

MINUTES OF MEETING
HERON ISLES COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Heron Isles Community Development District was held on Thursday, August 4, 2016 at 6:00 p.m. at the Residence Inn Amelia Island, 2301 Sadler Road, Fernandina Beach, Florida.

Present and constituting a quorum were:

Greg Matovina	Chairman
Don Lyons	Supervisor
Kathleen Blessing	Supervisor
Justin Blessing	Supervisor

Also present were:

Dave deNagy	District Manager
Jason Walters	District Counsel (by phone)
Cheryl Graham	Leland Management

FIRST ORDER OF BUSINESS

Roll Call

Mr. deNagy called the meeting to order at 6:00 p.m.

SECOND ORDER OF BUSINESS

Audience Comments

There being none, the next item followed.

THIRD ORDER OF BUSINESS

Affidavit of Publication

Mr. deNagy stated it is in the agenda package for your reference.

FOURTH ORDER OF BUSINESS

Presentation by MBS Capital Markets

Mr. deNagy stated MBS wanted to talk to us about the refunding, but there are some other District issues they are working through, so we are going to table that until we meet again.

Mr. Matovina stated before we leave this, perhaps I could give a report on the status of the development, which might tie into conversations with MBS Capital or anybody else. The

real estate market has gotten really healthy in the last nine months in NE Florida. We had two sections left to develop. One of them fronts on Chester Road up past the main entrance, and it doesn't connect in any way. To get to the recreation area, you either had to walk down Chester or drive down Chester back to the main entrance. That is under development, and those lots are all under contract to KB Homes. There is a section of lots between Commodore and the section that we did. Up ahead there is a section of lots that remains to be done. That will complete that whole neighborhood on the right. That section of lots is due to start any day. I think in rapid fashion we will be past the 80% mark. That is the entire neighborhood. I think when all is said and done, we are going to have 747 or 749, somewhere closer to 750.

Mr. deNagy stated I was thinking about that when we were going through the numbers, and that is something I want to take a look at, the methodology, just to make sure we have everything straight if it is a number different from the 740 in the methodology.

FIFTH ORDER OF BUSINESS

Public Hearing to Adopt the Budget for Fiscal Year 2017

Mr. deNagy stated we will take up two resolutions after the public hearing. The first one, 2016-02, is the actual adoption of the budget, and 2016-03 will impose the assessments and allow staff to certify roll to Nassau County for collection.

On MOTION by Mr. Matovina seconded by Ms. Blessing with all in favor the Public Hearing is Open.
--

Mr. deNagy stated I will go through the budget. We have had a couple of changes since the approved budget. Overall the assessments do not change. Our assessment level remains per unit of \$377, where it has been for several years. The budget is located in the agenda package. The major change was down in Reserves. We had zero down for Reserves for FY17. The reason is if you look up top, we have been utilizing some money from Reserves for our operating expenses. Turn to page 2, you can see where we had a beginning balance of our operating budget of \$143,000. We are looking at excess revenues at the end of year estimated at \$3,637. Total estimated funds available \$147,000. We always need to have some money carryover anyway for our first couple of months of operating expenses. Look below that, and you will see

\$67,000 for operating reserves for our first quarter operating capital. The second item is \$72,000 for our Capital Reserve Replacement Fund. This would be money we would put in the operating fund. That is why we are not budgeting. We are going to take that out of Reserves and put money aside for road maintenance and capital improvements. We end up the year with undesignated cash. If you look at the budget on Page 1, you can see that being used in the FY17 budget for part of our revenues. Other than that, most of the other line items we have had some minor tweaks from when we approved the budget. That was the major change. I want to point out, before we leave the Reserves, because we are zeroing out our budget and using some of our reserve money, this lends itself to the possibility next year of having to raise assessments if you are going to budget for road maintenance and capital improvements. We have been going several years with a flat assessment level, I think we have reached the point now where we need to think about, for FY18, an assessment increase of some sort.

