

**LELY COMMUNITY DEVELOPMENT DISTRICT
NAPLES, FLORIDA
REGULAR MEETING OF THE BOARD OF SUPERVISORS
AUGUST 20, 2014**

A regular meeting of the Lely Community Development District Board of Supervisors was held on Wednesday, August 20, 2014 at 1:30 p.m. at the LCDD Maintenance Building.

SUPERVISORS PRESENT: Paul Sullivan, Chairman
Harold Ousley, Vice-Chairman
Robert Fisher, Treasurer
Kenneth Drum, Secretary
Gerry Campkin, Assistant Secretary and Supervisor

ALSO PRESENT: W. Neil Dorrill, Dorrill Management Group, Manager
Assistant Secretary
Kevin Carter, Dorrill Management Group
David Bryant, District Counsel
Jerry Ellis, Operations Manager

INVOCATION/PLEDGE OF ALLEGIANCE

The meeting was called to order by the Chairman, and the invocation was offered by Mr. Dorrill. The Board then recited the Pledge in unison.

ROLL CALL/APPROVAL OF AGENDA

All Board members were noted to be in attendance.

The following items were added to the Agenda: 7A, Discussion of Workshop to review Capital Reserve; 7B, Legal Issues; 7C, Post Painting within LCDD; 7D, Lake Cleaning Policy; 7E, Road Conditions in New Construction area; 7F, July 4 Accident, and 7G, Natural Gas Discussion.

A MOTION was then made by Robert Fisher, seconded by Gerry Campkin and unanimously approved to accept the Agenda as amended.

APPROVAL OF MINUTES OF JULY 16, 2014 MEETING and JUNE WORKSHOP MEETING

On a MOTION by Robert Fisher and a second by Harold Ousley, the June Workshop meeting minutes were unanimously approved by the Board.

On a MOTION by Harold Ousley and a second by Robert Fisher, the July 16 regular meeting minutes were unanimously approved by the Board.

MANAGER'S REPORT

A. Adoption of 2015 Budget

The Budget for 2015 is unchanged from 2014 on the revenue side, and the ad valorem revenue was at \$2,017,188. If no changes are made before the Budget is adopted, the assessment will remain at \$647, with 3,113 total assessable units. The CSA revenues will continue to show growth, which were at \$440,000 in 2013, and are budgeted in 2015 at \$672,000. This enabled the capital reserve to be established several years ago and to continue to grow.

The total general fund budget for 2015 is balanced at \$2,671,000.

The Capital Reserve was then discussed, and the five year capital reserve analysis which was prepared by Mr. Carter and Mr. Phillips. had its basis in the schedule of depreciable assets which is part of the yearly audit.

The Freedom Horses were listed in the first category, Artwork, with a value of \$2,700,000. The water feature associated with it was a gift, and there is no good number attached to it or the accompanying boulder features. Mr. Dorrill suggested that with the assistance of their engineer they should project the cost of replacing the pool and accompanying features. He added that if the Board is considering adding a second horse monument off of Collier Boulevard, there is no cash currently in reserve for that, nor any cash value associated with it. Mr. Dorrill felt that it was something for the Board to look at from a policy perspective.

There was a new item on the third page of the five year analysis related to the decorative streetlights in the District, which are almost 25 years old. Additionally, the large concrete light poles are even older, and at some point their usable life will end. Mr. Ellis suggested that an inspection of the decorative metal lights be done soon, as the steel bases are beginning to deteriorate. In 2016 the replacement of those fixtures will begin and be phased over three years. The total value of the streetlights in the District is \$2,000,000.

Landscaping is also included in the analysis as there is a maintenance level replacement that is ongoing, and in 2017, \$200,000 worth of landscape renovation will begin to replace some of the old plantings.

The last page was a summary, and under the current budget policy \$250,000 is budgeted yearly to the capital reserve fund. Over the course of the next four years as little as \$200,000 in 2015 and \$612,000 in 2018 as part of the projected need. The current cash flow balance is \$500,000, and with the expected deposit of \$250,000 minus the amount of the projected projects, the balance next year will be approximately \$540,000, the year after, 2016, it would be \$464,000, and in 2017 it would be \$176,000. It would increase slightly in 2018 to \$186,000.

Lely Community Development District – Minutes

August 20, 2014

Page 3

Mr. Dorrill suggested to the Board that their approach to accumulating cash to address these issues has been very conservative thus far, and although the capital reserve is actuarially sound, it is not flush with cash.

