

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 14, 2018 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
Rich DeMatteis	Assistant Secretary
Dennis Vohs	Treasurer
Charles Swinburn	Assistant Secretary

Also present were:

Greg Peugh	District Manager
Jim Perry	District Representative
Tim Sheahan	District Engineer
David Ponitz	District Engineer
Michael Chiumento	District Counsel

The following is a summary of the discussions and actions taken at the September 14, 2018 meeting. A copy of the proceedings can be obtained by contacting the District Representative.

FIRST ORDER OF BUSINESS

Roll Call

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

SECOND ORDER OF BUSINESS

Audience Comments

There were no audience members in attendance.

THIRD ORDER OF BUSINESS

Approval of Minutes

A. August 10, 2018 Meeting

Mr. Sheahan had corrections to the minutes, which will be included in the final version.

On MOTION by Mr. Crahan seconded by Mr. DeMatteis with all in favor the minutes of the August 10, 2018 meeting were approved.

FOURTH ORDER OF BUSINESS

Reports and Discussion Items

B. Hammock Dunes Bridge Traffic Study Proposal

Mr. Peugh stated this is a proposal to do the traffic counts on the bridge with the toll lanes as they currently are. They are also going to make a few assumptions and see if the tolls were removed, how quickly the four-way stop would fail. It would also give us an idea of what kind of lanes we would need at the four-way stop area. I'd like to get it started a little early. It won't be paid until next year but I can give them a notice to proceed.

Mr. Crahan stated my concern is it is an annualized issue so are they able to forecast based on the holiday periods?

Mr. Peugh responded they said they can seasonally correct them. We will also give them our data from the bridge so they can reconcile. That will also give them a much better idea of the seasonal corrections, bike week and events like that.

On MOTION by Mr. DeMatteis seconded by Mr. Swinburn with all in favor the traffic study proposal in the amount of \$57,610 was approved.

Discussion on Capacity Fee Issues for Commercial Accounts

Mr. Peugh stated from the September billing of 2017 the Hammock Beach Resort has gotten rid of two thirds of their excess water, so whatever corrections they've made they've done an amazing job. Hopefully we will see next month's soon and then that will show us August numbers to see if they're holding. They've started repairs on the lazy river and they expect to finish that in the next month. We have a meeting on Monday with Michael to go over our analysis of the other accounts.

Mr. Crahan asked do we have any outlier residential cases that are still a potential problem?

Mr. Peugh responded with residential we watch those and send out letters all the time. If they go over 11,250 potable gallons a month they receive a letter. A lot of them are pool leaks and they give us receipts to show that it was fixed. We monitor that report every month.

Mr. Crahan asked do we have any pending capacity payouts?

Mr. Sheahan responded I believe they are all current.

Mr. Crahan stated that was a very successful program.

Status of Marsh “TB” & Hammock Dunes Marshes Update

Mr. Peugh stated on Marsh “TB” we’re still waiting on the two drains to put in.

Mr. Sheahan stated I hope to get that next week.

Mr. Peugh stated St. Johns sent us a letter on August 23rd that said we have 30 days to develop a remedial plan for the other marshes. We had our consultant call to ask why they were sending the letter. He said he has received the same letter on several projects and they expect with the new governor they want to clean up all of their cases. We will respond to their letter. We’re trying to negotiate with them to see where their 10.21 acres are coming from. They really aren’t in a good situation negotiation-wise because it’s a 30-year-old file and they can’t find the documentation but we’re continuing to work with them.

Discuss Weir Structures / Malacompra Drainage

Mr. Peugh stated we had a kickoff meeting last week to go over the data we supplied our consultant. They’ve given us a draft technical memorandum and we want to make sure that it is correct and then we will get the draft copies of that to you all. At the moment it’s not looking as successful as we had hoped so we will go through that and get the actual numbers.

Mr. Leckie asked Rich, have you been involved with this? Are you satisfied with how it’s going?

Mr. DeMatteis responded yes, so far so good. I’m not thrilled to hear that it might not be as successful. Do they have any idea what positive impact the County’s project might have on Malacompra and our ability to drain?

Mr. Peugh stated we didn’t specifically ask that question because we were looking more at what we could do here but we can ask. We’re going to have another meeting with them.

