

MINUTES OF MEETING
DUNES COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Dunes Community Development District was held Friday, July 14, 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:

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

Also present were:

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

The following is a summary of the minutes and actions taken at the July 14, 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 were no audience members present.

THIRD ORDER OF BUSINESS

Approval of Minutes

A. June 9, 2017 Meeting

There were no corrections to the minutes.

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| On MOTION by Mr. Crahan seconded by Mr. Swinburn with all in favor the minutes of the June 9, 2017 meeting were approved as presented. |
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FOURTH ORDER OF BUSINESS**Reports and Discussion Items****B. Review FY 2018 Budget**

Mr. Ryan stated this budget has had a few minor changes and is what we will present next month for the public hearing. The first item is the general fund. The amounts of money needed to be raised is much higher compared to last year and this is due to the problems we had with the sand and other things getting into the drainage system. If you remember we approved \$90,000 from surplus to do some emergency work on cleaning out the drains. We will also have to increase the transfers from the general fund surplus account, water & sewer budget and from the bridge budget to help fund that the increase. We were trying to keep the assessment at a relatively low range. Last year the assessment was \$50.73, this year we're looking at \$59.

Mr. Leckie asked what else will we have to transfer over in order to not go up?

Mr. Ryan responded we would have to transfer about \$30,000. The problem is we've used \$90,000 of the operating surplus already. We're going to get close to depleting that surplus and we're going to need some of that for cleaning up some of the other marshes in case the board decides to do that, or we may be forced to do it by St. Johns. When we put out a notice we always say the amount to be assessed will be no greater than \$60 and we will make an assessment of no more than \$200,000. We've done this each year for the last five or six years so we're still under that notice that we put out. My suggestion is to leave it as it's set forth in the budget.

Mr. Leckie asked we still have surplus money that could go to clean up the marshes if we needed to use it. Isn't that what the City of Palm Coast is doing is moving money over?

Mr. Ryan responded when we got the ruling from the auditor, they gave examples of five or six cities that do this type of transfer and the overriding criteria was so long as it's not harmful to the operating budget of the enterprise fund like the bridge fund.

Mr. Crahan stated the budget line should show this intended maintenance.

Mr. Ryan responded item five in the budget highlights under the general fund, if required \$40,000 may have to be transferred from the general fund surplus for maintenance of the other marshes besides TB. I didn't put it in there because it's one of those issues that may or may not come forward.

Mr. Leckie stated one of the items I have to bring up later is I would like to take a survey of the lakes in Hammock Beach and Hammock Dunes and figure out what needs to be done and I was going to suggest that we take money and put it aside for this year's budget to cover that. We know we probably have \$50,000 for the marsh clean up but we talked about the weir that we were going to do. Take \$150,000 or \$200,000 aside for marsh clean up. I heard if you have a specific idea of where the money was going to go that it was easier to justify that transfer. We should have somebody take a look at all of the lakes and marshes and say what has got to be done and let us be proactive instead of reactive.

Mr. Crahan stated I thought we were doing that on a regular basis, not to have a one-time survey but to have a maintenance program since we have a responsibility ownership-wise.

Mr. Swinburn asked what kind of things are we talking about that would need maintenance in these other marshes?

Mr. Ryan responded most of it is pulling out trees and some invasive species out of the marshes. Basically, a clean up of the marsh back to a more natural state. That's St. Johns' language. We do routine maintenance all of the lakes.

Mr. Leckie asked do we own the islands or does the HOA?

Mr. Ryan responded we own the islands.

Mr. Leckie stated some of them look in pretty bad shape so I think there's work that needs to be done to the lakes also.

Mr. Swinburn asked is it correct to assume that work on the marshes would be necessary to be in regulatory compliance with St. Johns?

Mr. Ryan responded in 20 years we haven't had a visit from St. Johns to say anything about marshes. The only time the issue came up was when Marsh TB came into the picture and they went up to St. Johns and said this needs to be fixed up and they sent us a letter saying the marsh had to be cleared up.

