

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 12, 2021 at 9:30 a.m. at the Dunes Administrative Office, 101 Jungle Hurt Road, Palm Coast, Florida.

Present and constituting a quorum were:

George DeGiovanni	Chairman
Gary Crahan	Vice Chairman
Rich DeMatteis	Assistant Secretary
Charles Swinburn	Assistant Secretary (via Zoom)
Dennis Vohs	Treasurer

Also present were:

Greg Peugh	District Manager
Jim Perry	District Representative (Via Zoom)
Michael Chiumento	District Counsel (Via Zoom)
Dave Ponitz	District Engineer (Via Zoom)
Dave Mason	CDM Smith (Via Zoom)
Don Stone	CDM Smith (Via Zoom)

The following is a summary of the discussions and actions taken at the February 12, 2021 meeting. An audio 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

Stormwater Utility Presentation

Mr. Peugh stated CDM is our consultant and they've been working diligently on the stormwater utility study. On the Zoom call we have Dave Mason and Don Stone and they're going to do the presentation.

Mr. Mason introduced himself as the project manager and informed the Board he has been working on the stormwater utility project to determine the feasibility and details of development. The following is a summarized version of the presentation.

Mr. Mason stated we see the evaluation and potential implementation of a stormwater utility in two phases. We are mostly in the evaluation phase now; however, we have stepped into the implementation side to get prepared if that's the direction we go. I'm looking at cost of service, what the water rate structure may look like and what a possible rate may be based on the type of service you're providing, then laying out some implementation planning. The first step is understanding what types of services are being provided and what the costs of those services are. We look at the program in three areas: program management, operation and maintenance and capital improvement. The program management is administration and planning, responding to complaints and anything regulatory. Operation and maintenance is the stuff going on in the field such as maintenance within the system, lake maintenance and any ditch cleaning and clearing. The capital improvement is when things fail so that's the larger projects that have to get done. After talking to staff, we dove into the budget and tried to dissect what types of things are being provided under the water and sewer program and what types of things are outside of that. Based on a typical year you all are spending a little over \$300,000 on stormwater management services. The idea is if you were to look at a different revenue stream, how might you fund that and what might those additional program elements look like to move the program ahead to where it should be.

One of the things we've done under this contract is develop a GIS platform that has taken all of the as-built information that you have and placed it into an online database. We've got a map-based system now of every asset that you have. We know what size it is; we know where it is and which way it flows. The next step is to start to manage those assets in a proactive way so that's what is driving the conversation of what types of future services we should be providing to create a long-term sustainable system.

The next part is how you determine the charge. For your water system you pay based on the amount of water you use. For sewer you're paying some percentage of the water charge. Electric you pay for the amount of electricity you use. Stormwater is a little less direct but the way they've been done historically is based on the amount of runoff your property generates, and we equate the charge to the property based on the impervious area. The most common rate model is what we call the Equivalent Residential Unit Basis (ERU). Other methods are the Single-Family Unit (SFU) and the Tiered Residential Fee. The way they differ is we're measuring all the residential properties and regardless of what type of residential property you are, if you have one dwelling unit, you're going to get one charge, and everybody is going to pay the same whether

you're in a condo or a house with the concept being everyone is benefitting fairly equally from the services being provided. With the tiered single-family unit, single family homes are separated into three or more tiers based on impervious areas. For the recommended level of service, we're looking at a \$14-\$15 range for the ERU method. If you move to the SFU method, you're going to need to charge more per customer.

There are some decisions to be made such as to what kind of public outreach you want to do, developing some policy documents, credits, billing startup, what the appropriate level of funding is, which rate structure is most preferred for your community and then setting that rate. Lastly is that implementation timeline, so whether you want to implement it on a fiscal year or calendar year basis.

Mr. DeGiovanni asked how much time do we need to do the community outreach campaign? Is 2022 sufficient time?

Mr. Peugh asked how long do we have to advertise?

Mr. Perry responded once you set a rate it's basically a 30-day process.

