

MINUTES OF MEETING
DUNES COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Dunes Community Development District was held Friday, February 10, 2017 at 9:30 a.m. at the Dunes CDD Administrative Office, 101 Jungle Hut Road, Palm Coast, Florida.

Present and constituting a quorum were:

John G. Leckie, Jr.	Chairman
Gary Crahan	Vice-Chairman
Dennis Vohs	Treasurer
Charles Swinburn	Assistant Secretary (by phone)
Rich DeMatteis	Assistant Secretary

Also present were:

Richard M. Ryan	District Manager
James Perry	District Representative
Tim Sheahan	Utilities Manager
Michael Chiumento	District Counsel

The following is a summary of the minutes and actions taken at the February 10, 2017 meeting. A copy of the proceedings can be obtained by contacting the District Representative.

FIRST ORDER OF BUSINESS **Roll Call**

Mr. Perry called the meeting to order at 9:30 a.m.

SECOND ORDER OF BUSINESS **Audience Comments**

There being none, the next item followed.

THIRD ORDER OF BUSINESS **Approval of Minutes**

A. January 13, 2017 Meeting

Mr. Leckie asked if there were any changes to the minutes. There being none,

On MOTION by Mr. Vohs seconded by Mr. DeMatteis with all in favor the minutes of the January 13, 2017 meeting were approved.
--

B. January 25, 2017 Special Meeting

Mr. Leckie asked if there were any changes to the minutes.

Mr. Ryan stated I just note that we received the verbatim minutes from the court report and they are 59 pages. The verbatim minutes will be made available, we will put them on the website. If anyone wants to go through them, I'll forward you the file.

Mr. Leckie asked we need to put them on the website?

Mr. Chiumento responded that meeting, yes. Once the case is resolved and closed then they become public. Had this case gone on, you would file them with the Clerk under seal and they would remain confidential until the conclusion of the litigation. After the voluntary dismissal the case is closed and then we can put them on.

Mr. Ryan stated also it's filed in the court and the court closes it so it may be a month or more.

On MOTION by Mr. Vohs seconded by Mr. DeMatteis with all in favor the minutes of the January 25, 2017 special meeting were approved.

FOURTH ORDER OF BUSINESS

Reports and Discussion Items

C. Community Projects Report

Mr. Sheahan stated the intersection is basically complete so that number, the 87% complete number will change. I don't think it will be 100% because we were under that number to begin with. I'll update that number.

Supervisor Crahan joined the meeting at this time

Mr. Leckie asked Dick, will you give us an overall view of this?

Mr. Ryan stated as far as the community projects report, we finally have a concurrence with our auditing people down in Ft. Lauderdale. There is a slight difference between this and their report only because my records reflect January 31st closing whereas theirs is December 31st so a few of the bills they have not recorded in their records but other than that, they are identical and at this point everything that we have in the works is essentially complete so we now have some additional funds, \$900,000 of which is earmarked for the county and the Hammock drainage system. There are still several hundred thousand dollars available for community projects at the boards discretion based on the revised agreement we have with the county.

Mr. Leckie stated under item A we have something about the community project funds, should we talk about that now? That's the excess money you're talking about I assume?

Mr. Ryan responded yes, Rich requested that the board consider allocating some of the community project funds to dune restoration and I said I'd put it on the boards agenda and now it's up to the board to do what they want with it.

Mr. Leckie asked what do we have, roughly the difference here is \$300,000 or \$400,000?

Mr. Ryan responded right, take \$900,000 off that number plus there's another maybe \$20,000 to close out. You've got \$300,000 or \$400,000.

Mr. Leckie asked have you had any requests from the county to use that \$400,000 for dune restoration?

Mr. Ryan responded no. That has been designated by them for the Malacompra drainage area so there's been no request of modification from the county.

Mr. DeMatteis stated I know that we had excess funds. I represent the Ocean Hammock district and that Hammock Dunes association has met with the county about sharing in gathering funds for the dunes restoration; most of the funds will be 50/50 match by the Florida Department of Environmental Protection to continue to rebuild the dunes. I figured since a lot of beach customers come across the bridge, I believe there's a nexus to the beach. We funded the ocean rescue facility with these funds and so on. I thought this would be a good use to contribute to that overall effort which will be \$10 some million dollars just in these couple of miles that we're involved here in the district.

Mr. Crahan asked is it that or just the Jungle Hut and 16th Road access points? You're talking about a broad expansive beach or just in the proximity of the beach access where the nexus would be with the community access?

Mr. DeMatteis responded it is segment four, which basically covers Hammock Dunes, Ocean Hammock, and Hammock Beach Club. It's about 3 or 4 miles.

