

**LELY COMMUNITY DEVELOPMENT DISTRICT
NAPLES, FLORIDA
Board of Supervisors Workshop
MAY 16, 2018**

A workshop of the Supervisors of Lely Community Development District was held on Wednesday, May 16, 2018 at 1:07 p.m. at the LCDD Maintenance Building.

SUPERVISORS PRESENT: William Lee, Chairman
Gerry Campkin, Vice Chairman
Kenneth Drum, Secretary
Harold Ousley, Treasurer

ALSO PRESENT: W. Neil Dorrill, Dorrill Management Group, Manager and
Assistant Secretary
Kevin Carter, Dorrill Management
Tony Pires, District Counsel

WORKSHOP: Budget for 2019

Mr. Lee opened the workshop at 1:07 p.m. and Mr. Dorrill noted to all that the purpose for it was to submit to the Board the tentative budget for 2019 for their review and approval. The statutes require that the approved budget be transmitted to the County in advance of June 15th. It will not be formally adopted, however, until the August public hearing.

Mr. Carter has updated the five year capital reserve analysis, and the good news is that the assessment is proposed to remain the same as the prior year at \$2,316,000. Some increase in the CSA revenue in the analysis is projected for build out at the Market Rent Apartment Complex at the intersection of Rattlesnake and Grand Lely.

Mr. Dorrill pointed out that the brackets in the column to the right of the CSA Revenue are not intended to be negative, but are actually positives and will be corrected.

On the expenditure side of the budget, Mr. Dorrill pointed out that the legal fees under administration are proposed to decrease to \$35,000 next year, primarily as a result of the resolution of the litigation between the CDD and the Master HOA. Mr. Pires has only been at Lely for a handful of months, and the first quarter of the year had no legal expenses.

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The next item noted was a forecast of about a \$22,000 decrease in the insurance package. For the time being, however, Mr. Dorrill is carrying the amount forward at the current budget amount of \$65,000 for both property and liability, as well as the professional liability insurance. The insurance carrier had previously advised them to anticipate an increase in commercial property rates as a result of the storm, so leaving the amount at \$65,000 at this time is probably prudent.

Overall, wages have increased along with associated contract management costs by 2.5 percent. The larger numbers are in landscaping and access control centers where there are employees. Field management is the area where the majority of the landscape and grounds keeper salaries are captured at \$522,000. The associated cost-of-living increase brings it to about \$536,000 for 2019.

Under field management for rentals and leases, year-to-date the entire budget has almost been spent, and they are going from \$5,000 to \$10,000 next year. Mr. Carter explained that one big item was the lease of the copy machine, along with the GPS devices that are on the vehicles within the District and the heavy equipment.

Mr. Drum asked about the strobe lighting on the Mules, and he asked if the District owned that lighting and if it was detachable. Mr. Carter advised that this was an aftermarket lighting system that was bought, and they were taken off the old Mules that were sold the previous day and have been installed on the new vehicles.

Under the landscaping cost center under field management, the single largest overall increase in the budget was noted under fertilizer and chemicals. Mr. Dorrill felt that they had previously underestimated the annual budget for this year at \$125,000, as during the first five months of the year over half of that money has been spent. At the end of the year they will be over budget for this line item, which is why there is an increase of \$30,000.

Under access control, Mr. Dorrill noted that they are decreasing the overtime budget for next year by \$5,000. Mr. Carter indicated that generally they do not use a lot of overtime, but with the program with the Sheriff's Department being discontinued as they were needed at the schools, Mr. Bowers has been coming in early to monitor the school traffic, and a car sitting there with the driver taking notes on speeders has made a big difference.

As far as Mr. Carter is aware, the Sheriff's Department will be restarting their program at Lely in June.

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The landscape staff comes in over the weekends and picks up debris that has fallen from the trees and bushes, and those are overtime costs.

The capital outlay budget for 2019 was noted, and there are no great capital projects anticipated for the coming year. Under capital expenses the proposed breakdown of capital that ties to the schedule provided by Mr. Dorrill shows \$180,000 in vehicles that is projected. Only the Ford Explorer and the Taurus are being replaced, and Mr. Carter indicated that those were the only two anticipated to be purchased. He felt that the capital budget was prepared mirroring the previous year, and Mr. Dorrill indicated that they would then make that change.

Mr. Lee noted that there was a budget for \$5,000 for benches, and as there were no further bench purchases contemplated, that may be able to be put into the lake bank restoration. Mr. Dorrill added that there is also \$105,000 that is beyond the forecast for the two vehicles, so those two items total \$110,000 which can be added to lake bank restoration.

Mr. Campkin asked if the pumps and motors were in good condition, and Mr. Dorrill advised that they had just rebuilt one of the motors at the substantial cost of \$13,000. It was felt that the budget number should remain the same.

The other item Mr. Dorrill highlighted was the other non expense fees and charges for the tax collector and the property appraiser, as well as the \$100,000 contribution to the emergency fund and the \$200,000 annual contribution into the capital reserve fund. This was Mr. Drum's suggestion six or seven years ago, that the Board begin to look into the future five years on the capital purchases so that they will be able to approve the necessary cash in the event of a big capital replacement.

The total number of assessable units for the coming year remains the same at 3,140. The number of CSA units is increasing by about 42, and the total number of units will be right at 4,440. As a result, the assessment rate will remain the same based on the tentative budget at \$737.74, with no debt.

Mr. Drum noted that the total of all capital replacements is one number, and another number is how much has been placed in the capital reserve. He asked what the difference between the two would be, understanding that it is not 100 percent in terms of the capital reserve against capital equipment.