Mr. Peugh stated let's just say \$15 and my recommendation is I'd like to do the ERU, but obviously that's up to you all to decide. The first thing is I need to know where all of my assets are and then we have to go out and assess them. We think we're in pretty good shape, so we don't need to build up a huge capital fund at this point, but I don't know that. That's what I need these dollars to do.

Mr. Crahan stated I think the ERU is right, and I think the level of service that was advocated is a good one to do; not the Cadillac version as they called it, but down one notch. I'd like to see what the \$150,000 of admin costs include. Are we talking about increased staffing and if so, how many? Then I would say phasing this into the budget process and implementing at a fiscal year start. I don't know if this year is too short.

Mr. Peugh stated to my knowledge, I don't think that's possible.

Mr. Crahan stated from an auditor's perspective fiscal year would be a lot cleaner.

Mr. DeMatteis stated I don't disagree. I think the lower the costs and the simpler the explanation and the structure that has the appearance of being the fairest and starting at the recommended level of service and tiering up to the higher rate is the way to go. I think it would be too difficult to explain the multi-tier effect. I'll leave the timing to the experts, but I would prefer it on a fiscal year so that everything is in line.

Mr. Vohs stated I think the question that would be in people's minds is in theory we have one of the best priced water around and why wouldn't you just raise the price of the water and set up a reserve for the stormwater, but just not have to explain a new charge?

Mr. Swinburn stated I agree with what Gary and Rich had to say. The most questions I get asked are related to all of the money we have in the bridge fund. People don't understand the concept of putting money aside now for needs that are years from now, or longer and it's definitely going to come up in this context when we start raising the fees for the stormwater. If as part of our public outreach process, we can teach that it's more than just the normal increase driven by stormwater management needs out in the future and reminding people that we lowered rates recently I think that would help.

Mr. DeGiovanni stated the way I look at it is keep it simple with the rates, and normally I would be anxious to do something sooner rather than later but I don't think that's realistic so I agree, do it with the fiscal year which would be fiscal year 2023 and in the meantime what we can do with the current budget that comes around in October, is we can take a chunk of money and put it into this enterprise fund bundle and tell the community we're going to do that as we go through our public outreach campaign; that we've taken this money as a supplement, but here's the bills we're going to have to pay over the year in the stormwater because of that, and then like Charlie said we remind them of the rate decrease and let them know we need to have a rate associated with this new enterprise fund. Finally, we've got almost \$53 million of assets and I imagine we can break those up between the bridge and utility and the stormwater to show that yes, we have a lot of money in the bridge, but we have a significant asset associated with the bridge and a lot of things can go wrong with that bridge short-term versus long-term just like with the water utility fund and we need those reserves whether you like it not just like those that have savings accounts and IRAs and 401Ks that are your security blankets.

Mr. Mason stated there's definitely no technical limitation in terms of timing of implementation. The work can get done in terms of the fee setup and all that stuff. It's really more of a political discussion locally of how much time you want to use to give people notice. Really anything six months out and later would be attainable from a technical standpoint.

Mr. Stone stated the billing software vendor would need to be brought in soon to start talking about the mechanism of actually putting the fee on the existing bill.

THIRD ORDER OF BUSINESS

Approval of Minutes

A. January 8, 2021 Meeting

Mr. Crahan provided corrections to the minutes, which will be included in the final version.

Mr. DeMatteis stated over the years we've evolved from wordier minutes that is more reflective of the actual conversation and we've made an effort to cut that down to some degree, but in my personal opinion we've gone too far. There's a lot of conversation that takes place that doesn't make it into the minutes, and I don't think that's a positive thing.

On MOTION by Mr. DeMatteis seconded by Mr. Crahan with all in favor the minutes of the January 8, 2021 meeting were approved as amended.

Mr. Swinburn left the meeting at this time.

FOURTH ORDER OF BUSINESS

Audience Comments

There being none, the next item followed.

