

1 **MINUTES OF BUDGET WORKSHOP**
2 **HARMONY COMMUNITY DEVELOPMENT DISTRICT**
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4 A budget workshop of the Board of Supervisors of the Harmony Community Development District
5 (“CDD” or “District”) was held Thursday, April 25, 2024, at 4:30 p.m. at the Jones Model Home,
6 3285 Songbird Circle, Saint Cloud, FL 34773.

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8 Present were:

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10	Mark LeMenager	Chairman
11	Daniel Leet	Vice Chairman
12	Lucas Chokanis	Assistant Secretary
13	Kerul Kassel	Assistant Secretary
14	Joellyn Phillips (via Zoom)	Assistant Secretary

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16 Also present, either in person or via Zoom Video Communications, were:

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18	Angel Montagna	District Manager, Inframark
19	Howard Neal	District Manager, Inframark
20	David Hamstra	District Engineer, Pegasus Engineering
21	Jorge Baez	Field Services Supervisor, Inframark
22	Brenda Burgess	Project Manager, Inframark
23	Residents and Members of the Public	

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25 *This is not a certified or verbatim transcript but rather represents a recap of the discussions at the*
26 *workshop. The full recording is available in audio format upon request. Contact the District Office*
27 *for any related costs for an audio copy.*

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29 **FIRST ORDER OF BUSINESS** **Call to Order and Roll Call**

30 Mr. LeMenager called the workshop to order at 4:34 p.m.

31 Mr. LeMenager called the roll.

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33 **SECOND ORDER OF BUSINESS** **Audience Comments**

34 There being no comments, the next order of business followed.

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36 **THIRD ORDER OF BUSINESS** **Discussion of Fiscal Year 2025 Preliminary**
37 **Budget**

38 Mr. LeMenager suggested rather than tying assessments to total expenditures, to increase them
39 the rate of inflation. Putting \$305,000 into reserves instead of \$412,000 results in a 3.5% increase.

40 Ms. Montagna reminded the Board since VC-1 was paid off, 5.14 acres were removed,
41 resulting in 2.2% increase. The contribution to reserves, at whatever dollar, has not been earmarked
42 for any specific purpose. The current year contribution was designed for the maintenance facility.

43 Mr. LeMenager pointed out the ending fund balance is still \$1 million.

Ms. Montagna provided information regarding issuing bonds at several dollar amounts showing net bond proceeds and resulting assessments for each product type. Each bond area needs to be built out at least 90% to be able to issue new bonds. Mr. Hamstra confirmed the community is 90.4%. Mr. LeMenager asked if this bond could have a different methodology than previous bond issues, suggesting it be equalized for all properties in the amount of about \$100 per unit.

Mr. Leet reminded the Board once approved, the assessments can only go down and suggested approving at 4% to give some cushion to get down to 3.5%. Mr. LeMenager pointed out the amount of assessment collection revenue is significantly under budget through March.

Ms. Montagna suggested having a realistic increase for purposes of mailed notice, so as not to panic residents who may or may not understand the budget can be trimmed by the hearing.

The Board discussed budget line items, notably the items highlighted in yellow on the workbook.

Expenditures:

- ProfServ-Engineering: \$70,000.
- ProfServ-Legal Services: \$60,000.
- ProfServ-Recording Secretary: \$4,456.
 - Reduced due to not providing verbatim minutes.
- Auditing Services: \$5,000.
- Insurance-General Liability: \$27,000.
 - This includes all insurance: general liability, public officers liability (POL), and property.
- Rental-Meeting Room: \$7,500.
 - Other options are being considered since the current meeting location is for sale.
 - Ms. Kassel offered the First Nature Ranch as a meeting place. Former counsel suggested even though Ms. Kassel was not receiving Supervisor fees that it was a bad idea to meet at her ranch. Staff will consult with legal counsel.
- Misc-Assessment Collection Cost: \$59,358.
 - This is formula driven and changes based on assessment revenue.
- Landscape Services-Miscellaneous Services: \$50,000.
 - Actuals have never been as high as \$50,000.
 - Ms. Kassel prefers to keep at \$50,000 due to projects and refurbishments the Board has discussed doing.