Mr. Vohs stated I thought this was a good idea but I've had many discussions on this topic and the view of the people involved is as soon as you show any money, FEMA declares that it's not an emergency area. You can't have this discussion until FEMA and DEP, which sends all the money, not to the area to be repaired but they send it to the county and eventually it might get down to the people putting in the request. The issue is that an early dedication of this will end up wiping that portion out, i.e. the Sidoux property which had a breach and all of the dirt

came in. When the homeowners association pushed all the dirt back out onto a dune, FEMA took the approach that it was no longer an emergency situation and so they wouldn't consider funding for it. I think it's what we should do but I don't know that right now is the time that we can do it. I know at Hammock Dunes they received the permit a couple days ago. They are doing it under basis of borrowing the money. FEMA is taking the position that they don't know if dune reworking is fundable activity. Everybody is doing it based on FEMA, but FEMA hasn't given the okay that it is an emergency.

Mr. DeMatteis stated it's not my knowledge that there's any indication that the dune restoration of six cubic yards, which FEMA would provide, is not something that they're willing or have been able to do in the past.

Mr. Ryan stated just as a point of information this morning there was an article about FEMA turning down Flagler County for debris removal so again, they can be very picky when they want to be and so I think your point is well taken.

Mr. Vohs stated I think it's a good place that we should plan on targeting but we may want to wait until we get something. I thought it was a great idea and then I was battered by the people who are dealing with the three government agencies because every time they get an agreement, the next government agency has a reason that it can't be done that way. I think it's worthwhile. Maybe what we should do is make sure we don't target that money for something else until we get to a time where we get where we can target it.

Mr. Ryan stated the item can be tabled for the time being and when the timing is more appropriate to bring it back up but right now there's no action pending on any other expenditures.

Mr. Vohs stated I don't know if you've heard anything as to what the county is proposing with this request for funds and what it's going to do with Jungle Hut and 16th Road. It seems to me it winds up benefitting DCDD as well because right now we have an open breach.

Mr. DeMatteis stated it's my understanding that the county is getting FEMA money for all the parks, 100%, they don't have to match any of that and that includes Washington Oaks so they intend to plug all those beach access gaps. The engineering firm that they've contracted with who Hammock Dunes is also using to piggy back on is coming up with some proposals to provide access over those dunes for heavy equipment for ocean rescue and various other matters so they can't just build an old fashioned sand dune with a wooden walkover, they have to have

some other mechanism of getting the equipment out. Whether that equipment has to go out right there or a gate or some kind of road matter over it, that's part of the proposal that's going to be coming back to the county.

Mr. Leckie stated at this point this item is tabled for the moment.

Mr. Vohs stated I think we should remind ourselves of this if any other requests come up.

Mr. DeMatteis asked is there some inclination to do this in the future?

Mr. Vohs stated I think it ties into the issue of people getting across to the beach, which is one of the things we were allowed to spend our money on.

Mr. Ryan stated I'll just caution you that the ocean rescue stations were in the agreement with the county which makes the nexus connection a little different than like Hammock Dunes Parkway was a direct correlation and was a real nexus to the bridge and to the traffic. The beach may be a stretch in tying that as a nexus to increase traffic over the bridge because essentially it's a private beach.

Mr. Crahan stated not where the county parks are. If the scope is constrained to 500 feet either side of Jungle Hut or 16th Road, that's clearly a public access point for recreation.

Mr. Ryan stated right the two points and Malacompra even though it's not really in the district, it's adjacent to the district.

Mr. Crahan stated I would also say we have a vested interest in plugging the Jungle Hut gap for our own wellbeing.

Mr. Ryan stated I agree I'm just saying there's a difference in why we did the ocean rescue and this is different.

Mr. Vohs stated I thought we discussed early on that our justification was that it attracted more people coming across the bridge so it would make it make sense. I don't know how that ties if the dunes are owned privately.

Mr. Ryan stated what we're talking about is repairing at least in part the public access areas meaning Jungle Hut and 16th Road. It's pretty clear that there is a connection.

Mr. Leckie stated however you're saying that FEMA has agreed to pay for 100% of repairing the parks.

Mr. Vohs stated I think so.

Mr. DeMatteis asked who's the arbitrator of the nexus discussion?

Mr. Ryan responded it's a legal argument.

Mr. Perry stated I think you're fine. It doesn't necessarily mean an increase but even just maintaining your traffic flow.

Mr. Ryan stated there's a couple of cases that were down in southern Florida where they used the beach as the basis and the court ruled against them so that's why I'm saying that there are some issues that may or may not be there but in this case, certain aspects that I think are pretty clearly we could find. The other ones may be a little grey but by maybe going and discussing with the county and having it as a county – Dunes CDD agreement we could get around it.