FIFTH ORDER OF BUSINESS

Reports and Discussion Items

B. Acceptance of the Audit Committee's Recommendation and Authorization for Staff to Issue an RFP

Mr. Perry stated the board met as the audit committee previously and recommended the five criteria so now, you're sitting as the Board of Supervisors accepting the audit committee's recommendation.

On MOTION by Mr. Vohs seconded by Mr. Crahan with all in favor the audit committee's recommendation was accepted.

Mr. Swinburn rejoined the meeting at this time.

Discussion on Capacity Fee Issues for Commercial Accounts

Mr. Peugh stated the Hammock Beach Resort was significantly down in January. I was under the impression that they were not doing any more resurfacing, however they are going to continue resurfacing the indoor pool and hot tub this year so that will hopefully bring their water usage down. In the meantime, they found very large leaks in both of the small hot tubs and their indoor pool. They will be repairing leaks throughout this summer and therefore we should monitor

the situation and see what water is conserved through the next summer. The consensus of the board was to proceed in this manner.

We sent Cinnamon Beach a letter for about \$23,000 and that check is supposed to be delivered sometime in the near future.

Discussion on Stormwater Utility / Reclaimed Flow

The stormwater utility was discussed above under item II.

Mr. Peugh stated Palm Coast has the new pump in, but we're not getting any additional flow and it just doesn't make any sense to me. They tell us we've got some blockage in our line, but based on the flow that we saw and the pressure differentials we had I don't see any blockages, so I'm not sure what they did with the pump but I want to see the pump curve and we can hopefully give them some recommendations.

Renaissance / Beach Walk / Lennar Homes Development Update

Mr. Peugh stated Renaissance met with us and asked what fees they are required to pay. Their engineer has asked for standard details. Additionally, they revised the lot count on the plat from 29 to 33 homes. The Oare folks still own it, so I've sent them a bill for their additional lots, but they've been a little slow paying on that. We do have a lien on their property.

I do not have anything on Beach Walk; they are continuing their site work so they're moving along with it.

I haven't heard anything on Lennar. We sent some preliminary capacity fee calculations to the developer.

C. Discussion on Revised Handbook

Mr. Peugh stated I think I have everything that we discussed last month included. If there's anything else, I will change it. George brought up the organizational chart. Where it says District Manager and then management services, legal services, etc., the Supervisors don't really manage that, I do, so I'll fix that and then we will start distributing to the employees. Mr. Crahan stated that accolades should be added to the employee file as well.

D. Discussion on Spending Threshold for District Manager

Mr. Perry stated most other districts don't have utilities and their expenditures are typically a lot less. The spending thresholds for district managers for items that are unbudgeted are typically in the \$2,500 to \$3,000 range. Of course, they can go up if there's an emergency situation or some type of need that has to be addressed between board meetings and typically the District Manager will contact the Chair and get his approval and then it would be ratified at the next meeting. If it's items that have been budgeted for contractual amounts it might be more than that \$2,500 or \$3,000 and if it's included in the budget, then the district manager can approve those expenditures also. For you, those amounts don't work because of the nature of the business and your expenses are a lot more than a typical district so you probably need to adopt a formal threshold for Greg and keep in mind everything is typically ratified with the approval of the check register on a monthly basis.

Mr. Peugh stated I looked at our 2020 purchase orders and there were 326. Purchase orders are required if it's over \$200. Of those 326, 307 were less than \$20,000. The rest were items like the Chevy Colorado, which you all approved, and it was in the budget. You're going to see meters in there for \$50,000. The largest purchase was about \$106,000 and that was the pony pump that you all approved. If we do some small limit it's going to pretty much stop this operation. Mr. Crahan asked Mr. Peugh for a dollar figure of the limit for Mr. Peugh and he responded with \$100,000.

