

MINUTES OF MEETING
DUNES COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Dunes Community Development District was held Friday, September 22, 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 (by phone)
Charles Swinburn	Assistant Secretary
Rich DeMatteis	Assistant Secretary
Dennis Vohs	Treasurer

Also present were:

Richard M. Ryan	District Manager
Greg Peugh	District Manager
James Perry	District Representative
Michael Chiumento Jr.	District Counsel
Tim Sheahan	Utilities Manager
Glenn Hertzog	Resident

The following is a summary of the discussions and actions taken at the September 22, 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

Mr. Glenn Hertzog stated with the hurricane that hit, the marsh behind my house is demolished again. It unearthed dead fish and it smells. I'm continuing to try to push to get something done; either the marsh restoration, which has been going on for a year, or the lake extension. I'm really proposing the lake extension but the key thing is moving on, I would look for the DCDD to get actual firm prices and quotes from different landscape contractors to at least

see what the real cost is related to the marsh restoration. If the marsh restoration is even close to the \$50,000 estimate of the lake extension, I think everyone would like the lake extension rather than have the marsh that has continued maintenance that has to get done on a quarterly basis versus the lake that is free and clear of any type of maintenance. I'm also looking for some type of time frame.

THIRD ORDER OF BUSINESS

Approval of Minutes

A. August 11, 2017 Meeting

Mr. Sheahan and Mr. Swinburn provided corrections to the minutes that will be reflected in the final version.

On MOTION by Mr. Swinburn seconded by Mr. Vohs with all in favor the minutes of the August 11, 2017 meeting were approved as presented.

FOURTH ORDER OF BUSINESS

Reports and Discussion Items

Discussion on Capacity Fee Issues Not Covered Under Milo Suit

Mr. Ryan stated I've got the records that we put together from the original Hammock Beach Resort contracts and what they're using and I think the board should provide direction and make a decision whether you want to proceed with taking an action against them, or filing a claim, because there is a lot of money involved so I'm putting the issue before the board again. I think the issue is going to come forward, either from us or from somebody that was involved. It's hundreds of thousands of dollars in capacity fees.

Mr. DeMatteis said at last month's meeting we discussed it., Didn't we leave it that you and/or Michael were going to contact Daniel Baker about the problem and how it can be resolved?

Mr. Ryan responded I think we talked about that as an option. I'm not sure we decided whether that was the course of action to take. The question is if we're going to negotiate it, are we at risk because we're not treating them the same as we treated other people. If we give somebody special treatment we are potentially opening ourselves up.

Mr. Chiumento stated the standard is to apply ordinances or rules uniformly so that issue is out there. In order to apply that concept, you have to go to them and say, here's the situation. I

don't see any reason why you couldn't negotiate with them. I think everybody needs to be notified of the violation.

Mr. DeMatteis stated are we not treating all of the customers the same by saying to them, this is the regulation, this is the calculation, you owe us the money which is what we did with the homeowners and then have a discussion, give them the facts and they can dispute or not? I don't think we're obligated to reach the same settlement with everyone. Our obligation is to apply the regulation. I don't see why we can't do that and then have a negotiation if that's what we want to do.

Mr. Chiumento stated my only pause is how do you negotiate with an individual and still treat everyone uniformly? You can resolve a lawsuit as we did with Milo and I think that is a business decision of the board in order to resolve the dispute rather than to negotiate the application of the rule.

Mr. DeMatteis stated negotiation is a broad term. We have to notify them that we're treating everybody the same and this is the situation. The negotiation could be you have ten years to pay it as opposed to saying pay half of it and we'll go away happy. Negotiation can take any form of settlement.

Mr. Chiumento stated I just think as we get into that process we need to be aware of the concept of treating everyone uniformly. I'm sure we will find a way to work through this. I do think we need to send the letter and open that dialogue about the violation of our rules.

Mr. Vohs stated it sounds like it would not be unreasonable as part of a negotiation to insist that they come up with a plan to save a percentage of what they're now using which gives us further leverage on collecting the amount of money we would be owed if we went after everything.

Mr. Ryan stated if you're negotiating and you decide to proceed with that route I think you can put the conditions you want as part of the negotiations. My only concern is I'm leaving and the issue is still out there. One way or another some action has to be started.