Mr. DeMatteis stated and even if they get full funding for the park beach accesses, those beach accesses alone don't survive without continued dunes supporting them on both sides and I think if you add the tourism aspect and the safety of this facility aspect, it's two things that I think increases the susceptibility of it.

D. Review and Take Action as the Board Deems Appropriate on the Settlement Agreement Regarding Capacity Fees Matter

Mr. Chiumentio stated after our special board meeting we had discussions with counsel for the plaintiffs and in a nutshell staff, Mr. Leckie, myself, and the other side have crafted a settlement agreement that is here before you that would need to be accepted by the board. If accepted by the board I am told, I have not seen signatures that the other side has already signed it and is waiting on approval and that settlement agreement is essentially if we elect to pay them \$20,000, they will dismiss with prejudice their lawsuits against us. They have agreed to that. Obviously there was a little negotiation but not a whole lot so if the board would choose to do that, the settlement agreement is before you.

Mr. Leckie stated I think the \$20,000 is for the total of those three lawsuits.

Mr. Chiumento stated that's right, it's \$20,000 to all three plaintiffs. How they elect to divide up those funds is amongst themselves.

Mr. DeMatteis asked is there anything that these individuals behind these LLCs own some other rental properties that they haven't sued on yet, that they could come back and sue for those?

Mr. Chiumento responded no there's nothing in that agreement that deals with that. For example if Mr. Milo had three other companies could he himself through that entity bring a same

or similar suit, this does not address that. To do that, we would need Mr. Milo himself and their principle waiver of a claim. This settlement agreement doesn't prevent anybody from bringing a claim against us on a same or similar basis. It just disposes of the lawsuit.

Mr. Leckie asked what's your recommendation? We go back or do you think we need to close this as it is and move forward or we need to go back and try to get a waiver on future claims?

Mr. Chiumento responded I'm trying to think of a way that structurally we would have the shareholders or members of these LLCs waive their claims related to this amended rule that would be binding on other companies that they may be associated with. Not that it can't be done but at this point it would take some time. If you like it, we could craft it, I don't think that's a problem but for example Mr. Milo, if he's partners in another entity to what percentage controlling or not, how would that affect binding him and his other entities. I'd have to think through that. It may be cumbersome.

Mr. Leckie stated my feeling is we tailor the settlement for the \$20,000, we got these three off the table. It looks like with him wanting to settle he doesn't want to spend more money on this kind of situation so I question that we try to get the waiver this time because if it will hold this up, I'd rather get this off the table for the \$20,000.

Mr. Crahan stated I agree with you.

Mr. Vohs stated I agree.

Mr. DeMatteis stated I agree, but we shouldn't be surprised if something else happens.

Mr. Vohs stated my only concern is this time they know they haven't spent the money and the next lawsuit they haven't spent the money and this one went through in two and half years so even if you don't do anything, you spend a lot of money and they won't have that investment in.

Mr. Ryan stated Milo just received a \$27 million bank loan. It's one of those as the article points out that once you have the basic technology as he stated it and the systems to deal with these, it's not like you have to add hundreds of more people, the computer systems make it easier.

Mr. Chiumento stated one of the things I've always thought about this is now that rentals are restricted and the number of people exceeding that starts to decline over time, that pool of individuals that were assessed probably is not going to expand.

Mr. Ryan stated we're still filing against people and most of them are people just using an excessive amount of water. A senator just filed a bill essentially duplicating the original bill and has re-filed it in the legislature.

Mr. Leckie stated I was just in the Clerk's office and they mentioned that another one is being brought up.

Mr. DeMatteis stated when the first bill happened three years ago it was from, if you have an ordinance in place, that ordinance would stay. This one doesn't. It basically voids whatever the county has done if it was to pass.

Mr. Vohs stated it would seem that if somehow they came back, as long as we didn't engage in the litigation we'd probably restricted in damages to what we were funded by the fines that they had.

Mr. Chiumento stated that is correct, I think I told you an incident where the City had a stormwater ordinance and we challenged it as though it were an unconstitutional tax. Under that scenario, the law requires them to return all the money. In this scenario the law is absent as to what would happen if an ordinance or rule was deemed inappropriate. Whether it would be limited to returning it to that individual who appealed or the whole class. It's just not clear.

Mr. Leckie asked Charlie do you have any comments about signing this agreement?

Mr. Swinburn responded no I agree with what you have to say Jack.

Mr. DeMatteis asked can the confidentiality section in paragraph three be strengthened in any manner?

