

# MINUTES OF WORKSHOP CELEBRATION COMMUNITY DEVELOPMENT DISTRICT

A workshop of the Board of Supervisors of the Celebration Community Development District was held Wednesday, July 18, 2007 at 4:00 p.m. at 851 Celebration Avenue, Celebration, Florida.

Present and constituting a quorum were:

Pete Crow	Chairman
Cliff Akey	Vice Chairman
Paul Collins	Secretary
Richard Quinn	Supervisor
Tom Sunnarborg	Supervisor ( <i>by telephone</i> )

Also present were:

Gary Moyer	Manager: Moyer Management Group
Brian Smith	Severn Trent Services
Rick Woodville	Severn Trent Services
Brenda Wright	Moyer Management Group

## FIRST ORDER OF BUSINESS

### Pledge of Allegiance

Mr. Crow led the *Pledge of Allegiance*.

## SECOND ORDER OF BUSINESS

### Roll Call

Mr. Moyer called the roll and stated a quorum was present for the meeting.

## THIRD ORDER OF BUSINESS

### Discussion of Fiscal Year 2008 Budget

Mr. Moyer reviewed the budget for fiscal year 2008. It is in a similar format as what we have provided in previous years. General fund revenues are comprised of maintenance assessments, right-of-way fees, and interest income. General fund expenditures are broken into administrative and operations/maintenance, as well as non-operating revenues and expenses. The debt service budget includes the principal and interest payments for the outstanding bonds. The 1994 bonds were refinanced. We have 1997 bonds and as we discussed last month, there are not sufficient savings to refinance those bonds. There are also 2002, 2003 and 2005 bonds, all of which you have no discretion over. Those payments are driven by a schedule prepared when the bonds were issued. We need to focus on the general fund budget. Revenues are conservative. Regarding right-of-way fees, it appears we are collecting about \$50,000 per month but I

would not be surprised to see that increase in the summer because they are higher at that time.

Mr. Collins asked are right-of-way fees based on a percentage?

Mr. Moyer stated yes.

Mr. Quinn stated after last year's budget season, I asked Mr. Woodville to run actual financials at the end of the fiscal year. My recollection was the total right-of-way fees collected were closer to \$800,000.

Mr. Woodville stated I do not recall the number. Year to date in June, they are tracking \$80,000 less than anticipated. One thing we were not doing last year is breaking out right-of-way fees in a separate line item. There were several sources in that one line item.

Mr. Quinn asked is there anything, as Artisan Park becomes more populated, that should accelerate in the next six to nine months, should these fees increase? Is that factored in?

Mr. Moyer stated no, that is not factored in. We have not taken into account any growth on Celebration Boulevard or Artisan Park.

Mr. Woodville stated we estimated conservatively.

Mr. Moyer stated the administrative category does not have a lot of change in what we are projecting.

Mr. Collins asked for building rental, now that Severn Trent has their offices and you have your office, what are we paying for rental of that space?

Mr. Moyer stated you are paying for a shared space of the Severn Trent offices, and nothing for my office.

Mr. Quinn asked is meeting room rental for Town Hall?

Mr. Moyer stated yes.

Mr. Collins stated we are using the attorney a lot lately. Is this number sufficient?

Mr. Moyer stated when they are done with their title search work, I think we will get to \$23,000 because they are spending a lot of time on that project. Going forward, most of their fees will be attendance at meetings and research at the request of Board members. That budget number may be overstated and it is lower than it used to be, by about half.

Mr. Quinn stated Severn Trent uses Iron Mountain for storage but there is nothing on the expenditure line for records storage.

Mr. Woodville stated it is probably built into the management fee.

Mr. Quinn stated my concern is they are performing the service and should be paid. I am sure we have been billed in the past. We should build into the budget what we have been billed.

Mr. Woodville stated we are moving to more electronic means of storing information.

Mr. Crow asked is this legally required?

Mr. Moyer stated yes.

Mr. Crow asked that it be by a third party?

Mr. Moyer stated no, it is being kept pursuant to a document retention law. If we had room in our own building, we can use that.

Mr. Quinn stated there is a provision in the Statute to store those in the Tallahassee storage library.

Mr. Akey stated we should ask them why we are not paying if we are receiving a service.

Mr. Moyer stated we will look into it.