At the end of the third quarter the general fund has close to \$2,000,000 and with monthly ongoing expenses there will be approximately \$1,100,000 in cash at the end of the year. Mr. Dorrill felt that this was an opportunity to make an additional contribution into the capital fund of either \$100,000 or \$200,000, which will still leave them a good contingency balance and a three month operating surplus on hand.

Mr. Drum asked about the gauge the auditor would use in a worst possible scenario situation with everything failing at once and Mr. Dorrill indicated that he felt the auditor's response would have a great deal to do with the book period, which has projections from three to fifty years. He noted that under the major infrastructure assets in the report the original value of the concrete piping that was installed 23 years ago was \$5,600,000. In today's dollars, the cost to replace that would be almost \$11,000,000. In anticipation of the potential of that happening, in 2018 a quarter of a million dollars was put on the schedule. Over the next year some engineer analysis of the concrete pipe and major drainage systems will be started to test their structural integrity.

Mr. Drum asked how much would be enough to have in the reserve for this possibility. Mr. Dorrill indicated that the District does have property insurance, but barring a natural disaster, the asset schedule is built on how long an asset is expected to last, and some rationale as to having the cash on hand so as not to have to incur any debt.

It was suggested that perhaps three lights a year could be replaced rather than having them done all at once, and Mr. Dorrill noted that they all needed to be educated on what is available for replacements. He suggested that they may want to go to an LED fixture, which would save money by extending the life of the bulbs.

Mr. Campkin suggested that they go with the \$200,000 this year, and then get the engineer's report on the state of the poles and what will be involved to replace them.

Mr. Dorrill added that there were no significant expanded service requests in the 2015 budget. The Public Hearing was then opened to those present in the audience.

There being no comment received from the public, **the Public Hearing was closed and Resolution 2014-4 adopting the final 2015 General Fund Budget for the Lely Community Development District was unanimously approved on a MOTION by Robert Fisher and a second by Harold Ousley.**

Lely Community Development District - Minutes

August 20, 2014

Page 4

Resolution 2014-5 to levy a maintenance operation assessment within the Lely CDD for fiscal year 2015 in the amount of \$2,017,188 was then unanimously approved on a MOTION by Gerry Campkin and a second by Harold Ousley.

Mr. Dorrill pointed out to the Board that this was the first time in Lely's history that a debt assessment was not levied.

An additional contribution into the capital reserve account in the amount of \$200,000 was then unanimously authorized by the Board on a MOTION by Gerry Campkin and a second by Robert Fisher.

ATTORNEY'S REPORT

A. Well Field Expansion

This project is largely complete, with a few small items to wrap up. The well drilling portion is completely done, and a partial release of lien has been prepared. Once the electrical work is done Mr. Bryant will prepare a release of lien for the electrical contractor as well, and at that point the wells will be able to come on line.

B. Stock Litigation

The litigation is moving forward, and Mr. Bryant will be taking two depositions the following week and one the following month. Mr. Stock's attorney will take Mr. Phillips deposition as well the following month. As Mr. Fishkind's fees are very high, Mr. Bryant has reserved the right to challenge in court the amount he is charging for his time.

A court ordered mediation is taking place on October 6, which will probably last the entire day.

Mr. Fisher will accompany Mr. Bryant to this mediation, **and on a MOTION by Harold Ousley and a second by Kenneth Drum, the Board unanimously approved paying the costs associated with Mr. Fisher traveling from New Jersey to Naples and back to attend the mediation.**

Mr. Bryant will be meeting with the District's expert the following Friday along with Mr. Powers and Mr. Phillips.

Should any agreement be reached at the mediation, it will go forward only with the approval of the District Board.

C. Water Use Issues

The meters for Lakoya have been ordered, and once they are received, it will take one to two days to install them. The total cost for the meters was \$24,000.

FINANCIALS

The third quarter financials were provided to the Board, and showed that as of June 30 there was \$1,750,000 in cash on the balance sheet against \$31,000 in payables. The income statement showed 97 percent of anticipated revenues having been received on the non ad valorem side. There was nothing to highlight on the expense side.

A new line item, Total Operating Expenditures, has been added, which will more clearly show the operating and maintenance budget from the Board's perspective. The District remains approximately \$62,000 below budget at the end of the third quarter.

Mr. Fisher asked about the 25 voided checks in the general ledger, and was advised that those checks were voided at the time the check fraud occurred. Mr. Dorrill will verify that with the office accountant.