Mr. Perry asked is the water park the only account that we have outstanding like this? What about the condos?

Mr. Ryan responded the condos are all under because of the vacancy issue. With the one caveat that part of regular reuse irrigation may be in excess so there could be a capacity issue there but that gets very difficult to enforce because of how much each lot can use.

Mr. Perry asked but even so that's not of a magnitude like this?

Mr. Ryan responded no.

Mr. Vohs stated I thought we had already decided we would move ahead with some sort of an informal approach to get a discussion started. Letting them know there was serious problem and something had to be done about it.

Mr. Leckie stated what I'm hearing from Michael is that isn't the way to start and we need to put them on notice and then the discussion starts.

Mr. Chiumento stated one approach may be, here's the issue, the board passed the resolution some time ago and it's come to our attention that you're in excess under our rule and that equates to X amount of dollars that you owe the district and we'd like to sit down and talk to you about it.

Mr. Swinburn stated I agree with Dick. I think we all know something has to be done. We can't let it ride anymore.

Mr. Leckie asked Mike, would you draft a letter to send for the district?

Mr. Chiumento responded certainly.

European Village License in Second of a Three-Year Agreement

Mr. Ryan stated just a note that the European Village is in the second of a three-year agreement. They owe us \$12,000 and have another week to pay it. They have been put on notice and as far as I know there is not an issue. They changed their manager and that seems to be okay but I just wanted to alert you with all the issues we've had in the past. Hopefully they will pay up and we can move forward.

Status Report on New Toll Collection System

Mr. Ryan stated hopefully we will get final resolution to everything before the end of this month so that we can pay them this fiscal year. If not, we may have to do a transfer to make final payment on the contract. We were a little late when the governor said all toll roads will be open and free because we had people working so we finally picked a time and we got some criticism online because of it. We started this morning with the tolls so we went an extra 30 hours beyond what the state did. The tolls are back in place and everything is working.

Mr. Swinburn stated pre-Irma it appeared there were a number of days that at least one lane was shut down. Was that toll related?

Mr. Ryan responded probably the treadle. One of the treadles was banging and yesterday they had the opportunity to fix them all.

Mr. Sheahan stated because of that convergence once you go through the toll plaza the bridge manager and the assistant bridge manager thought that it would be better just to have the one lane.

Mr. DeMatteis asked why didn't we block off the one lane? The red light was on but people were still going through because it was open.

Mr. Peugh responded I asked him that and he said they left it open from the last time and they hadn't had any accidents.

Mr. DeMatteis stated my experience was people were driving and then they would realize the red light so they were suddenly trying to move in. I thought that would be more dangerous than merging afterwards.

Mr. Peugh stated we can take a look at that.

Mr. Ryan stated just as a quick estimate, we were down for 16 and a half days so somewhere around \$77,000 is probably the number you're looking at for lost revenue.

Approve Resolution 2017-11, Transfer of Funds from General Fund, Water & Sewer and Bridge Surplus Funds to General Fund, Water & Sewer and Bridge Fund

Mr. Leckie stated this is for moving money for the earned time off money that is owed to Dick.

Mr. Ryan stated there have been some slight changes. Originally I had hoped to take the funds in calendar year 2018. Jim has indicated that I have to take them as earned income in 2017 so the payment of those funds has to be this year. The amounts are the same as originally projected. The other items are for items that were impacted by the storms Matthew and/or Irma. The total is \$75,000 for those three accounts. The \$78,000 transfer to the various salary accounts is for payment of my earned time off. Michael drafted the agreement on the earned time off.

Mr. Chiumento stated there's one correction I need to make to the agreement to clarify how the amount was calculated with the number of hours times Dick's hourly rate.

Mr. Leckie stated the reason I want that is in case someone asks how we calculated the amount.

Mr. Swinburn asked Michael why do we need an agreement?

Mr. Chiumento responded we started off with an agreement just to memorialize what had transpired. Dick had made a claim for it and there was a dispute as to what the claim was, whether it was accurate, the obligation to pay and/or the amount so I thought at the last board meeting we had agreed to put it into writing.

Mr. Perry stated under section two, your employment relationship is before October 1, 2010. There was time carried forward prior to that so you might want to change that date to when you started.

