,000 as reflected in the proposed budget. Mr. Berube replied it will be \$365,000. Mr. Farnsworth commented that the correct number should not be \$276,000 because it affects fund balance, which Mr. Moyer confirmed it does. Mr. Moyer also confirmed that we have sufficient fund balance that the change in fund balance will not necessarily affect the budget. It will affect the balance sheet but not the budget. When all the line items

have been discussed, we will adjust fund balance or the reserves. Mr. Farnsworth contended that \$365,000 needed to be plugged into the budget for this line item. Ms. Kassel asked why since the buyout will be made this year, and the budget is for fiscal year 2017. Mr. Farnsworth replied since it affects fund balance for the next fiscal year. Mr. Moyer indicated the \$276,000 figure will be \$365,000 for the projected to be spent in the current fiscal year because it does affect the bottom line. Mr. Berube confirmed that the actual this current fiscal year will be about \$365,000. Has this number been confirmed or negotiated with OUC? Mr. Qualls responded that it had not yet. He is working with Mr. Dan Seabrook, and they were calculating the final number. July will be the final payment, and everything will be ready to go, but they are still crunching the numbers. It sounded like the ones crunching the numbers were out of the office. Mr. Farnsworth commented that it will not be ready to go on July 1, and Mr. Qualls indicated it would not be ready for tomorrow, but the last payment the District will make will be the July payment.

- Mr. Berube recommended the budget amount for fiscal year 2017 of \$330,000 stand because that amount was communicated for this buyout every year. Mr. LeMenager confirmed the amount should remain \$330,000, which is why previous assessments were increased. Mr. Walls suggested looking at if we are close on the back end. Then the Board can decide whether to pursue operational activities or to pay off more contracts.
- Following the discussion under Repair and Maintenance—Roads and Alleys to use monies from that line item and shift to this line item, Ms. Kassel suggested keeping roads and alleys as proposed and taking whatever is needed from Capital Outlay—Street Lights, knowing that with the balance we will likely have at the end of this fiscal year, we might be able to add to reserves so that we can spend more for street light buyouts in fiscal year 2017. Mr. LeMenager and Mr. Berube disagreed.
- Mr. Berube suggesting waiting to negotiate this line item until after the rest of the budget has been discussed, after Mr. Moyer has added up all the changes.

#### **F. Operation and Maintenance Expenditures**

1. Contracts—Lake and Wetland: *No change on this line item.*

2. Communication—Telephone: *No change on this line item.*
3. Utility—Refuse Removal: *No change on this line item.*
4. Repair and Maintenance—Ponds: *Reduced to \$10,000.*
  - Mr. Berube indicated with the change to staff maintaining ponds in-house, the line item for the pond maintenance contract disappeared, which used to be \$20,000. The name was changed from contracts to maintenance.
  - Ms. Kassel clarified that any repair items, chemicals, or equipment used for pond maintenance would be included in this line item, and Mr. Berube confirmed that was so. The District is now maintaining golf course ponds, as well. Mr. Berube believes \$20,000 is a high number. Ms. Kassel suggested reducing it to \$10,000 or \$7,500. Mr. Berube indicated the Bio-Tech contract was \$1,300 per month. Mr. Walls suggested \$10,000 is the maximum amount for this line item. Ms. Kassel asked if \$7,500 would be sufficient, and Mr. van der Snel suggested keeping it at \$15,000 because this is the first year of performing maintenance in-house.
  - Ms. Kassel indicated we have not received any invoices from Ms. Jennifer Dwyer, who is a real asset, and the Board may want to extend her contract if things are going well. Mr. van der Snel commented that Ms. Dwyer was here in May, and he had to remind her last week that she needed to come back to continue her work, which she agreed to do. Mr. van der Snel is looking at a skimmer for duckweed. As of now, she has only made one visit, which was in the morning. Mr. van der Snel cannot comment if it would be wise to extend her contract. Ms. Kassel indicated that last month, everything was going well. Mr. Berube suggested that she does not seem to want to come to work. Ms. Kassel will meet with Ms. Dwyer to find out what is going on. Mr. Walls commented that in any event, it is not a lot of money. The total spent on this line item should not exceed \$10,000. Mr. LeMenager and Ms. Kassel agreed, understanding monies can be shifted if necessary.
5. Repair and Maintenance—Pools: *Reduced to \$20,000.*
  - Mr. LeMenager commented that only \$13,000 has been spent in eight months, noting the project amount is a plug to get the total to equal the adopted budget. Ms. Kassel pointed out the District spent \$25,000 last year, and the pools are not young. Mr. Berube agreed. Mr. LeMenager estimates the District will spend less