Mr. Crow asked why is printing and binding such a large amount?

Mr. Woodville we have one photocopy machine that requires a copying code when you make a copy. We believe this District was underbilled in the past. For two months, every person who made a copy logged in their copies and it is a large number of copies.

Mr. Crow asked does this figure more properly reflects our costs?

Mr. Woodville stated yes.

Mr. Crow asked what types of documents get copied?

Ms. Wright stated agendas, invoices, all correspondence.

Mr. Woodville stated we also make a lot of copies for the auditors in the course of their field work.

Mr. Collins stated I reviewed the assessments for maintenance. I did not see the catholic church. I see the Presbyterian church listed.

Mr. Moyer stated we did not find that the catholic church was on the rolls previously but it will be included this year.

Mr. Woodville stated we received money for it in a lump sum amount.

Ms. Wright stated it was billed off the roll but not broken out separately.

Mr. Woodville stated the assessment department will download all property from the property appraiser's office to send the tax roll, but the next day, that property might change hands.

Mr. Collins asked will that be additional revenue?

Mr. Moyer stated it might be but I will check.

Mr. Quinn stated the assessment roll is available in Excel and is broken down by property and property type. I have found it to be very valuable when I am trying to decipher some of these numbers. Perhaps you can forward that to the Supervisors for their reference.

Mr. Sunnarborg asked if the right-of-way fees come in higher, how is it adjusted to make the bottom line zero out?

Mr. Moyer stated to the degree there are surpluses, they are allocated in a line item that is shown as reserves undesignated. Operation and maintenance expenses reflect the business that the CDD is in. The amounts shown are driven in large part by current contracts that were competitively bid by the District. These expenditures are numbers contained in those contracts. The monthly income statements show we are close on all those line items. You should expect that because we administer these contracts to be in compliance with that. We hold our contractors to those numbers. This is the time for the Board to discuss if you think something needs to be done better. Mr. Smith has some suggestions to bring the community to a higher level of service and things he would like to accomplish.

Mr. Smith stated we spend a lot of money on sidewalk repairs and replacing concrete. I want to paint all the light fixtures and structures downtown. My staff painted the bridge and they do a quality job. We have people knowledgeable about painting. My staff is so thin, however, with the growth of the community and because of the age of the community, our workload has increased. I would like to add a painter to paint the whole town. We can share the cost with Enterprise CDD because it will include their fire hydrants and light poles. It would be very helpful. The person I have now does concrete grinding and painting. Two other men do light and signage repairs, and that keeps these guys busy. I would like to have one person take care of the outside panels and pour the concrete rather than an outside company doing the work at a very high price. I would like to add a painter and that would allow me to get a lot more work done.

Mr. Akey stated from Waterside up and down the length of the roadway, when you cut the trees, the sidewalks are broken. You want to take them out and pour them yourself rather than using a contractor?

Mr. Smith stated yes. We are also painting fixtures and signs. I want someone who can do that on a regular basis throughout the community. It is hard to get my existing staff to get everything done. The boardwalk on Lake Evalyn needed to be replaced. My staff replaced the boardwalk in a week whereas with Albritton Williams, their price was outrageous plus I would have had to do a proposal and it would have taken a month before the work could get done. I have the knowledge and talent on staff but I do not have enough manpower. The man who paints signs did Celebration Place from Celebration Avenue to the fire station but I had to pull him off to grind sidewalks. We are also painting the stop bars in conjunction with the alley repaving. Moving him around all the time is not as efficient as one person doing one thing all the time. My staff will sometimes team up to accomplish one task, and they can do it better than contractors. I have more control doing these things in house.

Mr. Crow asked you want to add a painter and a concrete guy and share the cost with Enterprise CDD? At what split?

Mr. Smith stated 80% Celebration CDD, 20% Enterprise CDD.

Mr. Crow asked what is the cost savings?

Mr. Smith stated I saved 60% on the boardwalk. I can save 50% for sidewalk replacements, not counting the costs of in-house labor.

Mr. Crow asked are there other areas that can realize similar savings?

Mr. Smith stated painting and concrete repairs will fill the areas where I am currently lacking.

Mr. Akey asked will you paint the light poles?

Mr. Smith stated yes. We have become very efficient at this and we have the equipment to perform the work.