On a MOTION by Robert Fisher and a second by Harold Ousley, the financials were then unanimously accepted by the Board.

SUPERVISORS REQUESTS

A. Capital Reserve

Mr. Drum suggested that a yearly review of the capital reserve be done, and Mr. Dorrill suggested that this be done at midyear before budget work begins, possibly at the April meeting as a workshop. The Board agreed.

B. Horses Agreement/Other Issues

Mr. Drum asked if any further notice had been received on Stock's plans for the second group of horses and what if any plans he had for them. Mr. Bryant indicated that he had been thinking about this as well, and he does not expect to get anything further from Mr. Stock while the litigation is ongoing.

Mr. Dorrill suggested that in the interim they may want to ask their civil engineer, Terry Cole, to produce a schedule of remaining parcels or density that might be available based on the plats from the County records. Mr. Campkin added that from his research, they have gone over 3,900 units, and the maximum allowable number is 4,850. Mr. Bryant agreed that it would be important to have this information, as the plats and densities have changed.

Mr. Bryant added that the Code Enforcement officer at the County is also checking on any ordinances related to debris heights of mined rock, specifically referring to the site adjacent to the Player's Club. He will keep the Board advised on that.

Lely Community Development District – Minutes

August 20, 2014

Page 6

C. Legal Information

Mr. Drum asked what the legal ramifications would be if Mr. Stock sold out before the litigation was settled, and Mr. Bryant indicated that as the claim has already been filed, that it would not affect the litigation. He added that if the case is not settled in mediation, he would anticipate them being in trial by the first of the new year.

D. Lights, Signage Poles

Mr. Campkin noted that the black paint on the various pole is beginning to wear off, the blue paint is showing through in places, and it looks quite bad. He asked who was responsible for painting, and Mr. Dorrill advised that the CDD owned the poles and has painted them in the past. There are several areas that need attention, and Mr. Campkin will point them out to Mr. Dorrill who noted that there will be time this winter to do some touch up on them while they are evaluating their overall replacement.

E. Lake Policy

Mr. Campkin indicated that the lakes are looking very bad at this point, and while there have been plantings on some and cleaning on others, he wondered what the policy is on the lakes, and if perhaps they should all be treated in the same manner.

Mr. Dorrill indicated that they do not own many of the lake parcels, although they do have an easement around each of them, and the CDD does own the operating permit for the drainage system. He added that if the algae is getting bad, that he was not opposed to bringing in some outside help to spray it. Nuisance grasses, such as Torpedo grass, is very hard to treat and impossible to kill, and if extra help is needed to address it, he will ask Mr. Ellis and Mr. Carter to work up a schedule for that.

F. Road Dirt

Mr. Campkin advised the Board that Collier County sent out a road brush machine recently to clean the roads near the new development, and as it was very dry, it created a dust storm that blew everywhere. One drain is blocked, and that dirt will run down the other drain during the next good rain and cause problems there as well. Mr. Bryant will check on this with the Code Enforcement gentleman who will be calling him about the large rock hills in the near future, as well as asking him to determine where the dirt and rocks that are being hauled off are being taken.

G. Natural Gas Information

Mr. Sullivan asked if anything further had been done to check on the feasibility of natural gas as opposed to propane, and Mr. Dorrill advised that it appears that natural gas is not available. According to TECO, the closest natural gas point is at the entrance to Alden Woods, and the cost of bringing it to the area in question would be just over \$33,000. Mr. Drum added that FPL has an advisory that the pipe used to transport natural gas has to be grounded as it can explode.

Mr. Dorrill reminded the Board that the contract had been awarded for an LP tank, and installation of that will probably begin very shortly.

H. Employee Accident

The employee who was hit by a car while working in the median has returned to work, with no debilitating injuries. The woman who struck him was arrested and is insured, and Mr. Bryant indicated that the District's insurance agent advised that the deductible would be subrogated in this matter. He will have more information on this at the next meeting. As an aside, the Board complimented that employee on the excellent work he does.

I. Banners

The banners have been received and are to be installed sometime this week.

PUBLIC COMMENT

Bill Leigh from Mustang Island Circle indicated that the trucks moving dirt and rock starts at 7:00 in the morning and goes on all day.

Drew ** Cordone from Pinnacle Cove asked how much the District's expert is paid an hour, and was advised by Mr. Bryant that it depends on the time invested, but it is less than \$800.

ADJOURNMENT

The next meeting was scheduled for September 17 at 1:30.

The meeting was then adjourned on a MOTION and a second at 2::45 p.m.