Mr. Chiumento responded that confidentiality agreement is intended to keep Milo and his entities quiet, but this settlement agreement is discoverable as public record but him discussing it with other people is off limits. There are limits on what we can do on that issue. The LLCs, its entities and its officers are all restricted from talking about this. Hard to enforce, but it's there.

On MOTION by Mr. Vohs seconded by Mr. Crahan with all in favor to accept the Settlement Agreement and Authorize Chair or Staff to Execute the Agreement.
--

Mr. Vohs stated so it's the financial aspect of the agreement that's confidential not that the agreement was arrived at or concurred with? What are the nuances of that confidentiality? It

says the financial terms of this agreement shall be treated as confidential. It didn't say anything that we achieved or struck a settlement.

Mr. Chiumento responded this is about the financials terms of the agreement, what was paid. It's all public record anyway.

Mr. Vohs stated if I have a constituent that comes up and says "I understand that you guys have settled" I know that person could find out through the public record, but can I respond to that or not?

Mr. Chiumento responded you can say that it has been resolved. The terms and conditions of the agreement, I can't discuss. We just want to minimize his discussion in the community.

Status Report on New Toll Collection System

Mr. Ryan stated they're moving forward with all of their installations and putting in a new program. I don't know whether we're going to get it done by the end of February but I'm hopeful still. I'll update you by email if we do that. Otherwise, it will be March. Hopefully it will still be March 1st but most likely where we are in the month, it's going to be April.

Mr. DeMatteis asked what is the hold up because you originally thought it would be the end of January.

Mr. Ryan responded the treadle from Germany was the hold up. Until that went in and then they started syncing up the new computer systems, the computer program, with the old one. Both of them have to be functioning to make the transition so that's what they're installing there right now; installing the program and starting the testing of the program. It's possible that it could get done by the end of the month, I just don't know.

Mr. Leckie asked what are we doing to do as far as telling people about the change from \$2.00 to \$.50. How will you communicate that?

Mr. Ryan responded I think we will do it with the water bills and we'll probably take some ads in the paper as a public notification.

Mr. Vohs stated I've got a column coming up here at the end of February so it's worth mentioning.

Mr. Ryan stated yes and put it on the website. A lot of people are going to care less but those that are interested we will have an explanation available that they can look up.

Mr. Crahan stated if we have it written up with the homeowners association, they might be willing to let us use their email address.

Mr. Ryan stated the issue now is that we've got 19,000 accounts which is probably more in the order of 40,000 different people because almost all of these have multiple cards so one account, like the school department, they have 50 buses so it's a lot of people out there that are affected.

Mr. Vohs asked this axle counter, where is that physically going to be? Is it before the tollbooth?

Mr. Ryan responded yes.

Mr. Vohs asked so it's far enough that an 18-wheeler would've tripped all axles by the time the driver is at the tollbooth?

Mr. Ryan responded yes and they also do a count. The toll attendant physically looks at the vehicles. I assume the axle count is done in a way that would pick up those axles. Basically they just look and punch in the code that is there.

Mr. Vohs asked so what's the purpose of this axle counter?

Mr. Ryan responded it's to double-check what's going on.

Mr. Vohs asked does it automatically trigger a number that the toll collector?

Mr. Ryan responded it can but they're just hitting the button saying 2-axle car or 3-axle, whatever it is. They punch it up and it's either scanned or collected.

E. Discuss CPH Engineering Proposal for Evaluating Stormwater Utilization and Additional Reclaimed Water from Palm Coast

Mr. Ryan stated we're going to put a hold on this. The one aspect we will tell them to proceed with this is the weir up at the north end to make recommendations on what it would take to make that a viable device to drop the levels of the pond. The other parts of the proposal are too intermixed with Palm Coast. In other words are we paying for services that Palm Coast should be paying for? They're doing an evaluation of Palm Coast for what size force main they're going to put in. It almost seems that we shouldn't be paying for any of that. Palm Coast needs to have an evaluation and once they complete that evaluation we can look at it and determine a lot of things ourselves so we're basically telling them to hold off.

Mr. Sheahan stated and not only that, a number of years ago, we had them do a hydraulic analysis of getting more water and what size pipe that would be, what route it would take. So we've got that report so they've already done a substantial amount of hydraulic modeling on that.

Mr. Ryan stated to continue on with the process, we're going to take our portable pump and we have a location over by the tennis courts at Hammock Dunes and there's a manhole there that we think we can tap into the lake system and from there draw down from the lake system on the south end. If that proves to be viable then what we'll probably plan on doing is putting in a submersible pump in a manhole over there and tap into the reclaimed water line that runs right by the tennis courts. Knock on wood this is a viable area to tap into the lake system in the south end and if it is we have a pretty reasonably cost way to get additional water so it frees up worrying about the north end. At some point we obviously want to have either both of them, or the north end connection we know works and we won't know for a few weeks whether we can get into the south end.