- Tree trimming has its own line item, which is still projected to be under budget. Community-wide tree trimming was last done in fiscal year 2023, so recommendation to budget for fiscal year 2025.

- Operation & Maintenance, R&M-Ponds/Buck Lake: \$100,000.

- The District confirmed it owns the golf course ponds through Mr. Hamstra's review and research, and the District is obligated to perform maintenance, which ponds have never been treated, resulting in more chemicals and treatments, as well as the Buck Lake committee agreement.
- Discussion ensued regarding the South Florida Water Management District ("SFWMD") permit.
- Ms. Kassel suggested perhaps combining this line item with R&M-Invasive Plant Maintenance since some of the pond maintenance is management of invasives, to be cleaner.

- Operation & Maintenance, R&M-Invasive Plant Maintenance: \$105,000.

- This is strictly conservation areas Mr. Brad Vinson treats. As some point, the District may need to hire a vendor to perform a treatment due to one person not able to keep up with it, which cost is included in the \$105,000. Due to the dangerous nature and location of the work, another staff member has to accompany Mr. Vinson.
- Mr. Vinson is certified to provide treatments. A previous Board considered proposals from vendors to provide pond treatments, but they were not approved at the time.
- Discussion ensued regarding projections for the year of \$10,000 but a proposed budget of \$105,000. Ms. Kassel provided the history of spending \$200,000 two or three years ago because the invasives got out of hand, and a vendor had to get them under control. Proposals were received. Mr. Leet indicated the Board approved the cheaper one for \$50,000, but the consultant, Ms. Catherine Bowman, rejected it. Ms. Montagna confirmed the Board then approved a proposal for \$194,000. Ms. Bowman informed the Board the invasives will come back quickly, and Mr. Vinson will not be able to keep up with it according to the requirements of SFWMD. The Board at the time agreed to budget \$100,000 in case the vendor—Mr. Bill Snidely with Aquatic Weed Management—needed to be hired again for another cleanup.

- The Board gave consensus to leave at \$105,000.
- Mr. Hamstra commented on the Old World Climbing Fern as one of his projects and recommended keeping \$100,000 in the budget. Ms. Bowman found another hotspot on the golf course that will spread quickly during the summer. Ms. Kassel suggested contacting Mr. Snidely for an update, and Mr. Hamstra will follow up. His previous proposal was \$94,000. It might be better to spend a little money now.
- Operation & Maintenance, Reserve-Other: \$412,000.
 - Reducing to \$305,000 results in an assessment increase of 3.5%.
 - Mr. Hamstra discussed alleys. C-1 and C-2 (Cypress) were done last year. The reserve study recommends doing A-1 (Ashley Park) and G (Green) in fiscal year 2025 and beyond, which is estimated at \$850,000 and could be split over two fiscal years.
 - Mr. Hamstra recommended including \$25,000 for cattail removal and general maintenance of the stormwater system (e.g., pipe cleaning, camera work). Some cattail removal was performed in the community for \$7,000, but more ponds are getting out of control. Mr. Hamstra clarified typical stormwater pond maintenance includes cattail removal, pipe cleaning, and skimmer blades. The cattail removal and pipe cleaning work done this fiscal year is included in R&M-Ponds/Buck Lake. Mr. Hamstra indicated the District has 35 ponds, and six were treated this year. Ms. Montagna suggested putting a plan in place so work elements can be prioritized and included in the budget as needed.
 - Regarding alleys, Mr. Hamstra reviewed previous reports recommending the alleys to be done next fiscal year and indicated the alleys still look good and could perhaps wait another year. He will provide numbers for planning purposes. The cost was about \$100 per linear foot for the C-1 and C-2 alleys, which will be the cost basis for future alleys to be paved in the next one to five years. Mr. Leet asked about the curb work proposed to be done for Blazing Star Lane alley, which could be done in milling and resurfacing. Mr. Chokanis suggested keeping the cost allocated for this year to build reserves even if the alleys are paved in one to five years.
 - Mr. LeMenager suggested other large capital projects be included if the District chooses and is able to issue bonds to purchase the golf maintenance facility.

Discussion ensued regarding two options: issue a larger bond series resulting in assessments to all owners over a period of time, or increasing a particular year's budget as needed. Mr. LeMenager prefers stable, reliable numbers.