Mr. DeMatteis stated in section three it says, “earned time off accrued in accordance to the employee handbook” but that’s not the case, correct? The handbook said something different.

Mr. Chiumento responded the handbook is open for interpretation and that’s what we were talking about before as to whether time got carried over or not. It’s the way the district interpreted it at the time so we can take it out or not.

Mr. DeMatteis stated we’re going to change the handbook theoretically.

Mr. Ryan stated you could just scratch employee’s handbook and put in employer’s practices.

Mr. Leckie stated I go back to “employer agreed to pay”, it was really Ray Alleman agreed to pay. It wasn’t the board.

Mr. Chiumento stated we could make the distinction in the agreement that the board ratified that action.

Mr. Vohs stated isn’t it meant to be present tense, employer agrees to pay employee a lump sum payment?

Mr. Ryan stated I think “employer agrees to pay” resolves the issue.

On MOTION by Mr. Swinburn seconded by Mr. Vohs with all in favor Resolution 2017-11 was approved.

Mr. DeMatteis asked do we have a consensus of what this policy should be going forward?

Mr. Peugh responded basically what the handbook says is you can carry forward half of your time. As Jim pointed out we need flexibility in the fact that if someone has scheduled their vacation time during a hurricane and I need them to work I want to be able to use them and they also get to keep their time off. We will put out a memo. We need to give them a little bit of time, maybe to the end of the year and say on January 1st, from now on, if you don't use your time, you lose it. We can work with Michael on that language.

Mr. Leckie stated also, if you don't use it by December 31st can you carry anything forward? I thought we would carry forward half but there would be no payment for that time.

Mr. Peugh responded if that's the board's wishes, yes.

Mr. Leckie stated I would say you can carry half of it forward but if you don't use it, you lose it.

Mr. Ryan asked so you're stopping the practice of paying outstanding earned time off prior to the end of the year.

Mr. Leckie responded correct.

Mr. Sheahan stated assuming you accrue 100 hours per year, if you're getting to the end of the year and you've got 60 hours of time that you have not used and you say I don't want to lose those ten hours I want to cash it out and still carry over my 50, that's how it is now.

Mr. DeMatteis stated I think the practice the District has been following is fine, I think we should just memorialize it and make sure all of the bases are covered.

Mr. Crahan stated whatever the policy is, in the memo to the employees they should have an acknowledgement on the bottom and a copy of that go in their personnel files so that if it's raised again, everybody has got something as a benchmark to refer to.

Mr. Leckie stated so if a person has 60 hours left, we pay him for 10 and the 50 goes over, next year he has 150 hours. The next year if he carries over 50% that would be 75 or how does that work?

Mr. DeMatteis stated that's why it has to be flushed out.

Mr. Perry stated you can set a max that can be carried over.

Mr. Swinburn asked is there a consistent policy amongst other organizations you're involved in?

Mr. Perry responded most districts don't have employees but the typical rule of thumb in most companies I've been involved with is you can carry over one week if you get two weeks of vacation and then if you resigned you got paid for that one week.

Mr. Peugh stated other companies I've worked for they had a bank. You could carry over 480 hours. Come the end of the fiscal year or calendar year, if it's over 480 you got sent a check. If it was 500 hours, you got sent a check for 20 hours.

Mr. Swinburn asked the 480 hours you could continue to carry over year after year? You just stayed at 480 and then when you retired or resign you get paid for that 480?

Mr. Peugh responded yes.

Mr. Chiumento stated we talked about it last meeting that the policy is circa 1999 and the question was that a lot has happened in the last 20 years do we want to look at that policy handbook. Other issues may be there. I don't see why we can't get revisions done before the end of the year, make the revisions effective January 1st and have all of your employees sign off.

Mr. Ryan stated the handbook was modified to a minor degree about five years ago and we have done a run through of making amendments to the handbook and we were waiting for the people that do our payroll to send us some information. The manual is ready to be amended along with ADP's changes, which are mostly governmental changes that are mandated to be in the handbooks. I think it could be done before the end of the year and you can incorporate the various changes you're suggesting here.

Mr. Swinburn stated I think we need to assess what goes on in the competitive market place and adopt those positions so I don't know if it's something that can be done by the end of the year.

