

MINUTES OF MEETING
DUNES COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Dunes Community Development District was held Friday, June 9, 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
Charles Swinburn	Assistant Secretary (by phone)
Rich DeMatteis	Assistant Secretary (by phone)
Dennis Vohs	Assistant Secretary

Also present were:

Richard M. Ryan	District Manager
James Perry	District Representative
Michael Chiumento	District Counsel
George Bagnall	Hammock Dunes POA

The following is a summary of the minutes and actions taken at the June 9, 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. May 12, 2017 Meeting

Mr. Perry stated the chairman asked me to discuss the minutes briefly. The minutes are a summary of the actions taken by the Board. We do record the meeting so there is a verbatim copy of that available but the minutes are to be reflective of the general items that were discussed, the motions that were made and if the motion passed or failed. They are not verbatim

minutes. In some cases we will edit the minutes during the meeting to be more reflective of what was discussed but they are supposed to be a summary of what transpired during the meeting.

Mr. Leckie, Mr. Crahan, and Mr. Swinburn made corrections to pages 5, 7, 8, 9, 10, 13, 15 and 16 that will be reflected in the final document.

Mr. Chiumento joined the meeting.

On MOTION by Mr. Crahan seconded by Mr. Vohs with all in favor the minutes of the May 12, 2017 meeting were approved as amended.
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FOURTH ORDER OF BUSINESS

Reports and Discussion Items

Discussion of the Restoration of Marsh “TB”

Mr. Ryan stated as the board directed at the last meeting, Tim Sheahan and Bob Paymayesh met with the St. Johns River Water Management District on May 30th. They came down to three alternatives. One is to restore marsh TB to its function as a viable system to comply with the permit. The second is to excavate the marsh and expand lake Granada into that area. The third is to fill the marsh TB to a level two feet above the present level of the lake and replant that area. Accompanying the report is a cost estimate of the three options. Charlie had asked in an email how come there was so much difference in the pricing between what the consultant had and what was submitted by the homeowners / Mr. Hertzog. I’m very comfortable with the consultant’s estimates. I’m not comfortable with the previous estimates. I think some of the numbers are low in comparison to what I think the amount really is. There are things like dewatering that need to be done. You can’t just take this muck and make a bank out of it because it needs to be dewatered for probably seven days or more just so that you can handle the material. If you’re hauling it, you have to dewater it. The consultant has experience with the DCDD’s stormwater system and I feel comfortable with his information.

Mr. Vohs stated it looks like the biggest difference is one estimate didn’t call for hauling off the fill and the other has \$22,000 for hauling it off.

Mr. Ryan stated I think the best solution for all parties concerned would be for Dunes CDD to transfer the marsh TB to the homeowners association which is probably the appropriate agency, grant them \$50,000 which was in accordance with their estimate, and let them take over the marsh and rectify the situation to their criteria.

Mr. Leckie asked if we give them a quitclaim deed, how does it work with St. Johns Water Management District?

Mr. Ryan responded it's just the lake maintenance, which there should be a very limited amount. According to their proposal there is no maintenance. Basically nothing changes as far as the permit structure. Once you've mitigated it, you can do anything you want with that parcel of land because it's not part of St. Johns' responsibility anymore. The DCDD would still be responsible for the overall stormwater permit and any maintenance.

Mr. Chiumento asked do we need to retain any easement rights for drainage?

Mr. Ryan responded no. There's some drainage into the marsh area so nothing would change because then it just goes into the lake where the marsh went anyway.

Mr. Crahan asked do we need to get a hold harmless clause from the HOA and from St. Johns?

Mr. Ryan responded not from St. Johns because once they approve the mitigation they're essentially done with that parcel. There would have to be a hold harmless from the HOA. Mr. Vohs stated I'll take this back to the homeowners board and see what their thoughts are.

Mr. DeMatteis asked are there other marshes like this within Hammock Dunes?

Mr. Ryan responded yes there are several other marshes in Hammock Dunes.

Mr. DeMatteis asked but none of them are experiencing the same kind of problems?

Mr. Ryan responded no. This is the only one that we're aware of. What caused the problem is we had cleaned the marsh up as requested by St. Johns and then when the salt water came in it killed everything off. We would have visual evidence if other marshes had been impacted by salt water and we don't see that.

Mr. DeMatteis asked are they assured of getting the mitigation credits?

Mr. Ryan responded yes it's just a matter of paying the cash. It's an approved mitigation bank by St. Johns so you pay your cash and you get the credit.

Mr. Swinburn stated I think Dick's suggestion is a good one and should make everybody happy. I think we're assuming the HOA would take over the property but I think it should be up to them whether it's the HOA or the Club.