Ms. Phillips commented on the proposed assessment increase of 3.5% to follow consumer price index ("CPI") and suggested inflation might be as high as consumer product index. In dollars, an increase of 7.6% results in \$275 as the highest increase, from \$3,627 to \$3,902. Most increases are less than \$150. Going from 7.6% to 3.5% is not a huge increase in dollars to the owners but makes a big impact in the budget. Ms. Phillips is in favor of a 7.6% increase and suggested keeping the increase one more year before dropping it to a lower rate, where the District might not need to increase assessments much at all.

Mr. LeMenager reviewed a conversation on Facebook with Ms. Kassel prior to his appointment on the Board that perhaps the District should have been increasing assessments at the rate of inflation all along, which might have avoided a shocking increase two years ago. Mr. LeMenager agrees with an increase at the rate of inflation every year, putting the extra money in reserves. Mr. Chokanis agreed and reminded the Board a lot of catching up needed to be done after ten or more years of no increases. Two years ago was a large increase (31%) and another big increase (15%) last year. The District still has a lot to catch up on.

Mr. Hamstra reviewed his projects: alley repairs (\$850,000), cattail removal (\$25,000), conservation area maintenance (\$100,000), drainage maintenance, and maintenance facility.

Discussion ensued regarding showing increases in percentages or dollars. Due to the many different product types and assessment levels, the percentage basis is more uniform.

Mr. LeMenager reviewed the ending fund balance projected to be \$1,122,380 at the end of fiscal year 2025. Removing \$107,000 will still leave \$1,015,380. Not included in the budget is the alley repaving estimate of \$850,000.

Mr. Leet asked if all Mr. Hamstra's projects are included, which they are except for alley repaving. Every \$30,000 results in 1% increase, so a contribution to reserves of \$320,000 results in a 4% increase, which is Mr. Leet's preferred starting point.

Mr. Chokanis agreed not starting with 3.5% increase but recommends 7.6% increase this year to avoid keeping it 3.5% this year and potentially having to increase higher than inflation rate next year.

Ms. Montagna reviewed the history of increases, which have been decreasing in percentage. Most districts increase by inflation every year, which money builds up in reserves if not used. Ms.

Montagna does not recommend a 0% increase because costs increase every year. Mr. LeMenager wants to get back to normal and target the rate of inflation. Mr. Chokanis would like to get to the rate of inflation more slowly than just going straight there now.

Ms. Phillips commented with a 3.5% increase and things come up to be done, then the Board has to decide what has to be cut.

Mr. Leet indicated the District has monies in reserves for normal maintenance activities. For extraordinary damages, such as hurricanes, the District can recover costs through bonds or other means versus a budget increase.

Mr. Leet prefers 4% increase.

Ms. Kassel prefers 7.6% increase as the most feasible.

Ms. Phillips reminded the Board the maximum dollar increase for 7.6% is \$250 annually, or \$20 monthly, and the Board has a fiduciary responsibility.

Mr. LeMenager believes Harmony assessments are cheap, but many residents may be in a tight financial situation and will wonder why assessments are increasing higher than inflation. He does not want to simply add dollars to fund balance without a plan to utilize those funds for rainy days.

Mr. Hamstra indicated neighborhood B (Birchwood) alley is coming up soon, as well as D-1 (Drake) and others. Alleys have about a 15-year lifespan, and B was done about ten years ago, which will be targeted again for 2030.

Ms. Phillips commented her assessment is \$1,200 annually and enjoys the community and its amenities. Three Supervisor positions will be elected in November 2024, and there is potential that three people will be elected who want to slash the budget and start going backward. Having money in reserves will help that situation. Mr. LeMenager believes people will still be reasonable even if they have a different viewpoint. Sitting as a Board member, you realize what needs to be done.

Ms. Phillips is in favor of 7.6% increase and reviewed additional enhancements.

Ms. Montagna summarized the budget process, and the proposed budget has to be approved prior to June 15.