Mr. Vohs asked has the practice for employee reimbursement been on a calendar year basis?

Mr. Ryan responded yes.

Mr. Vohs stated I don't think we have to make January 1st a big deal but I think we should have a policy in place for next year starting January 1st.

Mr. Peugh stated we can look at other cities and see what their policies are, present that to the board and get a recommendation.

Mr. Vohs stated the difference I think is that way we're not putting pressure on the employees of them having to make a decision about using their leave between now and the end of the year. So no memo has to go out right away.

Mr. Ryan stated just as a side note, the issues we run into when we're trying to hire people is not the dollar amount we are offering, it's typically the perks that go along with it where we don't quite compete with other governmental entities. Medical insurance is typically very good and in many cases covers families in many governmental entities. I think if you can have a pension contribution that's flexible and still make sense, which helps the employment package that we're still deficient in.

Approve Resolution 2017-12, Removing Richard M. Ryan as an Authorized Cardholder and Contact Person on Bank of America Credit Card; Authorized Agent for Dunes CDD's Wells Fargo Checking Account; Registered Agent of Dunes CDD with Florida DEO and Secretary of the Dunes Community Development District – Incorporate Greg Peugh as Replacement of the Forgoing Positions

Mr. Ryan stated this resolution is removing my name from certain positions and authority to sign checks and credit cards and transferring that to Greg effective October 1st. There has to be an action by the board before the banks will accept transfer of authority to execute certain documents.

On MOTION by Mr. DeMatteis seconded by Mr. Vohs with all in favor Resolution 2017-12 was approved.

Status on Marsh "TB"

Mr. Ryan stated we are down to the issue of where do we go from here. They're working up a proposal to redo marsh TB.

Mr. Sheahan stated we've got that proposal but it's the engineer's estimate. It's not hard numbers. At the last meeting we were expecting to get some detailed design of what they were proposing to do to convert that into a lake. Now I'm hearing we want to go out and get bids for restoration of the marsh and we don't have bids yet.

Mr. Swinburn asked what are our rights with the easement to get in there to do the work?

Mr. Ryan responded I'm not aware of any easement. I think we've just been coming in over the marsh on the far end into the lake area. To go in and plant we would have to get permission from the golf course and maybe some of the homeowners. If we're going to be doing work on their land we'd have to enter into an agreement.

Mr. Swinburn stated we're required by St. Johns to maintain the marsh. We have no access and the club has made a big issue that no one is going to come over the new fairways.

Mr. Ryan stated last time we went over the golf course because we weren't bringing trucks or things with treads. I suspect the type of thing we would do on the rehab could be done without damaging the property as long as we have permission from the golf course and/or a couple of the homeowners.

Mr. DeMatteis asked how do we execute our obligation without that access? Is there a way of forcing access through St. Johns?

Mr. Ryan responded we have rights under the homeowners declaration ingress and egress on the marshes and lakes so from that standpoint we could come in over homeowner land common property at the end so I think under the declarations both Hammock Dunes and Ocean Hammock have the same kind of language that allows for maintenance and so forth to go in and out of the lakes. To ask for permission is merely to keep everyone on good footing.

Mr. Leckie asked is everyone in agreement with Tim getting quotes?

Mr. Swinburn responded yes, quotes and I think we need to check on the access. Maybe we ought to wait until we get the quotes.

Mr. Vohs stated can we agree if we get the quotes and there is a reasonable dollar amount we can make a decision at the next meeting?

Mr. Leckie responded yes.

B. Community Project Reports

At the last meeting I had reported I talked to Craig Coffey about the two outstanding projects. They had talked about starting to put in the retention pond in September but with the storm, their plans are on the backburner so the funding of Malacompra is still up in the air. The final thing is we added in allocating up to \$400,000 for restoration at the ends of Jungle Hut, 16th and Malacompra but there's no action on that. They took emergency action so I don't know if they intend to send us a bill but we haven't seen anything from it.

Mr. DeMatteis stated I talked to Commissioner Hansen last night at a Republican meeting and what I understand is the County is going to do the restoration work themselves and they're supposed to start at the end of November. They're just struggling to get every property owner's approval for the easements.