Mr. Matovina asked how did we come up with such an odd number of \$72,318 to transfer from the operating reserve to the capital reserve?

Mr. deNagy stated I think that is just backing into the fund balance that is needed for revenues. The other fund that is part of your assessment is the Debt Service Fund on Page 7. You have the income coming in from the tax roll, \$368,000. That pays for the interest and principle payments totaling \$275,000. Much like the operating fund, we end the fiscal year on September 30 with \$90,000. That money is there to cover the 11/1 interest payment that is due for \$87,000. Page 8 shows the amortization schedule for the remaining life of the bonds. There is no change to the debt assessments and no change to the operating expenses. We have some definitions of all the line items in the General Fund on pages 3 through 6.

Mr. Lyons stated I want to get an idea of how much the board is allocating for spending on road repair per year and try to anticipate what that might be with these new developments.

Mr. deNagy responded looking at the past, we have only had one road repair that I recall. I think Greg has given us some numbers for upkeep of the roads.

Mr. Matovina stated a year ago, which is when we decided that this fiscal year we would start putting money in reserves. I don't have those numbers with me. They would not have covered probably the newer sections, the two newest ones. Roads typically last at least 15 years and then some if they are done right. I wouldn't be surprised to see these roads last 25 years.

Mr. deNagy stated what I would suggest we do next year is get a number, much like a Capital Reserve Study only for roads. Let's say that number is \$300,000 and there is a 20-year life. We can straight line that out and say that is how much we need to put aside, \$15,000 a year or whatever number it works out too and put it in our operating budget and start saving that money.

There were no questions from the audience members.

On MOTION by Mr. Matovina seconded by Ms. Blessing with all in favor the Public Hearing is Closed.

A. Consideration of Resolution 2016-02, Relating to the Annual Appropriations and Adopting the Budget for Fiscal Year 2017

On MOTION by Mr. Matovina seconded by Mr. Lyons with all in favor Resolution 2016-02 relating to the annual appropriations and adopting the budget for FY17 was approved.

B. Consideration of Resolution 2016-03, Imposing Special Assessments and Certifying an Assessment Roll

On MOTION by Mr. Matovina seconded by Mr. Blessing with all in favor Resolution 2016-03 imposing special assessments and certifying an assessment roll for FY17 was approved.

SIXTH ORDER OF BUSINESS

Discussion of Vehicles Parking on District Roadways

Mr. deNagy stated this is part of Cheryl Graham's report in part because we had a workshop meeting a few weeks ago.

Ms. Graham stated we performed a review of all the main roadways through Heron Isles. It was in the evening so we could see how the parking situations were after business hours. We rode down Coral Reef and connected with Starfish and out to Chester Road. We found the main intersection of Coral Reef and Starfish, right at that turn, is where vehicles tend to park during the day. The suggestion was at that time to put No Parking signs on the opposite side of the streets where homes are so they are not parking in front of the homes and at the clearing on that

corner to keep passage for traffic in that area. As we continue turning left onto Starfish and following through, there are similar situations but there weren't a lot of vehicles in that area. Commodore Point is a wider roadway, so it is not as much of a parking issue. We rode through Grayline Drive and in new areas. These were tighter areas, but no other areas for signage, just that one spot on Coral Reef. We did have a discussion with concerns for the school transportation being able to get through without any problems and the Fire Department for emergency services. The school board had no problem with the bus going through there. I spoke with the Fire Department, and they also went through in the evenings and said they would call me only if they had a problem. The only location would be at that corner on Coral Reef for the No Parking signs.

The board members agreed that area is a problem. Mr. Lyons would like to have the No Parking signs on the house side of the street.

Mr. deNagy asked Mr. Walters if it was problem to put up No Parking signs where it was being discussed.