than \$25,000 this current fiscal year. Mr. Berube explained the reason the cost for pools is down because the District is no longer under contract for pool maintenance, which is exactly Mr. LeMenager's point that by increasing Field Services to \$230,000, one of the activities staff performs in-house is maintenance of the pools. Mr. LeMenager suggested reducing this line item.

- Mr. Berube suggested reducing it to \$20,000, and Ms. Kassel agreed with that amount.
- Mr. van der Snel indicated the bottom of the pool surface at the Swim Club might need some resurfacing in the future at a cost of about \$20,000 to \$25,000, which Mr. Berube noted would be spent from reserves. Mr. LeMenager pointed out we have \$100,000 in reserves for renewal and replacement. Mr. Berube believes we are fine because a refurbishment project like that will come from reserves.
- Ms. Kassel asked for an updated reserve schedule, and Mr. Boyd does not yet have an update.

6. Repair and Maintenance—Roads and Alleys: *No change on this line item.*

- Mr. Berube indicated the current fiscal year budget included \$65,000, and the Board has only spent \$168, so the rest will end up in fund balance. We are projecting another \$65,000 for fiscal year 2017. Mr. Berube suggesting making this line item zero, which will cover virtually all the additions made to the budget.
- Mr. Walls suggested making this line item \$130,000 for fiscal year 2017 and actually pave some alleys. If we get too far behind, it will end up costing several hundred thousand dollars. Mr. Boyd agreed that the Board has not engaged in the paving program for this year but suggested trying to do it incrementally, which will be better in the long run than having to do a lot at one time. On the other hand, paving a large quantity at one time can result in a better price, as long as the money is put into the alley paving reserves and you are holding onto it with that in mind. Ms. Kassel indicated that is what we are proposing. Mr. Walls commented that we are either setting it aside or spending it in increments, but we need to put money aside for this specific work program.
- Ms. Kassel indicated the Board asked Mr. Boyd to look at the alleys last month to see what kind of attention they might need, either right now or within the next fiscal year. Mr. Boyd did not see anything imminent that has to be done within the

- next 12 months. Mr. Walls remembered the report that was provided a year or two ago regarding the suggested paving program. Mr. Boyd confirmed there is a paving program that we follow.
- Mr. Berube indicated the one issue we had a problem with was a sinkhole on one of the alleys. Mr. van der Snel patched it with some cold patch 10 months ago, and it is still level with the top of the ground. So the sinkhole has not gotten any worse. Mr. Berube asked if it was correct to think we had a leak under there and it was causing the sinkhole, and Mr. Boyd indicated he did not think it was a leak but just some loose soil. Mr. Berube pointed out that the rest of the alleys after the last patch job had several structural deficiencies where the structures on the drain grates had fallen away, there were potholes, and two radii had to be repaired to keep the trucks off them. All the structural deficiencies were addressed with the last paving effort. We still have some ponding, but structurally, all the alleys look good. The bigger concern is on the ones that were patched since a lot of cracking is coming through the new pavement because we did not get the grinding that was specified. There is cracking in the pavement below and cracking in the new lift. Two or three months ago, resident complained about speeding in the alleys. If we paved all the alleys and made them smooth with fresh blacktop and white arrows that we will get more complaints about speeding in the alleys.
  - Mr. Walls pointed out that he does not want to drive his vehicle down a bad alley, and most people feel the same way. Over time, that asphalt will deteriorate. If you wait too long, it will be very expensive, speaking as someone who budgets a lot of money for paving all the time for Orange County. It is something you need to stay on top of, and if you do not, it is expensive.
  - Ms. Kassel suggested leaving the budgeted number as is, as mentioned in the above budget line item.
  - Mr. Berube indicated the alleys have light cracking in places, they are lightly faded, and they need paint. He asked Mr. Boyd's estimate of doing a nice job of seal coating virtually all that have not had work done on them in a while to try to stretch the life of the pavement, to seal up the cracks, to stop some of the leak-through, and to restripe them to look fresh. Mr. Boyd indicated seal coating will extend the life of the surface for a few years because it puts oils back into the