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Mr. Dorrill indicated that they were fully funded for the five year period. Mr. Drum pointed out that they had the drainage, stormwater system, and Mr. Dorrill noted that this is when some of the larger numbers will begin to kick in. Next year's number is \$250,000.

Mr. Dorrill wondered if the lake bank restoration at Tiger Island that the Master was attempting to get done had come together, as they were having a hard time dredging material from the lake bottom to fill the Geotube, and had to bring extra material in. Mr. Carter indicated that they had started the work, and may be close at this point to finishing it up.

Mr. Drum noted that they were funded for five years, and wondered beyond that how much funding would be available. Mr. Dorrill did not know that answer, but he can calculate that and let Mr. Drum know when he makes the change. The unknown is the big, concrete drainage pipe, and the pvc piping is ageing as well. Mr. Lee noted that the replacement costs for a breakdown of the stormwater system would be 15 million dollars. It is supposed to last 50 years, and now it is 29 years old.

Mr. Lee indicated that they had spent \$140,000 for the hurricane fund, and they expect to get about 90 percent of that back, which will leave them with something close to a \$50,000 shortfall. Additionally, they will have to spend at least \$100,000 to redo the landscaping. That is not noted in the budget.

His other concern was the streetlights. They redid about 72 streetlights approximately three years previously with LED lights with a life span of three to five years, and at that time they talked about replacing all of the street lights with LED, which would cost about \$300,000 that could be paid back within eight years. At that time the County was doing that work throughout the entire county, and now Lee County is doing the same thing.

Mr. Lee suggested that they start this project, because now they are spending close to \$30,000 a year on the un-replaced street lights which are 30 years old. The transformers with the system they currently have are ageing as well.

Mr. Lee felt that they had to increase the budget somehow to pay for the hurricane fund and the street lights, and felt that an increase of \$60 to cover all of these expenses would be reasonable. This would also enable them to add to the capital reserves, building it up faster after the hurricane expenses and street lights were paid for. There has not been a rate increase in several years, as last year's increase was offset by what the Master Reserve took out of their budget. If the rate is increased in 2019, they will probably be in good shape for the next five to seven years.

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(A resident's comments were not audible.)

Mr. Pires explained that what Mr. Lee was recommending would be an action of the Board to increase the assessment, and notices would have to go out to the residents articulating the reason for the increase. It would not be a special assessment, but all part of the regular budgeted assessment. Even though it is called a special assessment in the Florida Statutes, in reality it would be part of the current operating and maintenance assessment.

Mr. Dorrill clarified this, noting that when they put sewers in East Naples, they did a one-time special assessment to pay for it. Florida law has a uniform method of applying special assessments, so whether it is an annual maintenance assessment that appears on the tax bill as it does at Lely, or whether it is a one-time special assessment to construct improvements or capital assets, they both fall under the same statute in Florida law.

Mr. Drum agreed that the only alternative to cover all these costs would be a bond, which they would pay interest on of 6.99 percent. The bonds were not popular, and he felt that a small increase which would head off the potential of a bond situation, would be much easier for the residents. Raising the reserves was important, and no bond payment would be necessary.

Mr. Campkin asked why so much had to be paid for hurricane restoration, as they will be getting a sum from FEMA for that purpose. Mr. Dorrill noted that Lely was eligible to receive up to 87 percent of what was claimed. Two things to keep in mind are that part of their claim was outside contract services to pick up and remove horticultural debris. In addition to that, Lely's claim included labor, which in theory would have been incurred over the year in any event, so they will actually be receiving some of their internal operating budget back as well.

The total labor claim was somewhere around \$40,000, and the total claim was about \$136,000, so about \$110,000 of the total claim will be reimbursed.

The Federal government will pay 75 percent, the state government will pay 12.5 percent, and in theory local governments such as Lely will be responsible for the final 12.5 percent. The money they will be receiving is not shown in the budget, but he just received a notice that they will get their first check for about \$12,000, and it was Mr. Dorrill's hope that they will have received all of the remaining payments by the end of this calendar year.

Mr. Campkin wondered why, then, more money was needed for hurricane restoration as they expect to receive that amount of money back. Mr. Lee's suggestion noted that there was not a FEMA claim for landscaping that needs to be replaced, and Mr. Drum felt that they should be starting to replace some of the landscaping now as it is the rainy season.

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Mr. Lee added that 1,300 trees were lost, and buying and installing those trees at \$100 apiece would cost \$1,000,000.

Mr. Ousley suggested that they get the same flatbed truck company lined up for this year in the event another hurricane comes through.

For clarification, Mr. Pires noted that under the statutory scheme for raising funds by a CDD, you have what are called benefit special assessments for bonds and financing. Also there are maintenance special assessments to maintain and preserve the facilities and projects of the district. Technically these assessments are called maintenance special assessments, even if they are ongoing.

Mr. Dorrill coalesced the suggestions and thoughts, noting that Mr. Lee felt that they should increase the special assessment for maintenance by \$60, which would produce \$266,000 in revenue. That would then go into the capital reserve to be used for landscape replacement and an additional phase in of LED replacements for the street lights. The budget would increase from \$3,346,000 to \$3,612,000.

That would raise the assessment from \$737 to \$797, and as previously noted, last year they traded off the work on Grand Lely and Lely Cultural Parkway. Mr. Dorrill is obligated by law to send every tax payer in the District a notification along with a cover letter of explanation.

Mr. Drum pointed out that the assessments in the area districts are much higher by far than that at Lely, which is the lowest in Southwest Florida. By comparison, the assessment at Fiddlers Creek is \$1,850, which includes just the operation and maintenance fees.

At the August public hearing to adopt the budget, the amount cannot be increased, but it can be decreased if the Board wished to do so. The Board agreed with this budget increase.

A brief recess was then taken.