Mr. Crahan asked do I understand that the Malacompra drainage system underneath A1A is not part of the northern project with all of the 36-inch pipe that has been staged?

Mr. Peugh responded they did not have enough money to put a pipe in at this point. There's another pipe that DOT put in but it's not permitted so once that happens they can use it. That will move the water to the north so it should help a little bit but we can ask about that.

C. Approve Grau Engagement Letter for FY 2018 Audit (Amount Not to Exceed \$16,600)

Mr. Peugh stated this was the contract that was started in 2016 and it goes through the Fiscal Year 2020 audit. They increase their fee slightly every year and that's in the contract.

On MOTION by Mr. Crahan seconded by Mr. Vohs with all in favor the engagement letter from Grau & Associates for the Fiscal Year 2018 audit was accepted.

D. Adopt FY 2019 Schedule for Board Meetings

Mr. Peugh stated I changed two dates from the schedule that was included in the agenda package due to conflicts, November 16th and August 16th.

On MOTION by Mr. Swinburn seconded by Mr. Crahan with all in favor the FY 2019 meeting schedule was approved.

FIFTH ORDER OF BUSINESS

Staff Reports

Attorney

Mr. Chiumento stated last time we talked about setting up district zones for voting in Hammock Dunes. I talked with the County, they did some research at their level and the State level but they did not find anything. We then went to the Department of Economic Opportunity that sort of has some resources over the District and operations and the Statute is silent. It has not been addressed. GMS looked around and we had another large CDD manager look around and they're not aware of anything so there is nothing to suggest that we can set up districts. We can request an Attorney General opinion or seek some sort of amendment to legislation, which is possible. The Attorney General opinion process we have dealt with in the past. Essentially, you ask the question you want the Attorney General to answer and then you write the legal brief to support that question the way that it would be answered. They then agree with you, tweak it, or

reject responding to it. At this point in time I don't know that I can even put forth a memorandum that would legally support a suggestion that districts are permissible because it's silent. I really don't see that there's an opportunity for success without seeking some type of change within the legislation.

Mr. Swinburn stated it seems to me if we decide we want to do something, what we've got going for us in this situation politically is it's hard to find anybody who would oppose it. It's an equitable thing to do given that there are two major blocks of citizens here in the Dunes CDD, Ocean Hammock and Hammock Dunes. The only people that might have a reason to oppose it might be Hammock Dunes people and I think we're sitting here representing them in a sense. The law doesn't say you can't do something and it doesn't say you can, so let's be equitable and do something.

Mr. Chiumento stated typically unless stated that you are not permitted to take this action, courts defer to the legislative authority of the body. That kind of dovetails into what you're talking about that you do have legislative authority to make these decisions on how to govern the district. We could come back to you with the way that we propose you do it but I can't tell you what's going to happen in the future as far as a challenge. We can continue to grind on that.

Mr. Leckie stated I think Kaiti Lenhart said whatever we do, we need to have it done by this time next year so we don't have to make a decision today but we have to make a decision next year.

Mr. Peugh stated are the geographic regions going to be based geographically or by population? We need to think about how we want the seats allocated.

Mr. Chiumento stated it seems like municipalities act in a manner in which they choose and have in their charter.

Mr. Swinburn stated geographically we have a pretty good division with Jungle Hut Road.

Mr. Chiumento stated it's going to take some time. I think the next step would be to work with Katie Lenhart and make up a proposed plan of attack and follow those steps.

E. Engineer - Report

Mr. Sheahan reviewed his report with the Board, a copy of which was included in the agenda package.

Manager

F. Bridge Reports and Traffic Comparison for August

Mr. Peugh gave an overview of the bridge reports for August.

Mr. Peugh stated we had discussed if we should be collecting tolls. The bridge fund capital improvement projects spreadsheet shows almost \$16 million of items that we know of at this point. Our fund balance is \$10.7 million so I can't say I recommend taking tolls off or reducing tolls until we are at least this level and beyond because these are the things I know of, but there will be additional things that come up.

Mr. Vohs asked did you look at the issue we had about a year ago with having to comply with having a pass lane where people wouldn't pay a toll, it would automatically be charged to them? They only had a problem with the lanes merging together. The only solution I could see that is feasible is moving the tollgates further back and hopefully we don't have to do that.