- surface. It does not do anything to improve the drivability of the surface. Mr. Boyd's opinion is that would be more an aesthetic improvement than anything else and would advise against seal coating and to wait to perform the full renovation. An argument could be made for seal coating because it looks better and will extend the life of the pavement a few years. Mr. Farnsworth asked if the life extension is worth the cost. Ms. Kassel asked if the District would see a return on the investment to seal coat. Mr. Farnsworth pointed out that even if you are not spending more doing that versus waiting, the result is null. Mr. Boyd indicated you are not substantially extending the life of the pavement by doing a seal coat. Mr. Walls indicated that is the same assessment he has gotten from Orange County engineers because they asked the same question to try to reduce this cost, but it is basically worthless. It makes the pavement look nice, but it will not fix structural problems and will not do what you want it to do.
- Mr. Moyer asked Mr. Boyd's opinion on chip sealing. Mr. Boyd has not had any experience with it. Mr. Moyer explained that it is resurfacing in a very thin layer of asphalt, which would extend the life about five to seven years. Ms. Kassel indicated that if issues underneath are causing problems on top, a chip seal does not sound like it would really do anything to ameliorate that, and Mr. Moyer agreed.
  - Mr. Berube has reviewed every alley on a bicycle, and the alleys are not very bad. We are not getting complaints from residents that they have problems. Some people speed down them, so they cannot be terribly rough. Ashley Park has had a couple potholes, and Mr. van der Snel put in a cold patch. Mr. Berube does not expect spending very much money on alleys right now. Mr. Walls pointed out that they may be good now, but at some point, we are going to have to fix them. If you wait, then you will end up paying \$500,000 to \$700,000 rather than setting aside that money now and taking care of it.
  - Ms. Kassel suggested reducing this line item by \$35,000, bringing it to \$30,000.
  - Mr. Walls asked what the last alley pavement project cost, and Mr. Berube replied it was about \$65,000, which is the reason for the proposed line item at \$65,000. Mr. Walls pointed out that we will not be able to do anything for \$30,000. Mr. Berube agreed but pointed out that we are carrying over \$65,000 from the current

fiscal year into fund balance. Ms. Kassel reasoned that if we are not spending \$65,000 in the current fiscal year budget, and since Mr. Boyd said nothing really needs attention now, by putting \$30,000 for this line item for fiscal year 2017, the other \$35,000 originally proposed in this line can be applied elsewhere in the budget. Mr. Walls asked what was going to be done with \$35,000, and Mr. Berube suggested it would be added to the \$65,000. Mr. Walls pointed out that means you are suggesting \$95,000, not \$35,000, and Ms. Kassel is suggesting making it \$30,000. Mr. LeMenager does not think we are that far off anyway. The \$208,470 is \$50,000 too high, and we are running \$60,000 ahead based on changes we have discussed.