Mr. DeGiovanni stated based on the infrastructure we have and the number of assets we have, my proposal is the manager has up to \$100,000 emergency approval between board meetings. All budgeted items already approved he also has is approval to implement during that time between board meetings. Any emergency dollars required above \$100,000 he needs to have either the Chairman's approval or the Treasurer's approval and at the next budget meeting we can formally approve those allocations.

Mr. DeMatteis stated 95% of the purchase orders were \$20,000 or less and most of what was over \$20,000 was budgeted. If someone on the outside looks in and says that guy running the place can spend \$100,000 on a whim. People do stupid things, and you may be fired, but we have to live with the consequences of that. It's appropriate to be conservative and if you can be conservative by covering 95% of the transactions or more by simple guidelines, then I don't think it's a problem.

Mr. Swinburn stated somebody made a good point that we do get to approve these things after the fact at a board meeting and that's why we have that chart called FY2021 additional budget

items and that's where this query started because we had that column that said board meeting authorized, and money had been spent that hadn't been authorized. I don't have any problem with Greg having a limit that he can go up to. As a concept, \$100,000 seems like a lot of money. I think it should be something less than that and I'd like to have a little better idea. Perhaps before the next meeting Greg can scratch out a couple sentences as to what an emergency is; if it means the plant has to be shut down if we don't spend this money or what the consequence is if the money isn't spent.

Mr. Vohs stated I agree with Charlie on the descriptions of what falls into the need of immediate spending without going through the process of getting approval; that would be helpful, and then I'm comfortable with the \$100,000, but I think we need a description.

Mr. DeGiovanni stated we are going to table this to the next meeting to discuss it and think about it.

Mr. Peugh stated I will put something together. In general, my rule is if it's compromising safety, I'm going to fix it. The other is if it's going to impact the water treatment, I know I need to fix that. The pump impacts our treatment, and I don't like going to Palm Coast water. I'll put some framework around that, but that's where my head is.

Mr. DeGiovanni asked Mr. Peugh to draft a resolution for the next meeting stating what is defined as an emergency and suggested dollar amounts that would require approval by the Chair or Treasurer.

SIXTH ORDER OF BUSINESS

Staff Reports

Attorney

Mr. Chiumento stated in regard to the parcel of land that we were negotiating with Ocean Hammock, we believe based on our title search that Ocean Hammock never had title to it and it was one of those remnant pieces from a plat and that ITT is vested in it, so we sent information to ITT requesting them to issue a limited warranty deed and we've been back and forth with their general counsel. Long story short, they want to either issue a quitclaim deed to us or they want to issue a limited deed with the title policy, which we really can't issue. The title policy would cover them in the event there was any claim. We have an issue as to whether the District wants to go down that road accepting a limited warranty deed, which basically means nothing; or a quitclaim deed, which basically says whatever interest we may or may not have in the property ITT gives

the district, so it gives you title to the land, but it's not 100% clean. The only way to get it 100% is to take the quitclaim deed and then do what is called a quiet title action which is probably a couple thousand dollars with the costs included unless it's contested to wipe away any and all clouds on that parcel of land. It's just a matter of what kind of risk the district feels they want to take on this piece of property. My gut reaction is if we want to cross our T's and dot our I's, we do a quitclaim deed and do a quiet title action.

Mr. DeGiovanni stated I think the safest thing to do is do the quitclaim deed and do the quiet title.

Mr. Swinburn stated I would go with Michael's recommendation.

There were no objections from the remaining board members.

E. Engineer - Report

Mr. Ponitz gave a brief overview of the engineer's report, a copy of which was included in the agenda package.

Manager

F. Bridge Report for January

Mr. Peugh stated the revenue is down almost 3% and vehicle trips were down 6.5%. I don't have a really good reason other than COVID, and it was abnormally cold in January. We have a little over 21,000 accounts, we've sold 25,501 loyalty cards and there are 7,300 online users. Dennis asked about the press release regarding the toll suspension and I sent it to the Observer and Journal.

Mr. Crahan stated I'm seeing a lot of credit card activity at the toll booth. Is that helping?