Mr. Sheahan stated we had a meeting with Daniel Baker and Steve Sorrel from the Ocean Hammock golf course a week ago or so and they outlined when their needs would be and starting in April, May and June they're going to be needing water for replanting the golf course and the growing period so we need to look at doing something to fast-track this project rather than wait the six months that they have in their schedule here to find out how much water we have. I thought we could jump on something like this and find out how much water we could get.

Mr. Ryan stated if we can't tap into here, then Ocean Hammock is going to have a problem and we've already said that we can't guarantee anything. We're moving forward but until we find out, we can't guarantee you the kind of water you want. Their conclusion was if that was the case instead of doing four holes at a time, I think it spreads it out a little more and do two or three holes or whatever it would take them an additional six weeks or whatever to get the course open. I think they're shooting for October 1st.

Mr. Swinburn asked is there any way, other than waiting for rain to lower the salt?

Mr. Ryan responded no.

Mr. Leckie stated so you can't use the northern ponds because of the salt there.

Mr. Swinburn asked did you talk to Palm Coast about the water in the lakes?

Mr. Sheahan stated we had talked about that with Daniel Baker and Steve brought that up, could we push Palm Coast to give us more water, but practically speaking that's not really going to have a big effect.

Mr. Leckie stated I thought we talked when Hammock Dunes came. The force main is only so big and the problem is the size of the force main, not that there is water available.

Mr. Sheahan stated right now we're thinking about 900 gallons a minute or 1,000 gallons a minute from them. We can take more than that but we don't have the demand for it so that theoretically we could ask them for their max and try to push some water out there.

Mr. Ryan stated the problem is we push it out to what end we don't know and that's the big risk. You start spending money and time to flood it and the cost associated with it and it doesn't significantly reduce the conductivity in the lakes so there's no way to test it. There's no way to go out and say, let's grab a bucket of this.

Mr. Vohs stated what if we preemptively fill our lagoons?

Mr. Ryan stated we usually do that right before the start of the season. We try to get as much as we can in there but again it only takes a matter of several weeks with high demand that we get in May and that's when it really hits, starting May through the 1st of June, that's always the first period for it because we don't have the summer rains. Every time we've had an emergency situation it's been in May or the 1st of June. We will fill the lagoons as much as we can but if you get three or four weeks of no rain and the high demands, that water is gone.

Mr. Leckie asked are the lagoons filled now? Why wouldn't we fill them now?

Mr. Sheahan responded they're not at the overflow.

Mr. Crahan stated a slightly different question because obviously Palm Coast expansion won't help anything with this because it's long term. Is it possibly that Palm Coast without our participation would decide on some smaller piping?

Mr. Ryan responded no. What we want for additional flow, they want to get rid of very large quantities of water because it just simplifies their operation so whatever they put in is going to be more than adequate for our needs. The only question that remains from our standpoint is do we put in a new pipe from the intracoastal over to here or because of the grade of flow that they are going to be putting out, can we get what we want in the existing pipe. They have to do their analysis for how much water they want to put into the intracoastal. Once they get that analysis done we can look at it and say is that enough for us or do we have to still put in a larger main or

a separate main to give us the flow we want. Long term, that is going to be a very significant advantage to us to have that reclaim from Palm Coast however we end up doing it, as well as having the water available from the south end is an important aid as well.

Mr. Leckie asked is this going to be a temporary thing or is it going to be permanent?

Mr. Sheahan responded what we were planning on doing is setting our portable pump up over here by the tennis courts. West of that that's where the 12-inch reclaim water main runs through that easement.

Mr. Leckie stated okay, so you would pump it into that line that's already there.

Mr. Ryan stated that's what makes it cost effective is that we can get into existing mains without spending a lot of money.

Mr. Sheahan stated and then we can valve it over here so that we can treat it in accordance with that permit.

Mr. Leckie stated so this is something you can do between now and April when they want the water. That's a good deal. I thought before that the force main we had, we could get 2 million, 200,000 gallons a day from Palm Coast and that was limited because of the size of the pipe. You're saying that pipe can still take more?

Mr. Sheahan stated what we want to do is expand the size of the main from the Palm Coast plant to the intracoastal and not touch this part that comes back to the plant.

Mr. Leckie stated okay the limiting factor is from this side of the river to the plant?