Mr. Chiumento stated if we quit claim whatever interest we have in there we need to make sure that portion of that property description is released from the permit, St. Johns needs to sign off and is no longer subject to the permit so that we don't have any obligation.

Mr. Bagnall you're going to have water from the DCDD's lake and the water from whoever owns this property mixing. You're going to be drawing water out of those lakes for your irrigation system. I don't know if that creates a problem.

Mr. Ryan stated it's all stormwater runoff so it makes no difference.

Mr. Bagnall stated I doubt if the Club would take it. The Club wants it fixed up so that it looks good and it's not a distraction from the community or golf course but they really haven't been involved in getting any numbers. I will bring it up to the Club. I can't speak for the HOA, other than the fact that they have no access to that property whatsoever. I believe the majority of the costs of doing this was done by Glenn Hertzog. I don't know how much the HOA was involved in it. The other question would be whether Hertzog would be willing to accept a quitclaim deed.

Mr. Crahan stated we're going to make an offer in writing and ask for a response by the July 14th meeting.

On MOTION by Mr. Crahan seconded by Mr. Vohs with all in favor to make an offer to the Hammock Dunes HOA and/or Club for \$50,000 to transfer title of the marsh "TB" was approved.

Review FY 2018 Budget

Mr. Ryan stated I've done several things to update the budget. The first is to do a new revenue projection. The revenue numbers that you see in the water and sewer budget are good numbers for next year. As you would expect with the reduction in the base rates, the projections are lower than they were in 2016. The overall revenues are down somewhat but not markedly because we've had a lot of irrigation usage. Even though we've reduced the fixed costs by 17%, the total revenues are not significantly lower than the past several years. We still have more than adequate reserves for completion of the wastewater treatment plant, which will be done in 2018. As Tim noted in his report, at the end of July they are going to advertise bids for the wastewater plant expansion and they're going to give them about a month to submit the bids. By the time we select the low bidder it will be into next Fiscal Year before we start making any significant expenditures. We still have some work to do on the budget, particularly on the stormwater area under the general fund. There are still going to be more things to do, such as fix up marshlands and clean out storm drain systems. I suspect we're going to have a significant increase in that

\$50 charge to the residents each year for the stormwater management system. By the next meeting we will have all of the items that need to be modified in the budget. The bridge estimates for revenues are in there. One of the things that is helping us is this year is instead of putting in interest earned of \$10,000, we can put in \$120,000.

Status Report on New Toll Collection System

Mr. Ryan stated the toll collection system is now functioning. The treadles and the gate are still not finished but the system is in place as far as collection. We're using the existing treadles to do all accounts.

Mr. Crahan stated I'm concerned that it was taken out by the storm last week.

Mr. Ryan stated there is surge protection on everything but it's not perfect.

Mr. Crahan stated this has happened several times. I would suggest that we get an electrical lightning protection system. If we could put a lightning rod somewhere where it would effectively deflect the electrical damage we'd be a lot better off because we've invested a lot of money in this new system.

Mr. Ryan stated we can look at it.

Update on Evaluating Stormwater Utilization from Hammock Dunes Lakes and Additional Reclaimed Water from Palm Coast

Mr. Ryan stated Tim's report speaks to this a little. We tested lake 5 on June 2nd. The conductivity was down to a reasonable level of 2467 and has now jumped up to 3800, which is still better than our well water. We haven't taken a sample since we've gotten the recent rain. We will take another test Monday morning. We shut off the pumping system and the wells because we have so much water. Right now, we're fine and we will proceed with the design and construction of taking water from the Hammock Dunes lakes, which we know is a better quality water.

Mr. Crahan asked what's the control structure?

Mr. Ryan responded it depends on which one you're talking about. The far end on Ocean Hammock, we would reconfigure that so that if we wanted to, we could raise the level of the discharge to fill the lakes.

Mr. Crahan asked you mean the far north to that connector canal to the Malacompra?

Mr. Ryan responded correct.

Mr. Crahan stated this thing implied that there was some sort of restriction from the hotel trace lake.

Mr. Ryan stated there is a weir control structure between the lakes at the far northern portion of Hammock Beach and the southern lakes. We are pumping around that structure so that we are allowing water to flow in to the lower lakes where we pump from.

Mr. Crahan stated my lake went down about a foot when we were doing the pumping.

Mr. Ryan stated the lakes from up north were not feeding into the southern lakes so that's why we're now pumping over.

Mr. Leckie stated in other words, they didn't equalize.

Mr. Ryan stated until we started pumping down we didn't realize that structure was there.

Mr. Crahan asked should we remove it?

Mr. Ryan responded we're looking at whether we could modify it or just take it out. I don't see the benefit of having it there.