Mr. Sheahan stated when we met with them they basically said, we don't feel like you're in non-compliance right now but they indicated if somebody came to them they'd go out there and find us in non-compliance so they aren't being proactive either. The guy we have under contract has worked a lot with St. Johns. He's looked at Marsh TB and some of the other marshes as well so he's got an idea of what needs to be done and what would be acceptable to St. Johns.

Mr. Ryan stated if you want to do this right, hire him or hire someone like him, have them go out and survey the marshes, come back and make recommendations and then build a plan to fund it.

Mr. Leckie asked is there enough money in the budget to cover him for 2018?

Mr. Ryan responded you can always make a transfer.

Mr. Leckie stated I think it's something we should discuss doing.

Mr. Ryan stated if you want to do work on the marshes or you think there are areas on the lakes you want to fix, let's plan it, get a cost and then fund it. Don't try to fund it as an estimate.

Mr. Leckie stated let's table this for now and put a discussion about the survey on the next agenda.

Mr. Crahan stated use current funds to get the assessment and then figure out what we want to do.

Mr. Leckie stated we're asking you to have him make a survey between now and the August meeting to tell us what he thinks needs to be done to those areas.

Mr. Sheahan stated that survey is not in his current scope of work so do you want me to get a proposal from him for that work?

Mr. Perry stated the board can do an amount not to exceed.

Mr. Sheahan stated then I can go forward without waiting.

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| On MOTION by Mr. Crahan seconded by Mr. Swinburn with all in favor to authorize an amount not to exceed \$15,000 to get an assessment of the lakes and marshes was approved. |
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Mr. DeMatteis asked in the salary schedule we have the new district manager but we also have your full salary. Shouldn't that be less?

Mr. Ryan responded for the past 17 years or more I haven't taken a sick day and so I have time coming so that is an estimate for a lump sum payout when I leave the district.

Mr. Leckie asked isn't that part of your contract?

Mr. Ryan responded yes and it's also in our handbook for employment. It's listed that you can have carry forward.

Mr. Leckie stated in the district's handbook it says you can carry forward half of a year. The way I read it, you can't continue to carry forward. I would like to get some clarification on that.

Mr. Ryan stated it speaks specifically to vacations being cut but part of the allocation is for sick days and I've taken two sick days since I have been here. Diane started to accumulate that when it was obvious that I had a bunch so she carried it forward until she left and now Maribel carries it forward.

Mr. Leckie asked is your program different than everyone else?

Mr. Ryan responded I suppose it is because I started carrying it forward because I said I wasn't using it. What the other employees have done is if they don't use it, they get paid for it. I just carried mine forward. I'll be glad to pull the book out and go through it with you. That's the way I've interpreted it from day one.

Mr. Leckie stated I want someone else to look at it too.

Mr. Perry stated we can take a look at it with Dick. We need to quantify if there's a number of people because we have an unfunded liability that we haven't booked.

Mr. Ryan responded the answer is no. Either they take the vacation or sick time or they can request a check for any days that weren't taken.

Mr. Swinburn stated it seems to me it's a little more than accounting or balancing the books. It's a legal question. I'd like to know whether we can get an opinion in writing from Michael as to the proper interpretation of the questions.

Mr. Chiumento stated that's no problem. We partner with an employment lawyer also so we can give you our opinion.

Mr. Crahan stated it opens a broader question that is a basic HR policy that will have to apply going forward to all of the employees within the organization.

Mr. Ryan stated I'm the only contract employee within the district and this is mentioned in my contract. My interpretation goes back to the policies that were put into the handbook and have been in place since they were adopted in 1999.

Mr. Leckie stated Michael, we should look at his contract also. There's an amount in the budget for this sum to be paid to Dick. What do we do about that if this is in question? If we don't have it solved by next month it's going to be hard to adopt a budget.

Mr. Ryan responded it seems it could be resolved rather quickly.

Mr. Vohs asked I'm looking at interest income for \$2,000. You made the remark last month that we were going to get \$120,000 in interest. Does that flow into this account?

Mr. Ryan responded all of the interest is accumulated in the water and sewer. The amount of interest on the general fund is almost non-existent. We don't keep a large surplus whereas in the other ones we put it into the State Board accounts.