Mr. Ryan responded the entire pipeline is limiting. In other words we could get a maximum of about 1600 gallons a minute which is roughly 2 million gallons a day and we can't get anymore than that with the existing pumping system. The only way we can get more flow is if we took pumps with a much higher head and forced it through but that still doesn't gain as much so what they're going to do is put a larger pipe in so that instead of getting 2 million gallons into the intracoastal, they may want to get 5 or 6 million gallons. Once they get that large flow then the pressure drops across the intracoastal to our plant it may be adequate that we don't have to do anything with that 12-inch line. Until they design their pipe, we can't know whether we have to do anything further or whether we leave the old pipe alone and have enough water.

Mr. Vohs asked where do they discharge it into the intracoastal?

Mr. Ryan responded right by the bridge.

Mr. Crahan asked what is the cost to us?

Mr. Ryan responded the cost to us is depending on how we structure a deal with Palm Coast but we would say we will participate to whatever degree, 10%, 5%, whatever becomes logical in exchange for the capability to get x-million gallons a day on demand for the next 50 years. The cost is undetermined at this point. It depends on what kind of a deal we get from them. As far as can we get an indefinite deal for x-million gallons of water then that's worth a lot more than something restrictive. At this point we don't know what size main, we have no clue about the cost but the concept of having a reliable permanent supply is very important because the lakes are not a permanent answer. They may be some years, some years they may not be.

Mr. Crahan asked why would Palm Coast always be a reliable source? Everybody runs short of water.

Mr. Ryan responded the wastewater plant is using 10 million gallons a day and then they're running that from the other plant over to this one.

Mr. Sheahan stated a new plant that's at US 1 North, they're building that second wastewater plant up there.

Mr. Ryan stated in any event it is 10 million gallons a day that they have to get rid of. That's more than we need so the answer is it becomes a long-term solution.

Mr. Leckie stated what we're going to do on this proposal for the engineering, we're just going to do it on the weirs and the rest of it, we're going to sit on. Do we need a motion?

Mr. Sheahan stated we want them to give you authority to approve this up to a certain amount with the understanding that we will reduce the scope.

Mr. Ryan stated authority to issue segments or portions of this proposed contract up to amount of say \$10,000. Right now the only thing we're planting on them is the weir study and evaluation.

Mr. Leckie stated I would rather give you authority of up to \$15,000 because the weirs is \$7,800.

Mr. Sheahan asked what about the effluent analysis with Palm Coast?

Mr. Ryan responded I still think we need to talk with Richard first and sit down and say what are you trying to do and where are you in your evaluation because I don't see paying for anything on that until we find out what they're doing for Palm Coast.

Mr. Vohs stated I'm willing to go with 20. I'd rather not hamstring him with a financial limit but a scope.

Mr. Leckie asked if we gave you \$15,000 or \$20,000 would that be better?

Mr. Ryan responded \$20,000 is fine. I don't see us needing anything at this minute other than the investigation of the weir. I think we need to really find out the Palm Coast deal before we do anything further.

On MOTION by Mr. Vohs seconded by Mr. Crahan with all in favor to authorize use of an amount not to exceed \$15,000 to evaluate the weir and effluent projects.

Mr. Swinburn stated a comment on the contractual language that includes the weir. I don't know if this is language you will use to button down what they're going to do but in the event that it is, under scope of services paragraph roman numeral I, subparagraph c, "prepare an opinion of probable cost to support the pumping system and weir structure improvements recommended", there's nothing in the preceding language or subsequent language that tells them to make recommendations about the weir structure.

Mr. Crahan stated yes, it says to identify and analyze but not necessarily make recommendations.

Mr. Ryan stated I think we would structure the language to get what it was we wanted from them rather than relying on their language.

Mr. Swinburn that's what I'm referencing, to perform the work within the scope of services rather than directing them to make recommendations.

Mr. Ryan stated invariably when we draft a contract with anybody like this we use our own language and then reference their proposal to our agreement so we try to keep our language up front and just use their proposals as a reference.

F. Acceptance of the Fiscal Year 2016 Audit Report

Mr. Leckie stated we've all read it completely.

Mr. Ryan stated this is referred to as a clean audit when they make no recommendations or follow up.

On MOTION by Mr. Crahan seconded by Mr. Vohs with all in favor to accept the Fiscal Year 2016 audit.

Mr. Leckie stated on page 20 it has that we have \$20 million in the bank, is that correct?

Mr. Perry responded yes.

Mr. Leckie asked is there any feedback at all about the Golden Lion situation? Have we heard from them in the last month?

Mr. Ryan responded no I sent them an email requesting that they send us a copy of their proposed license agreement, they had taken our standard and modified it. I haven't heard a word from them and of course they have not gone before the City yet either so I suspect that they are waiting until they go before the City. I'll talk to Charlie Faulkner and ask him what the delay is but they may have had to prepare a lot more than they were anticipating for the meeting with the City.