- Mr. Berube suggesting waiting to negotiate this line item until after the rest of the budget has been discussed, after Mr. Moyer has added up all the changes.
- Mr. LeMenager indicated since the Board has not spent all the budgeted amount for this line item, the difference should go to reserves.
  7. Repair and Maintenance—Sidewalks: *No change on this line item.*
  8. Repair and Maintenance—Vehicles: *No change on this line item.*
  9. Repair and Maintenance—Equipment, Boats: *No change on this line item.*
  10. Repair and Maintenance—Equipment, Vehicles: *No change on this line item.*
  11. Repair and Maintenance—Parks and Facilities: *No change on this line item.*
  12. Repair and Maintenance—Hardscape Cleaning: *This line item is to be deleted.*
  13. Miscellaneous Services: *No change on this line item.*
  14. Miscellaneous—Property Taxes: *No change on this line item.*
  15. Miscellaneous—Access Cards and Equipment: *No change on this line item.*
  16. Miscellaneous—Contingency: *No change on this line item.*
  17. Miscellaneous—Security Enhancements: *No change on this line item.*
  18. Operations Supplies—Fuel, Oil: *No change on this line item.*
  19. Capital Outlay—Other: *Reduced to zero.*
- Mr. Berube suggesting reducing this line item to zero since no capital outlays are projected. Spent to date in this line item is \$2,252, and the narrative indicates it is for existing equipment, new equipment, and boats. Ms. Kassel pointed out that we purchased a boat for the ponds. Mr. Berube indicated it was the motor for an existing boat. Mr. LeMenager asked what line item the new boat came from, and



Mr. Berube indicated it was from the \$100,000 received from the bond issue, the recreational portion of the total of \$200,000 received. Mr. Berube reminded the Board that \$100,000 was for parks and recreation, and \$100,000 was for street lights.

- Mr. LeMenager indicated that if we need a new motor for a boat, this is the line item it would come from. Mr. Berube advised taking it from the boat line item.
- Ms. Kassel suggested leaving \$2,500 in this line item, to retain the line item and to have monies available if necessary. Mr. Walls agreed.
- Mr. Brill indicated this line item is an asset that you are bringing on, which is set at \$5,000. If you were to lower this line item to \$2,500, that is fine, but it will not be added to your asset list in the audit. You usually use this line item for when you are adding to your fixed asset schedule. If you end up spending money less than \$5,000, it might not be included on that asset list. Mr. Walls suggested zeroing out this line item, and if the District needs something, it will come from reserves.

20. Capital Outlay—Vehicle: *Reduced to zero.*

- Mr. Berube suggesting reducing this line item to zero since no vehicles are projected to be purchased in fiscal year 2017.
- Ms. Kassel suggested leaving \$2,500 in this line item, to retain the line item and to have monies available if necessary. Mr. Walls agreed. Mr. Berube indicated for a vehicle, you cannot do anything for \$2,500. Mr. LeMenager agreed with Mr. Berube to reduce this line item to zero. Ms. Kassel suggested that since the third golf cart is being used for parts, the District might need to buy a new one.
- Mr. Walls suggested zeroing out this line item, and if the District needs something, it will come from reserves.

Discussion of Net Budget Changes:

- Mr. Farnsworth indicated the total of the changes, except for street light leases and alleys, was to add \$27,000, which would increase the assessments if the budget total is increased. Mr. LeMenager suggested reducing street lights by \$27,000 to come up with the same original proposed total. Mr. Walls commented that unassigned fund balance is more than \$27,000. Mr. Berube suggested reducing the line item for alleys by \$27,000, but Ms. Kassel disagreed.