Mr. Crahan stated on the second page, the storm drain system maintenance has total projected at \$130,000 and then we drop it to \$40,000 in the projected budget.

Mr. Ryan stated we had a transfer of \$90,000 in the original budget and that was primarily to get the sand out of the storm drain system and do some research work. Basically, we increased the budget from what it traditionally had been. I think it was normally \$20,000 so we put it up to \$40,000 because we're not aware at this point of any other substantial expenses to the stormwater drainage piping system. For water and sewer, the revenue projections are based on our latest information. With the budget I don't think there's any changes likely to come forward. The biggest item is obviously the capital improvements where you have five million dollars coming out to fund the new wastewater treatment plant. Most of that is coming from surplus. Some of it is coming from available funds that are in the budget. On the bridge fund, we're projecting an increase in the number of tolls collected. We've had growth rates of about 5% the last few years and expect the same thing is going to happen in the coming year. We eliminated the \$200,000 that we've been putting into the community development project and we also increased the amount of interest income. Generally speaking, the budget is less than it was last year. The employee schedule shows an increase of 3%. It's up to the board to determine what it wants to do with that increase. Under capital improvements there are several items we have completed or moved to future projects but right now the biggest impact is the construction of the wastewater plant and some engineering charges. You have one project up in Yacht Harbor and Hammock Beach to do some improvements to the piping system to get better flow. On page 11, the assessment that's shown there is based on the figures that are presently in the budget for the general fund. If you elect to do something different with the funds, then that calculation will change and you will have to modify the assessments and/or the transfers from the bridge and water and sewer account. If you go over \$60 you have to send a notice out to everyone in the district.

Status Report on New Toll Collection System

Mr. Ryan stated they've got the treadles in and we're about ready to start operating the gates. We're finalizing some reporting for preparation of our monthly report. They still are not in sync with what we want and they are still working on software and programming to get what we need or what we want for our reporting to the board and for reporting to GMS so that they can figure it out as well. Hopefully we will have it squared away this month. We will put the signage back out and let people know that there will be gates. We will see how that impacts the violations because they have been slowly growing over time and this should eliminate that unless they want to bust through the gate.

Mr. Crahan stated I asked somebody what number was coming up on the screen and they said still \$2.00.

Mr. Ryan stated we're still under the old system format. They are doing some rewriting of their code to get the cash approach in there rather than the bonus situation so there's still some delay and they are working on that. They said we had to have \$2.00 for a while until we cleared all accounts and made sure everybody was on the same page and to make the final transition from the bonus situation to cash, we have to make sure we have both systems operable and the cash system is not operable right now as far as notification.

Discussion on Restoration of Marsh "TB"

Mr. Leckie asked Tim, have you heard anything?

Mr. Sheahan responded no. The ball is in their court from what I read at the last meeting.

Mr. Ryan stated I sent the parties involved an email saying what the offer was but, I haven't heard a word back.

Consider Putting a Hold on Plans to Utilize Stormwater from Hammock Dunes Lakes in Light of the Water Available from Rainfall and the Ability to Use Water from the Northern Lakes

Mr. Ryan stated we're pretty much through the worst part of the summer and we have plenty of water. Ocean Hammock has stopped sprigging the golf course so their high demand has passed. Now they will just do maintenance irrigation so I think the worst part is over. The second thing is that the conductivity on lake five and the northern lakes has dropped so we're now seeing water that's not that bad. The necessity to a pipeline installed from Hammock Dunes is significantly reduced because we're just not going to have the demand. We can get through this year without the need of expending any further money on that pipeline. By the time next year

rolls around I suspect you're going to have the expansion of Palm Coast's pipes so we will have greater quantities of reclaimed water available. I think with the connection available to the northern lakes, that is adequate protection.

Mr. Leckie stated the way I look at is they're redoing the golf course and we've redone the ones at Hammock Dunes and that's what takes the great amount of water so we're probably not going to have that demand for the next couple of years. I feel we can put this off.

Mr. Crahan stated I wouldn't put any money into pumps or generators and the like.