Mr. Vohs asked do the weather stations go in and out?

Mr. Ryan responded the fiber optic cable connectors were somehow clicking on and off by themselves so they were all replaced yesterday. We've been trying to figure it out for a long time and they finally isolated what was causing the problem. It was more serious than just the weather stations going off. At times the operators could not get emergency signals transmitted because you couldn't get in or out of the system.

Mr. Leckie asked where are we at on using the Hammock Dunes lakes and making it permanent?

Mr. Ryan stated the engineering study is supposed to be done in another week or so. I think we will go out to bid about the same time or maybe before when we do the wastewater plant.

Mr. Leckie asked what about any updates from Palm Coast?

Mr. Ryan responded nothing on that. They have to complete their engineering evaluation and then we're going to have to get back together to decide how much we can help and how much help they want.

B. Community Projects Report

Mr. Ryan stated the community projects report and the construction schedule are almost identical. All of the projects match out. The only slight difference is the interest earned because

on ours we have the interest as of June 1st. The only two outstanding items are the dunes restoration and Malacompra drainage improvements.

Discussion of District Manager

Mr. Leckie stated I gave you guys a copy of what I put in VCard. We got a reply from a person named Greg Peugh. I met with him on Wednesday night and talked about the job. I passed out a copy of his resume. He's worked with Tim but I have not checked any other references. I'm very pleased with his resume. Because of his work with the DCDD, he knows his way around here. We also sent out an advertisement to the Florida Association of Special Districts.

Mr. Ryan stated we received just one response. Mr. Leckie stated I would like to have any qualified candidates come to the July 14th meeting so that we can interview them at that point so that we can make a decision.

Mr. Swinburn stated I have a radical view on face-to-face interviews. It's much more important to check backgrounds, references, etc. I don't particularly care if I don't get to interview them as long as due diligence is done and you and/or Dick tell me this guy can do the job.

Mr. Ryan stated the vetting process is very important and it gets overlooked far too often. To check with former employees and people that he worked for are in the long run are far better references.

Mr. Swinburn stated I make that point not to say I won't participate in interviews but to say if all of us giving interviews is getting in the way, then it wouldn't bother me if we didn't do them.

Mr. Leckie asked Mr. Vohs and Mr. Crahan if they would be interested in sitting down with him.

Mr. Crahan responded that's fine. Dick should have an informal meeting with him of some sort.

Mr. Ryan stated I'd be glad to meet with him but I would check with his employers first.

Mr. Leckie stated Dick, why don't you check with the people from Palm Coast and I will get some other references from him. This looks like a legitimate option after interviewing the guy.

Mr. Crahan stated the most important thing is that he has local understanding and lives here.

FIFTH ORDER OF BUSINESS

Staff Reports

Attorney

Mr. Crahan asked any news on the Golden Lion?

Mr. Chiumento responded I haven't heard anything.

Mr. Crahan asked what about European Village? It's renewal time.

Mr. Ryan responded the bill is due October 1st so we will send it out a month ahead of time and make sure they get insurance stuff in.

Engineer

Mr. Ryan stated you have a copy of Tim's report. The main thing is we're going out for bids. The tentative bid date is June 30th. It will be advertised and they will be opened August 4th. The engineer has finished the bridge inspection report and they're waiting for the final report from the company that did the underwater inspection. We will probably have the bridge report by the next meeting. There's nothing unusual in their inspection so I assume we will get the same kind of report we normally do that the bridge is still in fine shape.

Manager – Bridge Reports and Traffic Comparison for May

Mr. Ryan stated the report that you have is a combination report. For the next meeting we will probably create a new report because we don't have things like bonus dollars anymore. The report will basically be traffic, dollars collected, outstanding balances, and our obligation for the people that have prepaid the express card.

SIXTH ORDER OF BUSINESS

Supervisors' Requests and Audience Comments

There being none, the next item followed.

SEVENTH ORDER OF BUSINESS

Financial Reports

- C. Balance Sheet & Income Statement**
- D. Construction Schedule**
- E. Special Assessment Receipt Schedule**

F. Approval of Check Register

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

EIGHTH ORDER OF BUSINESS

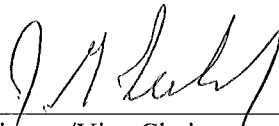
Next Meeting Scheduled for Friday, July 14, 2017 @ 9:30 a.m. at the Dunes CDD Administrative Office, 101 Jungle Hut Road, Palm Coast, Florida

Mr. DeMatteis asked are we rescheduling September's meeting?

Mr. Leckie responded yes, to September 15th. The next meeting scheduled is July 14th at 9:30 a.m.

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


Secretary/Assistant Secretary


Chairman/Vice Chairman