Mr. Walters responded there wouldn't be an issue with that. The secondary issue is we will say No Parking but what happens if someone parks there? We talked before about a stepped approach. Do we start with warnings that are placed on a windshield? Are we going to take it all the way to towing the vehicle where we will have to do additional signage in compliance with the new statute? From an initial standpoint to see if we can work with some signage and see if that will deter parking will be fine. We can take it as two steps. One is to start with the signage, and if that works, then we are good. If it doesn't, then we will have to circle back and see if we want to take the next step.

On MOTION by Mr. Lyons seconded by Ms. Blessing with all in favor to have two "No Parking Between Signs" at Coral Reef/Starfish on the house side of the street was approved.

SEVENTH ORDER OF BUSINESS

Approval of the Minutes of the May 5, 2016 Meeting

Mr. deNagy stated a copy of the minutes is in the agenda package.

Mr. Matovina stated at the bottom of page 1, it reads, "we have tried and tried and tired to get AT&T..." At the top of page 2, it reads, "We have trouble enough getting them in brand new neighborhoods were there is no provider." That should be "where."

On MOTION by Mr. Matovina seconded by Mr. Blessing with all in favor the Minutes of the May 5, 2016 Meeting were approved as revised.

EIGHTH ORDER OF BUSINESS

Acceptance of the Fiscal Year 2015 Audit Report

Mr. deNagy stated this is a clean audit. On Page 2 at the top is the opinion of the auditor. It states, "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District as of September 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America." If you turn to Page 26, this is the report on Internal Controls from the auditor. At the bottom of Page 26, the last paragraph, there is a sentence in there that states, "We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses." Pages 28 and 29 are management comments. This would be where any prior auditor current audit findings would be noted for the board, and there were no audit comments. Unless there are questions, I look for a motion accepting the FY15 audit.

On MOTION by Mr. Matovina seconded by Mr. Lyons with all in favor the FY15 audit was approved.

NINTH ORDER OF BUSINESS

Consideration of Proposals for FY17

A. Martex Landscaping

Mr. deNagy stated they are requesting a 4% increase. We budgeted \$60,000 in case we need extra mulch during the year. We have sufficient money in our operating budget for

landscape services in addition to what is being proposed here. We have increased the amount of area.

Mr. Matovina stated it looks better, although there are some weeds in the front. I would ask them if they can start looking at the gaps in the shrubs. They are not in a lot of places but in a few places. If they can look at it over time or give us a proposal to do it all at once would be nice.

Ms. Donna Hooke, 96372 Commodore Point Drive, stated at the end of Commodore Point, there is a lake out on the right, and they keep that up looking nice out there but nobody sees it, but in front of it, it is a disaster. Weeds are four or five feet high. It is bad. At the end of the road, I am the last house, and the grass is like four feet in front of my driveway. It keeps growing and growing. They go over all the weeds to fix up the lake.

Mr. Matovina stated the reason is because that is not CDD property, that is developer-owned property. The developer needs to be taking care of that. My suggestion is perhaps we can ask the guys who do the lake bank to give us a price for maybe twice a month in the growing season and once a month in the non-growing season. The developer will pay that, not the CDD.

Ms. Hooke stated the grass is growing on top of the road, and Ms. Graham stated she will have Martex take care of that.

Mr. Matovina stated you might ask them to mow a couple of rows beyond the pavement.

On MOTION by Mr. Matovina seconded by Ms. Blessing with all in favor the proposal from Martex Landscaping for \$4,132 per month was approved.

B. Lake Doctors

Mr. deNagy stated the proposal from Lake Doctors is behind Tab B. It is for 21 months at \$983 a month. It is consistent with what is in the budget.

Mr. Lyons stated the pond behind Coral Reef has some dead fish floating in there. There is something going on in that lake. It looks like the water is turning a dark green.

Ms. Graham responded they were out today to treat. I have spoken to them about the condition of several ponds. I will follow up with them and give you an update.

On MOTION by Mr. Matovina seconded by Mr. Lyons with all in favor the proposal from Lake Doctors for \$983 per month was approved.