Mr. Peugh responded with a 6.5% decline in traffic I would have expected over 12% decline in our revenue, so your idea was great.

G. Additional Budget Items Report

Mr. Peugh stated we had to purchase a new spare reverse osmosis water plant skid pump. It was fixed three times and we were sending it back to the manufacturer. Somehow it got lost in North Carolina and it was gone for a week or two and I needed a spare pump for that skid, otherwise we can't use skids three and four if either of the feed pumps malfunctioned and that is half of our

water plant so that's why the skid pump was purchased. Since then, they've found it so we're going to have two spares. Do I need a resolution for that, Jim?

Mr. Perry responded it will be ratified through the check register approval.

Mr. Swinburn stated we will be authorizing it through check approval so I think this chart should have the board meeting authorized date put into it for today's date. We should continue to maintain that structure since we created the column in the first place.

Mr. Peugh stated we will do that.

Miscellaneous Items

Mr. Peugh stated with the irrigation bill last month Mr. DeMatteis had asked about the reclaimed water and unfortunately, we coded an electric bill into that line item, so we fixed that.

Out of the 2,000 accounts about 606 people are using the utility website.

The pothole north of Granada was finally fixed.

Next month we're going to have an E-Verify memorandum ratified. It's now required for all Districts.

We issued a boiled water notice yesterday for Corte Del Mar, about 20 homes. A gasket blew out. It was not for the entire community. From now on, I will tell you that we have a boiled water notice, and we will send you the notice which identifies the affected homes, that we send the State, so you have it in the future.

SEVENTH ORDER OF BUSINESS

Supervisors' Requests and Audience Comments

Mr. Crahan stated I had a discussion with Greg in regard to pond maintenance. I observed a guy walk down to the edge of the pond behind me, walk back to his truck, sit there for a while and then drive off. I don't know what he's instructed to do or not to do in regard to treatment.

Mr. Peugh stated they are to look at it and if there's nothing there, they're not going to use chemicals. If there is an issue where we need to spray, we will address it as quickly as we can.

Mr. Crahan stated for that particular lake, I don't know any access point that he would have to that when it's totally built out.

Mr. Peugh stated I have the same concern, so we are working with the homeowner's association to get access to all of the lakes. We'd like to have easements where we have an agreement with the homeowner's association.

Mr. Crahan stated my last thing is as a result of the stormwater discussion, I think it would be worthwhile to take off the shelf the former studies directed toward reserves so we can look at them again. It would be interesting to see what the five-year projection was and how accurate it was.

Mr. Peugh stated when we look at that reserve study, we need to look at the pipes and that was always left out, so I can tell you the rates are going to go up when you add that in. That is something I need to do so I will make it more of a priority. The pony pumps were never contemplated, the maintenance has increased, and the facilities have increased so the reserves are going to need to increase.

Mr. Crahan stated in going to that slide of the presentation that had the levels of service, for the piping where does that put us? Are we in a fix and replace only on demand? We just need to make sure that we're all on board with what that level of service will be, not just for the stormwater utility, but for the rest of the utility that we're buying into.

Mr. Peugh stated I would like to be more proactive. The best thing you have on your side right now is the system is only 30 years old.

Mr. DeGiovanni stated if you look back at the briefing we just received, we're only a level two, which is basically reactionary and what we want to be is a level four or five, which is proactive comprehensive planning.

Mr. DeMatteis stated my pet peeve is that MalaCompra access into that ditch that goes out to MalaCompra Road, which is always full to the brim. Are we ever going to do anything about that? Because that doesn't handle any water and we know from the consultant that the MalaCompra ditch itself is improperly built and part of it is full and part of it is virtually empty and the connecting ditch barely drains. I'm always concerned about that.

Mr. Peugh responded yes and no. If you put more water into it, it's eventually going out to wherever it's going out to. It's still slow, you're absolutely right. That is a county ditch. One of the things we could do is go talk to the County Administrator about spending more money there. I'll talk to ETM about the improvements that were being made.