- Mr. LeMenager indicated that as soon as the street light payment is made to OUC in July, the total of \$208,470 becomes \$160,000 for next year. Ms. Kassel asked why it would not be reduced. Mr. Berube commented that the budget needs a little flexibility in it somewhere.
- Mr. LeMenager suggested another alternative is to lower assessments.
- Mr. Walls indicated that would mean assessments would have to be increased in a future year.
- Mr. Berube indicated that once the street light leases are all bought out, that may be a possibility. Mr. LeMenager confirmed assessments would be able to be lowered.
- Mr. Walls indicated money is available to pay the \$330,000 for the next two street light contracts and recalled another \$100,000 was included in reserves for street light buyouts. Mr. Moyer confirmed that was the case. Mr. Walls asked why that was going to be done, and Mr. Moyer responded the difference between \$330,000 this year and what the actual number ends up being will come out of the \$105,000. Mr. Walls pointed out if that money is put back into unassigned fund balance, you will have more money to use for these budget changes if another \$100,000 is not set aside for street lights. Mr. Berube commented the \$100,000 is not reflected in these columns but in fund balance. Mr. LeMenager indicated it should not say Reserves—Street Lights because we have no reserves for street lights. That was for the first year, so \$105,000 should not be reserved for street lights. This was pursuant to the latest email. Mr. Berube indicated it should plug in somewhere in the top portion of the budget, and Mr. LeMenager confirmed that was correct.
- Mr. Moyer indicated his total of the changes came to an addition of \$26,287. The total increases were \$66,137, and total decreases were \$39,850. Mr. LeMenager and Mr. Walls suggested reducing street light leases by that amount, reducing that line item from \$208,467 to \$182,180.
- Mr. Farnsworth indicated his spreadsheet has a loop that goes to the assessments and comes back, and encouraged Mr. Moyer to be careful with using a straight number.

- Mr. LeMenager indicated the street light lease line item becomes the plug number so that the budget total remains the same. We are quite comfortable that the amount will be \$160,000 or \$165,000. Mr. Walls reiterated that we need to confirm that for sure since we want the exact number.
- Mr. Farnsworth asked if no changes were being made to roads and alleys, and Mr. Berube confirmed that was the case.
- Mr. LeMenager reiterated for the benefit of the audience that one line item number is always the plug.

#### **G. Other Financing Sources**

1. Interfund—Transfer In: *No change on this line item.*
  2. Contribution To (Use Of) Fund Balance: *No change on this line item.*
- Mr. Berube indicated we cannot do much with these line items yet because we do not know what the changes are that were discussed.

#### **H. Reserves**

1. Reserves—Insurance: *No change on this line item.*
  2. Reserves—Renewal and Replacement: *No change on this line item.*
  3. Reserves—Sidewalks: *Correct name to Reserves—Sidewalks and Alleys, amount increased to \$165,000.*
- Mr. LeMenager pointed out the name of this budget line item should be for sidewalks and alleys. This was decided at a meeting.
  - 4. Reserves—Street Lights: *This dollar amount to be moved to Reserves—Sidewalks and Alleys.*
  - Mr. Berube asked if this reserve line item should roll up into the reserves for sidewalks and alleys. Mr. LeMenager indicated this line item does not exist. It can just be unallocated. With \$135,000 in undesignated cash, having \$240,000 in unallocated cash is not a bad idea.
  - Mr. Walls indicated the Board can always change these. Mr. Walls proposed taking this reserve and including it with sidewalks and alleys.
  - Mr. Moyer indicated the Board is currently operating with operating reserves of \$250,000, which is less than the first-quarter operating expenses. The reason we did that was because the District receives guaranteed income that is not on the tax roll, so we do not need \$388,000. The reserve for street lights was \$105,000.

- Mr. Berube pointed out this reserve is still sitting out there, and Mr. Moyer confirmed that is the case as of today. Mr. Walls recommended moving the amount to sidewalks and alleys since money was already included in the budget for the street light buyouts. Mr. LeMenager confirmed that is true. Mr. Berube asked why the reserves for street lights were not moved to the reserves for sidewalks and alleys at the time when that reserve name was changed. Mr. LeMenager commented that was not the topic at the time.
- Ms. Kassel indicated it is fine to merge street light reserves into reserves for sidewalks and alleys, pending Mr. Boyd's reserve report. Mr. Berube did not think his report would affect what the Board will do with street lights but it will affect what is done with roads and alleys. Ms. Kassel indicated it will affect the reserves.
- Mr. LeMenager indicated the amount budgeted for roads and alleys of \$65,000 will be zero for the fiscal year. Our available funds at the end of the fiscal year will not be \$700,000 but will be \$765,000. Undesignated cash has \$135,000, and Mr. LeMenager would like that to be more in case of a hurricane, which is bound to happen one of these days. Ms. Kassel commented that it is nice to have more funds in unrestricted and agreed with Mr. LeMenager that if we are going to change the reserve schedule, add it to undesignated to give the Board more flexibility. Plus, we are keeping \$65,000 in the budget for streets and alleys and budgeting \$5,000 for sidewalks. Mr. Walls indicated \$65,000 will do one alley. The reserves are not limited to what is assigned to them. If an emergency comes up, money gets moved around so something can be fixed. Mr. Walls recommended setting money aside for alleys and doing as Mr. Boyd suggested in doing a big job to get a good contractor who will do several alleys at once, which may be two or three years in the future but the Board is setting aside some of that money now.
- Ms. Kassel pointed out that once the Board receives the updated reserve report, all this may change.
- Mr. LeMenager appreciates what Mr. Walls said, that if an emergency comes up, the Board has the ability to do whatever it wants and needs to do.