Mr. Peugh responded it was about a half million to go to the RFID tags when I looked at it for you last year so no, I didn't consider moving the toll plaza back.

Mr. Vohs stated the only thing that brought it to mind is I had for at least the sixteenth time over the number of years I've been on the Board somebody asked me why we don't have a pass where they can go right through. You get that question all the time.

Mr. Peugh stated what I learned from the DOT conference was that they don't like any metal or rebar or anything metallic in those toll plazas because it interferes with those RFIDs so construction of this would be significant.

Mr. Leckie stated if you do that you almost have to move the building.

Mr. Peugh stated that's the only way it could work.

Our website is up. We have about 22,00 accounts and we expect to clear 6,000 of them at some point. We put a notice on our website and we will send it out to the owners associations that come January 1st we are going to start clearing them. Currently, 1,300 people are using the website so we've got a ways to go.

G. Additional Budget Items Report

Mr. Peugh stated the only item on the report is the Hammock Dunes traffic study proposal but that will be charged in 2019.

This is the last term of the European Village contract. I met with the condo section and they would like to continue it. We have a year to rewrite the contract so Mike will take a look at it. Do we want to increase rent? It's currently \$6,000 each for the condos and residential.

Mr. Leckie stated we could go up 10%. I don't think that's unreasonable since it was a three-year contract and the original contract was approximately \$25,000 per year.

Mr. Swinburn stated I think a reasonable increase is appropriate to an even \$7,000 per year.

Mr. Peugh stated I want to talk about insurance now. The bridge was insured for \$9.384 million. That number came from when we used to be with the City's and County's insurance. That seemed low to me. I talked to our consultant, KCA, and the estimate of the bridge is \$30-\$35 million if you had to build it new. I asked what's the worst case and what would happen should a barge come through and knock out a pier or two, you wouldn't have to put the whole bridge back. KCA said about \$12 million would be better so I increased the insurance to \$12 million and that equated to an \$8,887 increase in the policy. Terrorism insurance was also discussed and it was decided that the likelihood was not great enough to purchase the insurance.

We've been collecting realtor signs and disposing of them from our Parkway and they aren't happy about that obviously, but I've told them that's our position and we're reducing the visual clutter.

I'd like to propose a contract with Tim, similar to the one we did with Dick for \$1,000 a month for six months, so that we can call and consult with him.

On MOTION by Mr. Vohs seconded by Mr. Swinburn with all in favor a six-month contract with Tim Sheahan for \$1,000 a month for consulting services was approved.

Mr. Peugh stated I have a standard form resolution for Bank of America to take Tim off and put David on the account.

On MOTION by Mr. Crahan seconded by Mr. Swinburn with all in favor resolution 2018-11, approving the transfer of the Utility Manager's authority from Timothy Sheahan to David Ponitz effective October 1, 2018 was approved.

SIXTH ORDER OF BUSINESS

Supervisors' Requests and Audience Comments

There being none, the next item followed.

SEVENTH ORDER OF BUSINESS

Financial Reports

- H. Balance Sheet & Income Statement**
- I. Construction Schedule**
- J. Assessment Receipts Schedule**
- K. Approval of Check Register**

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

EXECUTIVES SESSION

The Board reviewed the performance of District Manager Greg Peugh and the extension of his contract.

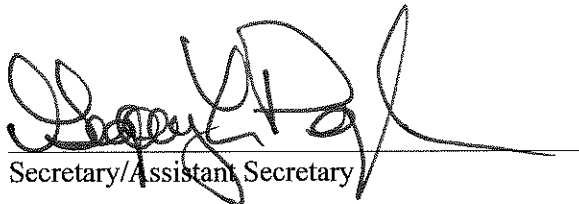
EIGHTH ORDER OF BUSINESS

Next Meeting Scheduled for Friday, October 12, 2018 @ 9:30 a.m. at the Dunes CDD Administrative Office, 101 Jungle Hut Road, Palm Coast, Florida

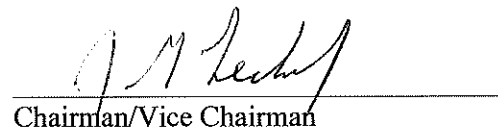
NINTH ORDER OF BUSINESS

Adjournment

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



Secretary/Assistant Secretary



Chairman/Vice Chairman