Mr. Matovina stated for edification for the future, the phase that we are getting ready to start does not have any additional ponds, but the phase that is up Chester has two ponds. Those will be the two last ponds. That will make a total of 23.

C. All Repairs & Maintenance

Mr. deNagy stated the proposal from All Repairs and Maintenance is located behind Tab C. This is for janitorial services as well as pond debris monthly cleanup for the 21 ponds.

On MOTION by Mr. Matovina seconded by Ms. Blessing with all in favor the proposal from All Repairs and Maintenance for \$600 a month for janitorial services and \$500 per month for pond debris cleanup was approved.

TENTH ORDER OF BUSINESS

Ratification of the FPL Lighting Agreement

Mr. deNagy stated this is for 9 poles. Greg has already signed this. Unless there are questions, I look for a motion to ratify the FPL lighting agreement.

On MOTION by Mr. Matovina seconded by Ms. Blessing with all in favor to ratify the FPL lighting agreement was approved.

Mr. Matovina stated when we get 3C and 2C3 done, that will be additional, and we will have a new agreement for each one of those.

Resident Donna Hooke asked if there is a light pole that is never lit, who do we call to get that lit? Is it FPL?

Mr. deNagy responded there is a pole number on the pole, and you can call FPL directly about lights. It is better for a resident to call. The number might be on the transformer.

ELEVENTH ORDER OF BUSINESS

Other Business

Mr. Matovina asked did I send you an email with a picture of a forklift and a Carolina lumber truck where they tore up the road in 2C2? I was on a site visit, and there was a smaller lumber trucks but they had the mega forklift with the big knobby tires, and the guy took the load off from the side of the truck and just spun that thing around, and there were piles of asphalt where he spun that thing around each time. You can see the divots now. I sent it to Advantage Homes hoping they would take care of it, but I haven't heard anything from them. I will forward that email to you, and you and Jason can take the appropriate action. Advantage Homebuilders and Carolina Lumber need to fix that. One dimple in the asphalt would be okay, but this is 8 or 10 dimples 10" across.

TWELFTH ORDER OF BUSINESS Staff Reports

A. Attorney

Mr. Walters stated I don't have any action items for the board tonight.

B. Engineer

Mr. deNagy stated I am not aware of anything. Jim Lucas will be contacted by MBS as we get into the refunding, but I don't have anything from the Engineer tonight.

C. Manager

Mr. deNagy stated I have one item, which is the discussion of the FY17 meeting schedule. It is in the agenda package at Section XII, Tab C.

On MOTION by Mr. Matovina seconded by Ms. Blessing with all in favor the FY17 meeting schedule was approved.

D. Property Manager

Ms. Graham stated Martex Landscaping installed new sod along Heron Isles Parkway as approved. All the irrigation is working properly. I have been speaking with Daniel Todd about the weeds, and that will be addressed pretty quickly. Accomplishment with the new sod is that it is improving the appearance along the walkways and roundabout, and we installed pine straw for the landscape beds. For aquatic maintenance, Lake Doctors has done a pretty good job. I know Pond #19 back in Phase 2C has an issue with some algae, which they are treating. Janitorial services have been fine. Regarding park equipment, we had spoken about asking for additional equipment for the playground, i.e., swings and benches. I handed out some information at the

beginning of the meeting. I have met with Bliss Products and Southern Recreation and went online to get information from other providers. Swings of a commercial grade of two strap seats or two toddler seats with Bliss Products are \$1,727. I did a quick recap, and there are additional costs involved. I have given you the price just for the swings and the straps and the benches so you can see the comparison and costs for each of those. The products are for the arch swing that holds four swings, strap seats, and toddler seats along with the mulch base you should have for safety, the border around it, and three park benches, covering for shade over the play structure is optional. That structure is \$9,000 just for the shade structure. If you incorporate that, the benches, the swings, the border, the mulch and installation, you are at \$29,479 before freight and tax. I know the CDD would be exempt from tax, so you would save \$995 on tax, but you are still at \$30,000. Southern Recreational did a little more basic with theirs. They provide a similar type of swing structure except he put the shade covering the swings. It is all incorporated into the same design. Four strap seats or two straps and two toddler seats along with two park benches in the play area with the border and the mulch came to \$10,000 with freight and installation. You would save \$525 on tax.