C. Estimated Construction Costs to Modify Outlet Weirs in Ocean Hammock Stormwater Lakes

Mr. Sheahan stated I got a report from CPH Engineers on the weirs. The cost is about \$25,000 per location so it's between \$50,000 and \$60,000 to install those weirs. They also met with the water management district and they brought up some questions. I'm trying to schedule a meeting with CPH for next week to go over the report and what real issues the water management district has and our approach to take with them. I think we're going to have to have their approval and it's going to require some kind of a permit modification. We will meet with the engineers and then come back to you.

Mr. Crahan asked I don't understand why the equalizing weir is required. Since the environmental event that causes the lake levels to increase should be equalized naturally by the event between the north of 16th Road and the south of 16th Road. Can someone explain what value that weir provides?

Mr. Sheahan responded we're not sure why that weir was put in. We didn't even know it existed until we were pumping and realized we were pumping some of the southern lakes down and the northern lakes weren't being affected.

Mr. Ryan stated I agree with what Gary is saying. If we pulled the weir with all of the lakes interconnected they should all equalize out so you don't need the weir.

Mr. Crahan asked do we need to go back to CPH and ask what benefits there would be to having the equalizing weir removed?

Mr. Sheahan responded that's one of the questions that was brought up that we will be discussing with them.

Mr. Vohs asked what happens if there's another hurricane that does like the one last year did and it fills the northern lakes up with salt water? If we take that weir out are we then filling the southern lakes up with salt water?

Mr. Sheahan responded yes.

Mr. DeMatteis stated that's a reason to keep it but I'm not sure need to make it adjustable.

Mr. Leckie stated I think there are still a lot of questions that need to be asked with CPH.

D. Adopt FY 2018 Meeting Schedule

On MOTION by Mr. Vohs seconded by Mr. DeMatteis with all in favor the FY 2018 meeting schedule was approved as presented.

E. Acceptance of Engagement Letter with Grau & Associates for 2017 Audit in the Amount Not to Exceed \$16,300

On MOTION by Mr. Swinburn seconded by Mr. Vohs with all in favor the engagement letter with Grau & Associates for the 2017 audit was accepted.

FIFTH ORDER OF BUSINESS

Staff Reports

Attorney

There being none, the next item followed.

Engineer

Mr. Sheahan stated we had a delay with the wastewater plant because of the storm so our bid opening is September 28th. We have about 30 plan holders and about seven of them are general contractors so hopefully we will get some good bids.

We met with the City of Palm Coast September 7th regarding irrigation. They're continuing to look at the different routes for increasing the size of the effluent main and they've asked CPH to go back and refine that list down to two because now it stands at six.

I talked to Greg about the storm sewer cleaning and we're going to develop a scope for some additional cleaning to implement next year.

We're going to review the report's findings from the bridge inspection with Kissinger Campo and see what we need to do and identify any priority items that need to be acted on.

As far as the hurricane, the water and wastewater plant both operated during the storm. We only lost power momentarily so we were able to maintain operations. We did shut the reuse

pump station down mainly as a precaution. We didn't think anybody would need to use any reuse water for a while. We did have 14 of our 24 pump stations without power mainly within Hammock Dunes because they were without power from the 10th to the 14th. We kept up with them with our portable pumps and generators so it was pretty labor intensive.

Mr. Ryan stated we really want to acknowledge the employees. They put in long hours and hard work to keep those pumping stations operational so we didn't have backups in the sewer system.

Mr. Leckie asked isn't there something we can do so that doesn't happen?

Mr. Sheahan responded we're planning on doing that and we have it in the budget for next year.

Mr. Peugh stated we want to get the bigger stations on those pony pumps first and then we will evaluate if it's cost effective to look at the smaller ones or do what we do now.

Mr. Sheahan stated we were notified of a sinkhole or depression on Northshore Drive. We've investigated that and at least preliminarily it looks like it's not due to our underground utilities. We don't know what caused it. We filled it and we put cones around so it's safe. We're going to have a contractor come out and TV inspect our sewer main that's underneath the road to make sure it's not a problem with any of our utilities.