Mr. Collins asked the repair of boardwalks, where is that in the budget?

Mr. Smith stated small repairs are in the boardwalks category under Common Area. Replacements are out of the five-year budget. I need to replace the one from Town Center to Lake Evalyn.

Mr. Collins stated I agree that one thing we need to get on top of is the painting in the community.

Mr. Akey stated I support hiring a painter, as well.

Mr. Quinn stated I think it makes total sense.

Mr. Moyer stated there is a contingency of \$100,000, and we will keep everything as is and reallocate that number from contingency.

Mr. Crow stated we should see a net drop in our expenses.

Mr. Collins stated they are grinding in a lot of places. Will we do more replacements?

Mr. Smith stated yes but it is too expensive with an outside contractor.

Mr. Crow stated I saw a lot of sidewalk in bad shape. Are they always going to shift?

Mr. Smith stated yes because of the trees. One other issue I have is the fountain. I need a pool contractor and I need to make that change to this budget to have a certified pool operator to test the fountain, chemicals, pumps, and the filter system. That will cost about \$300 to \$500 a month for someone to come here three times a week. We have been doing that ourselves but you need a certified pool operator if it is registered as a pool. We will continue to do daily tests. Davey cleans the nozzles and filters but we are changing the filter system so it will now be a pool. The Davey staff can take a chemical test and log it. We are a little over on street sweeping but that was cleaning up from construction. As areas are complete in Artisan Park, we can reduce the schedule. Twice a month is sufficient.

Mr. Quinn asked do we bill the builders for the debris cleanup?

Mr. Smith stated no, we do not sweep construction areas. We take them over when they are finished but the St. Joe construction made it bad in our areas so we were there three times a week for a period of time.

Mr. Crow asked will mosquito control stay at the same level?

Mr. Smith stated yes.

Mr. Collins asked what is the status of our annual contracts? Are there any we need to rebid?

Mr. Smith stated September 2008 some are coming up.

Mr. Quinn stated you can redistribute the contract list to the Board.

Mr. Collins stated Davey is proposing \$180,000 for next year for unscheduled maintenance. What is the reason behind that?

Mr. Smith stated we lowered one line item and increased another one so the net is about zero.

Mr. Quinn asked will the next alley resurfacing be in North Village?

Mr. Smith stated North Village needs to be done badly. West Village and Lake Evalyn are ok for now but I will get pricing to do all of them at the same time.

Mr. Quinn asked will that be a capital budget cost?

Mr. Moyer stated yes.

Mr. Collins asked what other capital projects are you planning?

Mr. Smith stated there is a list at the back of the budget. I am planning to replace boardwalks, sidewalks, rocking chairs, benches, stone repairs on the stone columns, and weirs. We are working with Mr. Walter on the weirs. There are two major ones and one minor one, one on Jasmine and one off Celebration Boulevard.

Mr. Collins stated the budget shows we are netting out at a loss of \$143,000. After we make these changes, is our goal to bring that to zero for this year? I am uncomfortable going into the year with a loss. That does not include reserves but is the operating income level.

Mr. Moyer stated we will apply some of the surplus in anticipation of that. The Board has talked about a revenue stabilization account so you would not need to raise assessments. If right-of-way fees increase over time, they will offset increases in the budget. I am reluctant to increase assessments. The Board has discussed increasing these assessments a little in order to build reserves. The capital projects fund is \$2.5 million and \$1.4 million in undesignated reserves.

Mr. Crow stated we are safe for another year or two but I understand what Mr. Collins is saying. It seems fairly likely that we can cover that negative amount.

Mr. Collins asked can we get a better idea of right-of-way fees? We have to juggle some numbers anyway. If you have a surplus, it is If we keep having deficits, then one year we will use up our reserves so we have to increase assessments to replace the deficit and build up reserves. I do not want to use up a reserve for two or three years and then have a 20% increase in assessments because we have to build up reserves.

Mr. Crow stated I agree. I would like to ride out this year and look at it next year. If we are again going to project another loss, then I would strongly favor looking at a minor increase in assessments.

Mr. Collins stated as we look at the numbers, we should take another look at right-of-way fees. If the number is closer to \$650,000, let us put that in the budget.

Mr. Crow asked how much is educated guessing on those fees?