Mr. Crahan asked what's the sequence in the change of land use versus the city's proclamation of one way or the other? Is it one before the other?

Mr. Ryan responded City Council would probably have a meeting to say whether they would accept the project as proposed and then do the change. If they're not going to accept the project as proposed, there's no sense in doing a modification to the zoning so I would suspect they would hold a workshop, get a sense, and then have a meeting to approve the concept and then go into a zoning change.

FIFTH ORDER OF BUSINESS

Staff Reports

A. Attorney

There being none, the next item followed.

B. Engineer

Mr. Sheahan stated the intersection improvements we've already talked about. That's substantially complete. Wastewater plant design, we've got some preliminary draft plans that we're reviewing. We've got another review meeting scheduled in a couple of weeks. Hammock Dunes Parkway we replaced the two sabal palms up there that weren't doing well and completed the annual mulching and the trimming of the hangers left over from the hurricane and raising the canopy. I have nothing new to report about the marsh situation.

Mr. Vohs stated my understanding is that the St. Johns people, the scientists there, whoever that is, is doing research for them. Apparently these land banks, they have to find ones specifically to mitigate with the growth that supposed to be in there. He hasn't been able to find

that but he's certain he will but he needs a few more weeks. I think the game plan they have is they're going to do all this work, find out from St. Johns what St. Johns would grant, find out what it's going to cost for a mitigation swamp for the area and then have an estimate from I think Kline for doing the work.

Mr. Sheahan stated the estimate that we had done was for dredging that whole area.

Mr. Vohs stated apparently Kline told them if they don't have to haul away all the dirt, it's a big differential. The equipment apparently Lantier had said they could come across this property so they don't have to come across the golf course with the equipment. St. Johns was wrong originally when they told you it would grow back in 60 days because were at the 120-day mark now and there's not much growth there and we probably need to do something. There's some pallets and wood in there. Every time I come by there people ask what are you going to do about this. We don't know which builder it was but it looks shoddy.

Mr. Sheahan stated 16th Road and the Villas storm sewer cleaning, we were up there for almost two weeks cleaning the storm sewers up there. A lot of it's 48-inch sewers so it's a lot of work.

Mr. Ryan stated I've said in the past that we have stormwater management under the general fund budget and we allocate a small amount each year, \$20,000 or \$30,000, many years we don't spend it. This is the first instance where we had an unusual event where the sand came down and got on the road at 16th and then in turn backed up into the storm drains so the task of getting it out of there was very significant. The system was working but it would have created problems in the future. We have a choice; we have about \$190,000 in reserves in the general fund. That's small change for this kind of thing if you have a real issue. This one wasn't that bad, it only affected a small area but it does point to the fact that we need to be probably putting away more funding reserves for doing an extensive cleaning at some point in the future. When that is, I don't know because we haven't had any real problems except a few minor problems in the entire district over the past 20 years. It's more of an alert that it's coming and if we have another storm event like that it could be very significant. I think next year in the budget we need to start allocating a little bit more under the general fund storm drain for this kind of emergency.

Mr. Leckie asked so what did this cost?

Mr. Sheahan responded \$50,000. We only had \$40,000 in that line item budgeted for that so we're going to be over budget.

Mr. Crahan asked wouldn't it be better to do an annual pick a neighborhood and do an area or something like that and progressively work through.

Mr. Ryan responded the answer is yes and no. Theoretically that works but they say with no indication that we're having a problem anywhere in the system, except for a couple of what were basically design faults, contractor error where they put the drains in the wrong way. Other than those, we have had no problems. So to go out and start cleaning something that's not an issue.

Mr. Crahan asked do we have inspection video or anything like that?

Mr. Ryan responded we could do that but we have not done it because the simplest answer is, is it flowing, is there water standing after the water flows and the answer is yes, the water flows, and no there is no standing water. Simple observation tells you that the system is working.

Mr. Leckie asked didn't we have to put a trolley down one of the things out by the ocean to inspect the pipe to make sure it was laid correctly? This was not for stormwater but for wastewater. My point, can't you put something down there like a trolley and go through with a camera on it?

Mr. Ryan responded that's what I'm saying, but you can also stand at the manhole and go to the discharge point in the lake or whatever and if there's no standing water in the manhole and water is flowing out into the lake, you don't have a problem.

Mr. Sheahan stated to be more proactive based on what we saw for just cleaning this small area, it would behoove us to get our own equipment - get our own truck, get our own TV.

Mr. Ryan stated a truck is about \$150,000 to \$200,000.

Mr. Sheahan stated get a TV, another \$75,000 or \$100,000, you're talking about a pretty big investment capital to do that if you wanted to be more proactive.