### **I. Debt Service Budgets**

- Mr. Berube commented that we really have no say in these budgets.

### **J. Assessments**

- Mr. Berube commented that assessments for neighborhoods I, J, K, and L were all the same for the 40-, 50-, and 60-foot lots. When looking at neighborhoods I, J, K, L, and O, each of them is somewhat different. Mr. LeMenager indicated the reason is because the platted lots are grossed up 6%. Mr. Berube asked why they were grossed up, and Mr. Moyer replied because they are on the tax roll. Mr. LeMenager commented they include not only the fee to the property appraiser but also the 4% early payment discount. Even though H-2, F, A-2, and M are together, they are slightly different. Mr. LeMenager asked the question previously, and the response was because they are not grossed up. Having this information available and on the website will let everyone know how it is done and what the numbers are.
- Ms. Kassel indicated because A-2, J, K, L, M, and O are not yet platted, the assessments will not be grossed up because the assessments will be collected directly from the developer, and that will be the case until they are developed.

### **K. Conclusion**

### **L. Capital Fund**

## **FOURTH ORDER OF BUSINESS**

### **Supervisors' Requests and Comments**

Mr. Farnsworth stated I have some things I would like corrected in the budget narrative.

Mr. Moyer stated send me the changes.

## **FIFTH ORDER OF BUSINESS**

### **Audience Comments**

Ms. Eva Horner stated I am concerned about field services expansion. If the workload is there and another person is needed, my concern is that when additional functions were added previously, it was actually a cost reduction. We are looking to the new fiscal year of adding manpower because the activities we took in-house are requiring more manpower.

Mr. Walls stated the difference is that we are adding new space to take care of. We had a cost before that figured in x amount of space to take care of, and we are adding to that and expanding their duties.

Ms. Kassel stated we have more assets: new ponds, new landscaping, new irrigation.

Ms. Horner stated it just seems that the group is getting bigger and bigger.

Mr. Berube stated what you cannot see is the prior year. We had field services, but they were managed either by Harmony Development Company or Severn Trent. In those years, we were paying more and getting less than what we are getting now. You have base wages and all the costs that go into that, and there is always a premium or a markup. The way we set it up with FRM as the employer, our immediate costs for labor went down. We are still below, with more staff doing more work, what we were paying for field labor going back to 2013 or 2014. I realize it looks like a steadily increasing line item, but you have to look back at prior years to see that trend. It decreased dramatically and now it is slowly increasing.

Ms. Horner stated I still maintain that some things cannot come in-house. We cannot be the experts on everything. I caution you with that. Along the same lines in terms of service contracts, the pool heater at the Swim Club had some issues at one point over the winter, and the comment was that you do not do service contracts. I want to know why because it is pretty expensive equipment to not have someone regularly maintaining and monitoring it to make sure everything is fine. I know it seems like you are throwing away money, but I think it keeps that kind of equipment in good order. I am curious about that.

Mr. van der Snel stated we do not have a service contract with Symbiont, but we do have them come every year for service at a steady fee. It eliminates the idea of having a contract, but it is annual maintenance that we do. They go through the whole system, including the pool heater, and assess it.