Mr. Moyer stated Mr. Woodville provided how much we receive monthly for 12 months. I came up with \$50,000 as an average but that is not seasonalized and I think there are seasonal trends. I think \$650,000 is a good estimate. I am fine increasing those fees.

Mr. Crow asked do you recommend running a deficit for next year?

Mr. Moyer stated based on these numbers, yes.

Mr. Crow asked are we likely to begin having deficits unless we look at the assessment structure?

Mr. Moyer stated like every other agency, we will be hit with inflation every year. We are at a build-out budget. When we started the project in 1994, we projected what these expenses were going to be and these assessments were set in 1994. I am amazed at how close we are. Now we are at build out and we have to deal with inflation.

Mr. Crow stated if we are beginning to look at deficits and assessment increases, it may be appropriate to increase it a little this year.

Mr. Moyer stated let me explain the process. We levy these under Chapter 197, Florida Statutes, because that permits the property appraiser and tax collector to be our agents in this process. If you increase the assessment above what the cap is, which is what we set in 1994, we have to send out notices to everyone in the community that we will have a hearing to increase the assessment. It has to be sent at least 20 days ahead of the hearing. You can do that this year if you want to do that but it will be a tight schedule.

Mr. Collins stated if it is a 1% increase, I am ok with it but if we are getting to 5% or more, that is when I get concerned. This is 4% and I do not know what it will be with the changes.

Mr. Akey stated the deficit is coming out of \$1.4 million number.

Mr. Moyer stated yes.

Mr. Akey stated I agree with Mr. Collins. The County may be increasing fees on the residents and I do not want to increase ours 20%. Maybe next year we look at 2-4 %.

Mr. Sunnarborg stated I share the same concern as Mr. Collins and I agree with the consensus. If we had more detail on what makes up the right-of-way fees and how much

we are likely to receive this year, we can start working now on an analysis of how much we should have in reserves long term and what that might mean as far as a fee increase next year.

Mr. Quinn stated they build on each other. As you create a deficit and draw down reserves to fund the deficit, it reduces the interest rate on the revenue side. That multiplier goes into effect. We now have the benefit of multi-year contracts negotiated years ago at a set rate. With more than one contract up for renewal next fiscal year, when they rebid, they will attempt to recoup the inflation they have lost these past years and they may increase their bid 10-15 %. This is the last year we can afford to keep the status quo. We had \$53,000 net profit last year to a \$143,000 net loss this year, which is a collective \$200,000 swing. I am comfortable going one more year at this assessment level but we need to look at increasing it next year.

Mr. Crow stated I agree that the contracts next year will not be going down.

Mr. Quinn asked is there anything else that any of us anticipate we might see coming up over the next six to nine months not listed that might create an expense category?

Mr. Sunnarborg stated it is not likely in the next few months, but if we find a piece of land for a maintenance facility, that will have a capital plan.

Mr. Quinn stated as counties wrestle with tax reform and Osceola County sees an opportunity to move County services that can be moved off their ledger onto someone else's, and I do not know what those might be, could we inherit any of those not included?

Mr. Akey stated not willingly.

Mr. Crow stated we could have hurricane issues and other things we cannot foresee.

Mr. Moyer stated we will distribute the financials at your meeting tonight, but as I look at the special assessments, on roll billing through June 30, of \$2,596,000 that is not shown as revenue surplus. If we are collecting \$2.6 million, then your budget is balanced.

#### **FOURTH ORDER OF BUSINESS**

#### **Summary of Changes to the Budget**

There being none, the next order of business followed.

#### **FIFTH ORDER OF BUSINESS**

#### **Public Comments**

There being none, the next order of business followed.

#### **SIXTH ORDER OF BUSINESS**

#### **Other Business**

There being none, the next order of business followed.

**SEVENTH ORDER OF BUSINESS**                      **Supervisor Requests and Comments**

Mr. Akey stated as you exit out Celebration Avenue around the curve, toward Water Tower Place, there is another light to the left for better visibility.

**EIGHTH ORDER OF BUSINESS**                      **Adjournment**

On MOTION by Mr. Quinn, seconded by Mr. Akey, with all in favor, the meeting adjourned at 5:05 p.m.
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Paul Collins, Secretary

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Pete Crow, Chairman