Mr. DeMatteis stated Ocean Hammock has come back and asked about the district voting issue and maybe pursue the legislative approach that the attorney general suggested. Is there any aversion from the Board for taking that approach?

Mr. DeGiovanni stated I don't think the Board should be involved.

Mr. Crahan stated to be honest with you, I think that would only work if both major communities join forces.

Mr. DeMatteis stated I understand that, but the District is the entity that we're looking to make a change to and if the District is opposed to it then I don't think Mr. Renner would even broach the subject if the District wasn't supportive.

Mr. Swinburn stated this was an idea to go to the state for a favorable interpretation that I pushed because I think it's the right thing to do, but the Board never voted on whether or not the Board would support such a measure. Instead, what we really did was give District Counsel the authority to ask the state if it could be done.

Mr. DeGiovanni stated personally I prefer they go to the communities and talk to them. It's up to you guys, you can take a vote and see who is in favor of it.

Mr. Vohs asked why don't we go to the homeowner's associations to see what they feel?

Mr. DeMatteis stated there's no issue with that, but if the District as an entity whose rules we have intentions to change is averse to it, even though the communities might be in favor, I would assume Ocean Hammock would support it and propose a bill to do it, so the first step is finding out if there is aversion to the Board to go down a road we went down once before. I assume the Board would have voted to do it if the State said okay.

Mr. Vohs stated I think we should at least go to the various homeowner's associations and find out their opinions on it. If the homeowner boards say it's good, I'm fine with it.

Mr. Crahan stated that's what I would say as well.

Mr. DeGiovanni stated I think we should stay neutral and let the communities decide.

Mr. Swinburn stated personally I would vote in favor of the change and I do think as an organization if we're not going to vote in favor of the change, we should be willing to say we do not oppose the change.

Mr. DeMatteis stated yes, because Renner is going to come to this Board and ask if both associations communicate to him that they would like to proceed and make this change. You're going to have to give an answer.

Mr. DeGiovanni stated okay, we can vote now on that.

Mr. Perry stated I would not vote on this subject right now because you don't have it on your agenda at all and it's something that is really basic to the district if you go down this road.

Mr. DeMatteis stated I'm not asking for a vote. I'm asking to see if this Board, which is now constituted differently than the one when we made that request to the state feels the same that they're comfortable with making a change if it should happen, or do you want to oppose it? We should know that in advance because why go through additional efforts of meetings with both associations and political representatives if at the end of the day the District itself is going to raise its hand and say we do not want to do this?

Mr. DeGiovanni stated whatever the communities decide, we will concur with. We're not going to fight what the communities want to do.

EIGHTH ORDER OF BUSINESS

Financial Reports

H. Balance Sheet & Income Statement

I. Community Projects Schedule

Mr. Vohs asked what are we going to do with the funds on the community projects schedule?

Mr. Peugh stated we spent \$30,000 on this end of the bridge. One of the things we thought about is spending some of the money for the toll improvements and some of that landscaping. Also, those rusty guardrails as you leave the toll bridge and head up the bridge, we've asked the consultant if we need to replace them or not. Unless you need something else, that was my plan.

Mr. Crahan stated we have coned off the path that looped back at the eastern end of the bridge.

Mr. Peugh stated we were trying to keep the walkers out of that area completely so the contractor can do his construction and they just walk around them. We put up some more substantial barricades and it's been better.

J. Assessment Receipts Schedule

K. Approval of Check Register

Mr. Swinburn asked what is U.S. Emergent Technologies?

Mr. Peugh responded that's when they cleaned out the sequencing batch reactor.

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


NINTH ORDER OF BUSINESS

Next Meeting Scheduled for Friday, March 12, 2021 @ 9:30 a.m. at the Dunes CDD Administrative Office, 101 Jungle Hut Road, Palm Coast, Florida

TENTH ORDER OF BUSINESS

Adjournment

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


Secretary/Assistant Secretary
Chairman/Vice Chairman