Mr. Ryan stated it's much cheaper to hire these people on a one-off situation but when you say okay we're going to do an annual thing then you get into manpower, capital equipment and other things.

Mr. Crahan stated but you could do a specimen or a sample now, just to see and particularly after having this event and see what the conditions are in a couple of representative areas.

Mr. DeMatteis asked do we have that problem on Jungle Hut with the sand coming in?

Mr. Sheahan responded no, of course there's not an extensive drainage system on Jungle Hut.

Mr. Ryan stated we had all these laterals coming off of 16th. On Jungle Hut you don't, you don't have anything.

Mr. DeMatteis asked does the City of Palm Coast have that equipment?

Mr. Ryan responded oh yeah.

Mr. Perry stated but they're going to charge you market rates.

Mr. Ryan stated, yeah they know what the other people are charging.

Mr. Leckie stated I think the main thing is there's a flag here that says, if this happens, it could be an awful lot of money if an incident does happen and we need to reserve for it.

Mr. Ryan stated right I think we need to start building our reserves because a new system whether it's a storm drain, water or sewer system is generally pretty maintenance-free for an extended period of time, but at some point, it stops being that way and it becomes sinkhole. I don't think we're there yet but we could be getting closer.

Mr. Vohs stated the offset to this is theoretically hopefully there's a dune system there that will prevent it from even occurring.

Mr. Crahan stated I think it would be worthwhile to get at least an estimate of what a firm would charge to do a specimen. You know a spot sample. It's like quality control, you don't have to inspect every single item all you do is pick a few and that determines what your general condition is over time, for instance in Hammock Dunes, you're an older neighborhood. Silting is obviously gone on longer, you might want to do a few of those areas and then where construction has occurred up in the Ocean Hammock, Hammock Beach area to again pick a couple of candidate locations as to which locations those are, I defer to the experts.

Mr. Leckie stated why don't you come back with some options. If we can do six sampling areas, what would six sampling areas cost for 3 north and 3 south, something like that.

Mr. Crahan stated if you don't look at things, you don't know what the problem is and what time scale you're on to do what Dick is suggesting which I think is a valid suggestion. Is it a tomorrow problem or is it a 30 years from now kind of problem? It helps in the investment strategy.

Mr. Ryan stated unlike sand, which is what you're dealing with here, if there's debris that comes in like Northshore, which had all of the trees down.

Mr. Sheahan stated we did get some debris, mainly out on 16th.

Mr. DeMatteis asked did debris get in the system?

Mr. Ryan responded yes. These were 2x4's so how they got in the system I can't even figure out. Typically the stuff you find in a storm drain is more likely a 2x4 during the construction of putting the pipe in. We can do a TV search and inspection of some type areas and see what we get.

Mr. Leckie stated okay tell us what it's going to cost.

Mr. Ryan stated that's not a big deal.

G. Manager – Bridge Reports and Traffic Comparison for January

Mr. Ryan gave an overview of the bridge reports for January along with the traffic comparison.

SIXTH ORDER OF BUSINESS

Supervisors' Requests and Audience Comments

Mr. DeMatteis stated can I just go back to the engineer's report? When you moved the stop sign in the street and it was moved over to the turn area, how come that is now a yield sign?

Mr. Ryan responded because it should have always been a yield sign.

Mr. DeMatteis stated I thought you guys said it had to be a stop sign?

Mr. Sheahan stated it was supposed to be a yield sign in the first place but the contractor put a stop sign up.

Mr. Crahan stated the comment, though I got many negatives after we first made the transition, I'm getting positives now.

Mr. Vohs stated I was at the Flagler County Republican Executive Committee and there was a rumor floating around there that we are in a discussion with the City of Palm Coast to transfer the bridge.

Mr. Ryan stated the answer is no.

SEVENTH ORDER OF BUSINESS

Financial Reports

H. Balance Sheet & Income Statement

I. Construction Schedule

J. Special Assessment Receipt Schedule

K. Approval of Check Register

On MOTION by Mr. DeMatteis seconded by Mr. Vohs with all in favor the check register was approved.

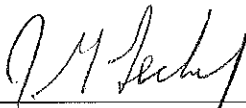
EIGHTH ORDER OF BUSINESS

Next Meeting Scheduled for Friday, March 10, 2017 @ 9:30 a.m. at the Dunes CDD Administrative Office, 101 Jungle Hut Road, Palm Coast, Florida

Mr. Leckie stated the next meeting is March 10, 2017 at 9:30 a.m.

On MOTION by Mr. Crahan seconded by Mr. Vohs with all in favor the meeting adjourned at 10:47 a.m.


Secretary/Assistant Secretary


Chairman/Vice Chairman