Ms. Horner stated my understanding is that it is something that typically needs to be done more frequently. It is big, expensive equipment to replace.

Mr. Berube stated our history with that has been the coils are the big expense, at about \$17,000. They go out about six or eight months out of the five-year warranty. So under the warranty, we effectively have a service contract during that time period. The last time, we bought a platinum or titanium one, which carries a longer warranty, lifetime if I remember correctly. The rest of the service on it is very minor. We probably have one or two service calls annually. Whether or not you have a contract does not affect the warranty on the coil, which is the big-dollar item. The amount of maintenance that we have to do to these every year does not even show up. When Symbiont comes out, the

average call is \$300 or \$400, usually for a failed relay. I understand what you are saying, that it is a big piece of expensive equipment, but so far, the value of a contract has not been demonstrated to be a savings over what we have to spend in real dollars. If that changes, then we will look at it. The coils are the big items, and we have two. One is under warranty that will probably end soon.

Ms. Kassel stated I think her point is that maybe these coils could last longer if they had more regular servicing.

Ms. Horner stated yes.

Mr. LeMenager stated my understanding is that we have a different kind of coil.

Mr. Berube stated that is correct. The coil itself sits in the water all the time. It is not like an air conditioner coil that needs to be cleaned. This sits in water and exchanges temperature. Our very acidic water eats it up, which we all know by living here in Harmony with our water heaters and other equipment. That is what fails in the coils.

Mr. Walls stated there is nothing you can do about that.

Mr. Berube stated that is why we spent the extra money last time and bought the longer warranty.

Mr. van der Snel stated it does get serviced every year.

Mr. Berube stated we are not ignoring it.

Ms. Horner stated it is the concept of kicking the can down the road. I just wanted to make sure we were not eliminating service on it.

Mr. Berube stated the other thing we do is, when they come in, they also do a safety check. You are in water with electricity, and they are licensed to check that. We do the same thing with Pool Works, which used to be done by Spies. When they are here at some point during the year, they review everything including the grounding, ground fault circuit interrupters, and so on. We had an electrician here to do all the boat docks because it had been a while, and they also looked at Town Square.

Mr. van der Snel stated that is correct; it was a mess since no certified electricians were used.

Ms. Horner stated I remember that from Christmas.

Mr. van der Snel stated now it is all GFCI certified. We spent about \$900 on that, but it was worth it. Now it is safe to use Town Square and safe to be on the docks.

Mr. Berube stated I read a story from somewhere about someone who went into the water at a dock or a pool and was electrocuted. It dawned on me that I could not recall the last time we had ours looked at, so we took care of that. I think the docks passed with flying colors.

Mr. van der Snel stated yes, though it had some minor things.

Mr. Berube stated Town Square was a different story, but it was important with the docks since they are on the water. We are mindful of that. Thank you for bringing it up.

Mr. van der Snel stated all the contractors I hire now are certified. The pool manager is never tampering with any electrical equipment.

Mr. Berube stated there are limits to what our staff does. When it comes to electricity, they are not involved.

Mr. Farnsworth asked regarding the allocation of fund balance of available funds, are we going back to the way it was, or are we staying with \$215,105 for street light reserves?

Mr. Berube stated the reserve for street lights is moving into the reserve for sidewalks and alleys. The reserve for street lights will be eliminated and will be added to the one above it, which will be named sidewalks and alleys.

Mr. Farnsworth asked does it have \$165,000?

Mr. Berube stated yes, as of right now. It will probably change at some point.

Mr. Moyer stated if we reduce the operating reserve to \$250,000, that money then falls down to unallocated.

Mr. Walls asked do we want to reduce the first-quarter operating expenses to \$250,000? I am fine either way.

Mr. LeMenager stated yes.

## **SIXTH ORDER OF BUSINESS**

### **Adjournment**

The next meeting is scheduled for Thursday, June 30, 2016, at 6:00 p.m.

On MOTION by Mr. LeMenager, seconded by Mr. Walls, with all in favor, the workshop was adjourned at 5:20 p.m.
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