Mr. Chokanis asked how much other communities have in their reserves. Ms. Montagna indicated it depends on the assets owned. Using Celebration CDD as an example, it has very few assets because the homeowners association owns literally everything. Celebration CDD owns common areas, ponds, a few shade structures, street light poles, benches, and things like that. Celebration CDD contributes about \$350,000 annually to reserves. Their reserve study suggested adding \$1.5 million, which will probably never happen. Harmony will have \$1 million in fund balance, and Celebration will have about \$3 million in fund balance with virtually no assets and a

field staff of 25 at \$1.3 million. Mr. Chokanis does not believe \$1 million is a lot to have in fund balance. Ms. Montagna shared another district contributes \$12,500 to reserves annually and owns everything; a storm came through and they had no reserves, so they had to take out a bank loan. Harmony is financially healthy, but it is a Board decision. No district will ever be 100% funded in reserves unless assessments are astronomical. Some districts have no reserves and others assess at their expenses every year. Some districts increase 3% or 4% annually, regardless of expenses. Celebration started with a build-out budget for assessments and had not increased in 27 years because they used reserves to offset assessment increases.

Mr. Chokanis would like to get to 2% or 3% annually at some point.

Mr. Leet indicated \$370,000 contribution to reserves results in a 6% increase.

Mr. LeMenager suggests a lot of cushion was added to invasives and ponds, \$205,000, compared to the projected actuals for the current year. Ms. Montagna indicated that more work will be required due to maintaining golf course ponds, and invasives have not been assessed yet this year.

Mr. Leet discussed the history of last year's increase, which included a maintenance facility. Ms. Kassel is not in favor of issuing bonds to purchase the golf facility. Mr. Leet indicated the Board cannot fund that purchase from reserves. The Board intentionally increased the reserve contribution last year that may not need to be done this year. Mr. Leet likes 3.5% or CPI as a goal. Fund balance of \$1.1 million sounds like a lot, but one big project can wipe it out.

Ms. Kassel and Mr. Chokanis like \$412,000 contribution to reserves.

Mr. LeMenager likes \$305,000.

Mr. Leet likes \$370,000.

Ms. Phillips likes a 5% increase, or \$345,000, but will support \$412,000 since it can be lowered.

Reserve to contribution will be shown at \$412,000 for a 7.6% increase.

Ms. Phillips requested the mailed notice include the dollar amount the assessments will increase. Ms. Burgess confirmed the letter that is mailed will show both: dollars and percent. Ms. Kassel requested a monthly amount, as well.

Mr. LeMenager asked about H-1 (Rosewood) 25-foot lots, which are the west end off U.S. Hwy 192 and are townhomes but classed as single-family homes on the assessment chart. Mr. LeMenager asked where the new townhomes will be classed, if they will be multi-family. Ms. Kassel indicated they are attached, just like Ashley Park. Mr. Leet indicated the rest of H-1 is single family. Mr. LeMenager would like to codify multi-family applies to townhomes, triplexes,

apartments, and condominiums at one flat rate. Ms. Kassel does not believe that is appropriate because the sizes of the units and number of bedroom vary, but the same situation exists in Ashley Park with different sizes and number of bedrooms. Ms. Montagna briefly reviewed that is the purpose behind preparing a new methodology to be utilized next year if the Board agrees. Ms. Kassel suggested using square footage as a way to assign assessments. Mr. LeMenager suggested that methodology will increase assessments for the majority of residents. Larger homes and the Estates subsidize a lot of what people pay. Mr. LeMenager and Ms. Kassel would pay more from changing the methodology and would have to recuse themselves from the vote. Ms. Kassel would like to see the methodology for square footage. Ms. Montagna suggested scheduling a workshop after the budget season to discuss methodology options. Mr. LeMenager believes changing the methodology will cause too much confusion.

Questions arose what multi-family units in H-1 will be paying or how they are classed and if they are detached homes on 25-foot lots or attached multi-family units because H-1 currently has no multi-family units shown on the assessment chart.

The overall percentage is shown to the far right, and those who have paid off debt service will have an O&M increase of 7.6% but an overall 4.0% increase.

Ms. Montagna confirmed a new bond issuance could have assessments equalized over all product types.

FOURTH ORDER OF BUSINESS

Other Business, Update, and Supervisor Requests

There being none, the next order of business followed.

FIFTH ORDER OF BUSINESS

Adjournment

The workshop adjourned at 5:47 p.m.

Secretary/Assistant Secretary

Chairman/Vice Chairman