Mr. Matovina stated I would like to have a covered play area. I think with the damage we have suffered, I think that is inviting those kids to create more havoc with that covered structure. I am kind of opposed to it because of that.

Ms. Graham stated it is an option. I wanted you to see what the cost was. My eyes have been opened greatly on all the types of structures there are for playgrounds.

Mr. deNagy stated on the financing of this, this may be something we want to look at with our refunding. I know we have capital money, but I would rather see that earmarked for road maintenance. Perhaps this can be built into the refunding much like the pool.

Mr. Matovina stated we did specifically talk about the benches in a previous meeting, and I think we approved a couple of thousand dollars. I would like to see us go ahead and move on that. We have \$9,570 showing for the repairs and maintenance line item. We have a \$12,000 budget. We spent through June \$2,430. We are showing we are going to spend \$9,570 in July, August, and September. Are you aware of any big repairs we have?

They will do repairs that need to be done at the restroom facilities.

Mr. Matovina stated I am wondering if we can pick a safe harbor number to spend up that \$9,570 that we approved and decide where we want to spend it. Assuming we get to September

I, and it is still a safe harbor number, then Cheryl is authorized to go ahead and add what you can add with that amount of money. It would be for the benches and we might be able to get the swings in.

Ms. Graham asked \$9,000?

Mr. Matovina responded I am okay with that as long as we haven't spent it on something else. I will make a motion that we can spend up to \$9,000 minus any other maintenance expenditures for July and August and anticipated for September, out of this current fiscal year budget. The highest priority is benches, and then the swings would be the next priority.

On MOTION by Mr. Matovina seconded by Lyons with all in favor to spend NTE \$9,000, less maintenance items needed through 9/30/16, for park benches then swings if funds are available was approved.
--

Mr. Graham continued with her report regarding fence columns and tops. I had two tops replaced, and two more are missing. I don't know if they are in owner's yards, but I may have to order two more tops.

THIRTEENTH ORDER OF BUSINESS Supervisor's Requests and Audience Comments

Mr. Matovina stated I am not going to be here on November 3, so this is my last meeting on the board. I am leaving you all.

Mr. deNagy stated that assumes no one is appointed in the interim, otherwise you still sit on the board. Jason, correct me if I am wrong, but Greg's term ends in November. At that point the board then will probably want to solicit for interested people and residents to sit on the board in Greg's seat. Until someone is seated in Greg's position, assuming that is not immediately, Greg would still be sitting on the board until that happens, am I correct? No one filed to run.

Mr. Walters responded that is correct. There is mandate in the statute that it can't be perpetual, but there is a carryover until there is an appointment.

Mr. Matovina stated I won't be here on November 3 anyway. I have to be out of town on business.

There were no comments from the audience.

FOURTEENTH ORDER OF BUSINESS Financial Reports

A. Approval of Check Register

Mr. deNagy stated the total of the check register is \$91,290.07.

On MOTION by Mr. Matovina seconded by Ms. Blessing with all in favor the Check Register was approved.

B. Balance Sheet & Income Statement

This item was not discussed.

C. Assessment Receipt Schedule

This item was not discussed.

FIFTEENTH ORDER OF BUSINESS Next Scheduled Meeting TBD at the Compass Group Conference Room, 95187 Gateway Blvd., Suite 201M, Amelia Island, FL

Mr. deNagy stated our next meeting will be November 3, 2016, at 10:30 a.m., and we will be back at the Compass Group offices.

SIXTEENTH ORDER OF BUSINESS Adjournment

On MOTION by Mr. Matovina seconded by Mr. Lyons with all in favor the Meeting was adjourned.


Secretary/Assistant Secretary


Chairman/Vice Chairman