Mr. Sheahan stated one issue that's come up since they've done the survey and we've located all of the utilities in the easement is that there are three twelve-inch pipes in a twenty-foot easement so they're saying we don't see how you can put a directional drill in there with those three pipes there. They're recommending opening and cutting it and I see some problems with that.

Mr. Crahan asked how far in feet?

Mr. Sheahan responded it's probably 800 feet from Jungle Hut back to where we would make the connection. I would lean towards trying to get another easement if we were going to go ahead with that.

Mr. Crahan asked what about any disruption to the wastewater treatment plant or anything like that? It's nice to have reserve capacity, that's why we built the tank and did a lot of other things. We're on the cusp of getting some additional capacity that we don't need right now but you never know.

Mr. Ryan responded the issue is once you tap into Palm Coast, you have a permanent long-term solution. It's certainly more desirable than the lake water as far as utilization. Without this unusual demand with the golf courses growing in, we have adequate water right now for the foreseeable future without doing anything else so my sense is it's just not needed at this point.

Mr. Vohs asked are there any restrictions that St. Johns has control over on that water that comes from Palm Coast?

Mr. Ryan responded no because it's reclaimed.

Mr. Crahan asked is there anything on the expansion of the wastewater treatment plan that's going to impact our delivery of services?

Mr. Sheahan responded no. We are increasing the disk filters. We filter the water once, then it goes up to the storage ponds, then we filter again the portion that goes to the residential customers. We are expanding the capacity of the filters.

Mr. Leckie stated so at this point we're not going to go forward with what you're doing but we have that option and could pursue an easement if we needed to do it.

Discussion of Settlement of a Pending Insurance Claim on a Trip and Fall Accident

Mr. Chiumento stated this is one of those things that you can discuss in shade if you choose with that advertisement.

Mr. Perry stated we have to have a court reporter too.

Mr. Ryan stated we discussed the potential for a shade meeting. The only question is does the board have a sense of what it's willing to offer as far as a settlement? The attorneys feel there is a pretty good case if we decide to go to court. If we don't defend it, the insurance company deals with it. My sense is that something reasonable as a proposal offer would make sense. Do we have a sense that maybe something in the range of \$15,000 could be offered?

On MOTION by Mr. Swinburn seconded by Mr. Crahan with all in favor to offer a proposal for settlement to the plaintiff of \$15,000 was approved.

C. Community Projects Report

Mr. Ryan stated basically this is just a rehash of last month. Everything is complete now. We're still waiting for them to do something on the Malacompra and also the repairs at the end of Jungle Hut and Malacompra. The funds will basically sit there until they take some action.

Mr. Crahan asked what are they doing?

Mr. Ryan responded I've talked with Coffey on a couple of occasions but it's been a while. I went back to him and asked if they would be willing to transfer some of the \$800,000 to the dunes projects and he said no, they were committed to doing the Malacompra drainage.

Mr. DeMatteis stated the big hold up is the cost of sand on the dunes. The contractors are reporting double what they had sold to Hammock Dunes and basically raking the county over the coals. They're looking at other sources of sand so they're pretty much at a stand still.

Discussion of District Manager Replacement

The board discussed the final candidates for the District Manager job. Both finalists were found to be well qualified and after a lengthy discussion and review of the candidate's references, it was decided by unanimous vote to offer the position to Gregory Peugh.

FIFTH ORDER OF BUSINESS

Staff Reports

Attorney

There being none, the next item followed.

Engineer

Mr. Sheahan stated we had to delay the advertisement for bids for the wastewater plant expansion. We expect the engineering plans that reflect our comments from the last meeting today so we will take a look at those and probably get the advertisement for bids in another week or so.

Manager – Bridge Reports and Traffic Comparison for June

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

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. Swinburn with all in favor the check register was approved.

EIGHTH ORDER OF BUSINESS

Next Meeting Scheduled for Friday, August 11, 2017 @ 9:30 a.m. at the Dunes CDD Administrative Office, 101 Jungle Hut Road, Palm Coast, Florida

July 14, 2017

Dunes CDD

NINTH ORDER OF BUSINESS

Adjournment

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


Secretary/Assistant Secretary


Chairman/Vice Chairman