We're scheduled to drain the Crom tank for inspection on October 2nd after we repaired some superficial cracks on the tank and had it painted. Subsequent to that we saw some blisters develop where those repairs were and had Crom out several times to look at it and make the repairs. We're just concerned whether the tank is leaking or not. In order to drain the tank we have to transfer over to Palm Coast water for probably a week because once we drain the tank and refill it, it has to be disinfected and bacteriologic samples have to be taken before it can be brought back on line. Mr. Perry suggested we may want to delay this work if another storm is forecast and reschedule another time. There was consensus among the Board members that this would be a prudent course of action.

F. Manager – Bridge Reports and Traffic Comparison for August

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

SIXTH ORDER OF BUSINESS**Supervisors' Requests and Audience Comments**

Mr. Swinburn stated with the article that was on the web that expressed a lot of people's view points that we are ogres and robbers, etc., The only thing that bothered me about it was the level of vitriol and the number of people and the same thing got repeated on Hammock Dunes' neighbor website. We've talked before about some of the politics of this. It strikes me that it could become a major political issue down the line.

Staff and supervisors conducted a general discussion of the toll bridge, the County and utility funds.

Mr. DeMatteis asked did we ever put some kind of note in the financial statements about those reserves?

Mr. Ryan responded no because I couldn't come up with anything. There were no specific reserves set aside. The overall amount to make this thing balance out to zero is really just a balancing thing. I can't project what happens to the surplus. I was at a loss to phrase terminology to put in there to accomplish what you were saying.. There was a footnote about the possibility, and that possibility has gone away, of giving the \$50,000 to the homeowners.

Mr. DeMatteis stated I'm not comfortable with that. I think to be transparent the financial statements should indicate what is going to be done with that surplus. If we can't put an exact dollar amount on it we should explain what happens with those funds.

Mr. Ryan stated it goes to the state board of accounts.

Mr. Perry stated it just goes forward.

Mr. DeMatteis stated where does it roll forward to? Sometimes it rolls forward to the financials for the next year and sometimes it doesn't.

Mr. Perry stated if you set a budget for the following year sometimes you utilize some of your excess funds in order to balance the budget.

Mr. DeMatteis stated in the general fund projected there was a surplus of \$93,938. In the proposed budget for 2018 there's a carry forward surplus of \$43,000.

Mr. Ryan stated that is the surplus that we are utilizing to reduce the rate to keep the assessment at a certain fee.

Mr. Perry stated the \$93,000 should be cash and will be part of the fund balance which will be more than \$93,000 at the end of the year.

Mr. DeMatteis stated all I'm saying is we should explain that.

Mr. Perry stated we can do that.

Mr. Crahan left the meeting at this time.

SEVENTH ORDER OF BUSINESS Financial Reports

- G. Balance Sheet & Income Statement**
- H. Construction Schedule**
- I. Special Assessment Receipt Schedule**
- J. Approval of Check Register**

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

EIGHTH ORDER OF BUSINESS Next Meeting Scheduled for Friday, October 13, 2017 @ 9:30 a.m. at the Dunes CDD Administrative Office, 101 Jungle Hut Road, Palm Coast, Florida

Mr. Leckie stated Dick, this is your last meeting so we want to thank you for all you have done for the District since 1999.

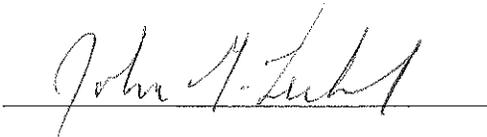
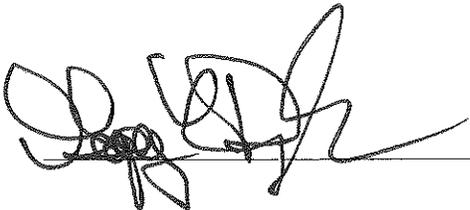
Discussion of Consulting Agreement with Mr. Ryan

The board discussed the possibility of entering into a consulting agreement with Mr. Ryan for a period of six months if he so agrees.

On MOTION by Mr. Vohs seconded by Mr. Swinburn with all in favor to enter into a consulting agreement with Mr. Ryan was approved.

NINTH ORDER OF BUSINESS Adjournment

On MOTION by Mr. Vohs seconded by Mr. Swinburn with all in favor the meeting was adjourned.



September 22, 2017

Dunes CDD

Secretary/Assistant Secretary

Chairman/Vice Chairman